

Your Spending Plan

How to make a Spending Plan

Sometimes we feel that having a little more money would solve our problems, but people from all income levels have money problems. How we spend, rather than how much we have, can make the difference. A spending plan helps us get the most from the money we have.

Here's how to use the Monthly Worksheets to set up your own spending plan:

Step 1 – Set Goals

The first item on the Worksheet page is Goals for the Month. Under Goals, list one or more things your family needs or wants most this month. These are the most important things you want to work or save for this month.

Some goals can be reached in a fairly short time: buying school supplies, or paying an overdue bill.

Other goals take longer to reach: getting out of debt, for example, or getting another place to live. In the space below, write what your family would like to accomplish in the next two years, and what it will cost.

Family Goal	Cost
_____	_____
_____	_____
_____	_____

Some bigger goals need to become monthly goals. If you want a vacation two years from now, you might decide to save \$10 each month for that goal.

Step 2 – List Income

The next step is to list your income for the month. Write where the money is coming from, and the amount after taxes and other deductions.

Step 3 – Plan for Expenses

Turn to the page, "Where to List Income and Expenses." Find the expenses you expect to have this month, and where to list each expense on the monthly Worksheet. School lunches, for example, are part of Food expenses.

Try to estimate all your expenses as closely as you can. Your checkbook, receipts, or other records will help.

Expenses can be fixed or flexible. Fixed expenses are those already promised – such as rent or house payment – or expenses so important they must be paid, such as electricity or gas.

Some expenses come up only once or twice a year. These are irregular expenses, and might include personal property taxes, insurance premiums, school clothes or Christmas gifts. Below, add up the irregular expenses you need to plan for. Then divide by 12. This is how much you need to set aside each month.

Irregular Expenses	Month Due	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Monthly amount to set aside Total/12 = for Irregular Expenses

You may want to keep the amount set aside for irregular expenses in a separate place to avoid using it for other things.

When you need to pay an irregular expense, take the money from the amount set aside and list it as Income for the month. Then write the amount spent under the correct category: insurance, gifts, etc.

Irregular expenses are hard to handle at first, but it gets easier with planning and practice.

Were you surprised to see Savings under Fixed Expenses? Each month, remember to "Pay yourself first." Even saving a small monthly amount adds up and is important to build a fund for emergencies.

The next column on the Worksheet is for Flexible Expenses. These are expenses that change – or that you can change – from month to month. Use "Where to List Income and Expenses" to plan for flexible expenses. Figure as carefully as you can what you plan to spend, and write the amounts on the Worksheet.

Step 4 – Just a Minute!

Check to see if your plan will work. Add your Fixed Expenses plus Flexible Expenses to find the Total Planned Expenses for the month. If your Total Planned Expenses are more than your Total Income for the month, go back to the Worksheet to see where you can cut spending. When income and expenses balance, your plan is ready.

Step 5 – Put the Plan to Work

The whole family needs to help make the Spending Plan work. Keep track of your spending during the month. List the amount spent on the Worksheet. If you start to spend more than you planned, try to cut back.

Use a coffee can, large envelope, or paper bag to save sales receipts and other records. Receipts for most small items can be thrown away after the amount is listed on the Worksheet. Save important receipts, such as proof of payment on bills or loans. For items with a warranty, be sure to save the sales receipt with the guarantee or warranty.

If you want to itemize deductions on your income tax return, be sure to save receipts for medical and dental expenses, interest on loans and credit charges, contributions to churches and charities, and other deductible expenses.

At the end of the month, put the important receipts and records in an envelope and label it by month.

Step 6 – How Did You Do?

At the end of the month, check to see if your actual spending was what you had planned. If your actual spending was too high – or higher than your income – your family will need to make changes. Your family must make the hard choices between where to spend, where to cut down, and where not to spend at all.

Don't expect your spending plan to work perfectly at first. Each month you'll learn more about where to cut down, and where you need to spend more. Don't give up! It takes time to develop a plan that really works – one that helps you reach your goals and have the things your family needs and wants.

Where to List Income and Expenses

Income

Wages or salary
Pension or retirement benefits
Child support
Farm income
Unemployment benefits
Public aid Social security Insurance benefits
Help from relatives
Earnings at home (baby sitting, yard work, repairs, delivering newspapers)
Alimony

Housing

Rent
House or mobile home payment
Real estate taxes

Utilities

Electricity or gas
Water
Telephone
Trash and garbage pickup
Sewage
Cable TV

Insurance

Homeowners and renters
Health, accident, and disability
Life
Car

Installment Payments

Car payments
Loan payments
Amount you pay each month on charge account or credit card accounts

Savings

Savings accounts
Savings bonds and certificates
Emergency fund

Food

Groceries
Eating out
Snacks
School lunches

Clothing

Clothing
Underwear
Coats and jackets
Shoes and boots
Accessories
Dry cleaning and laundry
Clothing repair
Fabric for sewing
Sewing equipment

Household Expenses

Repairs
Cleaning supplies
Furniture and equipment
Toilet paper
Laundry supplies
Writing supplies and stamps

Medical Care

Doctor
Dentist
Hospital
Medical supplies and equipment (hearing aid, eyeglasses)
Medicines

Education

School expenses
Books
Newspapers and magazines

Transportation

Gasoline
Repair and upkeep (oil, lubrication, tune-up tires, battery)
License tags
Bus fares
Personal property taxes on automobile

Personal

Allowances
Haircuts
Cigarettes
Alcoholic beverages
Cosmetics
Babysitting or child care

Recreation

Movies
Hobbies
Vacations
Sports equipment
Fishing and other licenses
Pet supplies

Gifts and Contributions

Gifts to friends, relatives
Contributions to church
Contributions to charity
Political contributions

Other

Bank service charges
Safety deposit box rental
Funeral or cemetery expenses

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Kansas State University Agricultural Experiment Station and Cooperative Extension Service

EFNEP-5338x

November 1991

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