

BUDGETING BASICS

There is a reason that businesses use receipts and record books to closely track how much money is coming in and out. Keeping organized will allow you to make future financial decisions on full information.

This is much more easily said than done. Staying organized can be one of the most difficult steps for anyone trying to keep a balanced budget.

Putting together and following a spending plan can be overwhelming at first thought— particularly if you have never worked with a budget before. However, once you have done the initial work of getting your financial situation down on paper, the monthly upkeep can be accomplished in about 20 minutes.

This section will walk you through the steps to creating a plan for your personal finances. Important words and concepts that are introduced will be written in bold and italics. Definitions of these key words will be listed at the end of the section.

The end of the chapter contains supplementary materials: definitions, handouts, worksheets, and activities that can be individually photocopied or printed to distribute separately from the rest of the WHPE curriculum. The ✓ symbol is used to indicate supplementary handouts, worksheets, and activities.

Section Overview

Understanding Your Situation

How often does this happen to you?

What are your priorities?

Spending Plan

Why have a spending plan?

Would a spending plan help you?

Building a Spending Plan

Income

Tracking your spending

Debts

Regular monthly expenses

Occasional/seasonal expenses

Comparing your Income and expenses

Financial Priorities and Goals

Financial priorities

Financial goals

Savings Account

Why should I save?

Emergency Funds

Planning for emergencies

When you have money to fall back on

If your income suddenly drops...

Achieving Your Financial Goals

Are you happy with where your money is going?

Small changes add up over time

Find Your Spending Leaks

Ideas for saving money

A penny saved...

Supplemental Materials

Definitions

✓4-Week money management plan

✓Monthly spending plan

✓Detailed spending plan

✓Planning to stay ahead

✓Get hooked on saving

✓Keeping costs down

Understanding Your Situation

As hard as it is, it's helpful to think about your money concerns and stresses to get some ideas about where to start with your personal finances. Please choose the option that best fits your situation.

How often does this happen to you?	Often	Sometimes	Never
Not enough money for essentials			
Don't have enough money for expected expenses			
Are behind in rent or house payments			
Don't have enough food until there's more money			
Are in danger of having utilities turned off			
Unable to meet large bills			
Bills are confusing			
Excessive medical bills			
Behind in credit payments			
Have had action taken by creditor			
Checking account is not in order			
Don't talk about our family financial decisions			
Bills get lost or mailed late			
Feel stressed about finances			
Do not know where money is going			
Not able to save for a big expense			
Current financial challenges that you face:	Yes	No	
Change in job			
Recently divorced or separated			
Use of alcohol, drugs, gambling			
Debt			
Other:			

What are your priorities?

What 3 things do you feel are the most important to pay first and regularly every month?

- 1.
- 2.
- 3.

Spending Plan

A **spending plan** or **budget** is a concrete method to track your spending so that you can examine and record your available money. While it may take a little work, a good spending plan is key to making ends meet every month and saving money for the future.

Why have a spending plan?

Families say that making a spending and savings plan helps them feel as if they're more in charge of their money. Additionally, they say it helps to:

- Stretch dollars and get more for limited money.
- Work toward goals with the amount of income that they have.
- Spend wisely.
- Set aside a little money each month as savings, or for emergencies.

Would a spending plan help you?

If you answer "yes" to any of these questions, you can benefit by developing a spending plan.

Is your money gone before the next check?

☐ YES ☐ NO

Do you often wonder where your money was spent?

☐ YES ☐ NO

Do you run out of food or gas for your car before the next check?

☐ YES ☐ NO

Do you receive collection notices for bills that are past due?

☐ YES ☐ NO

Do you dream about buying something, but think you can never afford it?

☐ YES ☐ NO

Do you regularly pay bills late?

☐ YES ☐ NO

Do you borrow money or food from family, friends or agencies to make ends meet each month?

☐ YES ☐ NO

Building a Spending Plan

A good spending plan will help you to compare your *income* to your *debts* and *expenses*. As you go through your finances, you may also want to think about *savings* and *emergency funds*, which is covered later in this chapter. Before we fill out a full spending plan, it may be beneficial to look at each of these components individually.

Income

Income is the sum of all wages, salaries, profits, and other earnings received by a person or a household. While it may be easy to think about income in terms of how much your paycheck is worth, it is also important to make sure you know how much your partner or spouse is earning, how much is coming in from assistance or benefits programs, and whether you're regularly bringing in other sources of money.

The results may surprise you; sometimes when we add it all together, our income is slightly more or slightly less than we thought. Before you begin your spending plan, it may be helpful to simply list all the sources of income that you can think of.

Debts

One of the most important things you will need to do as you can also be one of the hardest to face: making a list of your **debts**. If you are like most people, you probably have an idea of what your unpaid balances are, but few of us know exactly what we owe, who we owe it to, and what the terms and conditions of our debts really are. Having too much debt (monthly payments that total more than 20% of your net income) can prevent you from reaching the goals that are most important to you.

Your **creditors** are the individuals or businesses to whom you owe money. This may be in the form of student loans, credit cards, bank loans, car loans, collection agencies, medical offices, mortgages, and more. Knowing the interest rate and the other terms of your agreement will help you make smart decisions about which debts you are going to try and pay in which order. Generally, those debts that have the highest interest rates are costing you the most money and should be paid as fast as you can manage.

Tracking your spending

In order to have a clear picture of exactly where your money is going, it is recommended that you write down everything you spend money on.

- ❖ **Notebook:** When you spend money, write it down right away.
- ❖ **Receipts:** Put your receipts in a folder or envelope and add them up at the end of the month. No receipt? Write the amount on the folder.
- ❖ **Calendar:** If you're used to looking at a calendar every day, write down what you spend, what bills were paid, and income received in your calendar.
- ❖ **Checkbook:** Look through your checkbook for check/debit purchases.
- ❖ **Envelope Method:** If you usually spend cash, put your spending money for the day or week in an envelope. When you take cash out, put your receipt in or write your purchase on the envelope. You can also divide your expenses into categories like "groceries" or "entertainment" to limit spending.
- ❖ **Computer:** Enter your spending and income into a computer program that totals up your cash flow for you
 - **Quicken, Money**
 - **Free programs:** mint.com, quizzle.com, rudder.com
- ❖ **Bank** – Many banks offer online bill paying, tracking, and other features.

List all of your expenses on your spending plan. Forgetting to list an expense will throw your budget off because it will not reflect a true picture of how you are spending your money.

Regular monthly expenses

Debts are just one part of where we spend income. It is equally important to understand how much money you spend on the **expenses** in your life. There are several different types of expenses to be aware of when making a budget:

Over the course of a month, you will encounter both **fixed** and **variable** expenses. Fixed expenses basically stay the same from month to month (rent, utilities, and car payments). On the other hand, you'll know that you have variable expenses every month, but they may be higher one month and lower the next. An example would be groceries or gas.

Occasional and seasonal expenses

Imagine that you have been going along with your spending plan and you have been able to balance between your income and expenses. Suddenly you realize it's tax season and you're going to owe money this year. The only way you can pay your taxes is by choosing to pay one of your other bills late. Now you are behind in your payments and will be charged a late fee for the bill you could not pay.

One thing that can quickly ruin a budget is to forget to consider those expenses that don't occur each and every month. Some big expenses like property taxes and insurance premiums come up only once or twice a year. Others are seasonal, such as school clothes in the fall and holiday gifts in December.

Item	J	F	M	A	M	J	J	A	S	O	N	D	Yearly Cost	Monthly Average
													\$	\$
													\$	\$
													\$	\$
													\$	\$
													\$	\$
Total													\$	\$

To insure that you have the money to meet these **occasional** (also known as **seasonal** or **periodic**) expenses when they happen, figure out a monthly average for each one and set aside money in a special savings account each month.

Comparing your income and expenses

So far, you have laid the groundwork for your spending plan by listing your income, debts and other expenses. Now it is time for the moment of truth. Using your spending plan worksheet, add up all of your income and expenses and your plans for saving.

Ideally, you want to end up with more income than expenses. In real life, it doesn't always work out that way. If your debts and expenses exceed your income, don't panic. You can still get your finances under control by:

- ❖ increasing your income,
- ❖ reducing your expenses,
- ❖ or both.

Financial Priorities and Goals

Now that you've looked at your income and expenses, and now that you've tracked your spending over the course of a month, you can spend time thinking about what's important to you. You work hard for your money and it's important to feel like there's something in all that hard work for you besides paying bills.

Financial priorities

There are a lot of different ways to spend a dollar. These questions will help you recognize your financial priorities and values. You can have family members or your partner complete the activities as well and then discuss the similarities and differences.

Check out this online calculator to help prioritize financial goals:
http://cgi.money.cnn.com/tools/prioritize/prioritize_101.jsp

1. I just won \$5,000 in the lottery. This is what I'd like to do with the money:
2. I have just been laid off from my job. I must make a major cut in spending. The first thing to go is: _____.
3. I would like to see me/us spend more money on _____ and less money on _____.

Financial goals

The reason to plan is to make sure you're spending your money on things that are the most important to you – your priorities. For each financial goal, figure out the total amount needed, the date you want to reach your goal, and how much you need to save monthly. For example, if you want \$500 in your emergency fund in one year, you need to save around \$42 every month.

Financial Goals	Total Amount Needed	Date Needed (in months) (6 months, 24 months, etc.)	Amount to Save Monthly (Total needed/number of months)
<i>Example: Emergency Fund</i>	<i>\$500</i>	<i>12 months</i>	<i>\$500/12 months = \$42/month</i>
Total amount needed to save monthly:			\$

Are you able to save enough money each month for all your goals? Most people have more goals than they do money. Which goal is the most important? Write a number in the margin next to each goal to show its priority.

Savings Accounts

Not everything that comes out of your income needs to be debt or expenses. You can also put money away! Saving money can take several different forms: **Short term savings** is money set aside for goals you want to achieve in less than 5 years, such as a vacation or a car. **Long term savings** is money set aside for goals you have for 5 years or longer into the future, such as a house purchase or a child's education. **Retirement savings** is money placed in a long term, tax deferred account such as an IRA or 401(k) plan for the sole purpose of supporting you in your retirement years.

How should I save?

Treat those payments into your savings account just like your other bills. This way, you won't be tempted to wait until the end of the month to see if there is anything left over to contribute to your savings. Think of your other savings goals by category as well. Some people prefer to keep the money for each goal separated in order to see how they are progressing, but this is not always possible and not necessary for success. Credit unions usually offer savings accounts with initial deposit amounts as low as \$5 with no minimum balance requirements. If there is a credit union in your area, you may want to consider having more than one savings account. If this seems too over-whelming or not practical for you, limit your savings to one account. The most important thing is to start saving.

Setting up a savings plan takes time and will not be achieved overnight. The key is to not be discouraged and to take one step at a time. Stay focused and make small changes. Small changes over time make big rewards.

Emergency Funds

Planning for emergencies

Sometimes the unexpected happens. It may be a car accident, something lost or stolen, illness, injury, or more. Because we can't predict when these emergencies will occur, it can be a very wise idea to set aside an **emergency fund**. Even \$2 a week will add up to \$100 in a year, and could pay an unexpected bill.

- ❖ To set up an emergency fund, work on saving an amount equal to one month's spending for housing, utilities, food, transportation, and other regular expenses.
- ❖ Try to add at least 1% to this fund every month. For example, if your basic living expenses are \$1400 per month, this would

When you have money to fall back on:

- You have less stress and more security when there's an emergency, like an illness, accident, or loss of work.
- If you fall short of money one month, you can still make your payments on time. This will also help to build up your credit history.
- You can get car or home repairs or medical care when needed, rather than waiting until you can find the money. Waiting may make the problem bigger and more expensive.
- You can select the best service provider, mechanic, or other help needed with available funds, rather than relying on high interest credit.

mean contributing \$14 per month to your fund. Add more if you can.

- ❖ Financial experts recommend keeping 3-6 months worth of your basic monthly living expenses in an emergency fund. It takes most people several years to build up an emergency fund.
- ❖ Even when you're building up your emergency fund, you can use any of the funds you have saved for any situations, repairs, or replacements that you can't pay for out of your monthly income. After you get through the emergency, start adding to your fund again.

If your income suddenly drops...

Sometimes a household's income drops suddenly because of a job layoff, an illness or death, or a divorce. It's natural to feel shocked or panicked or to want to ignore the situation.

Whatever the cause, the best thing you can do is to figure out if your new income covers all of your current expenses. Most households can't continue to spend at the same rate and with same lifestyle that they had before their income dropped – even if the drop is just temporary. The sooner you look at your household budget, the more options you have and the better off you will be in the long run.

As hard as it is, you need to let your creditors know about your financial situation. Some of your creditors may be willing to work with you during a rough patch if you're honest with them and contact them before you miss any payments.

Talk with your family and friends about your stress and the changes that might need to happen at home. If you have children at home, you don't want to worry them with adult concerns about paying for groceries or the mortgage, but it's okay to let them know that there's less money coming into your home. Children can be part of the solution when you let them know that some purchases can't be made or some activities will need to be cut or postponed. Your teens might already be contributing to the family budget through a part time job. Families often come out stronger when everyone pulls together.

No matter how bad your situation might be, ignoring your worries won't make them go away. Take charge.

For free, confidential service, contact your county UW-Extension office with any questions or for more information.

Achieving Your Financial Goals

Who wants pizza?

- Meal out at a pizzeria (includes breadsticks and drinks) **\$20**
- Order a large take-out from a pizzeria **\$15**
- Pick up a “take & bake” from the grocery store **\$9**
- Buy ingredients and make pizza at home (using frozen dough) **\$6**
- Buy a frozen pizza (on sale, of course) to cook at home **\$3**

Are you happy with where your money is going?

Sometimes we just buy things or go places out of habit without giving it a lot of thought. Tracking your spending will help you to be more aware of your spending habits – and changing a few habits can result in big savings.

Small changes add up over time

Do you buy snacks or soft drinks from the machines at work? By bringing soda from home (\$.30 each) instead of buying from the machine (\$.75 each), a person who drinks 2 sodas a day could save \$234 over the course of a year. If you’re feeling really motivated, cut out the soda entirely and switch to water – saving an additional \$156/year.

Find your spending leaks

If you are finding it hard to cut your spending, think back over the last two weeks and try to remember what you spent your money on. Did you buy a candy bar from the vending machine or a bag of potato chips from a convenience store? List all of these purchases below. Include how much the item cost and how many times in a month you usually buy the item. Multiply that monthly amount by twelve to see how much you are spending on these small items over a year’s time.

Item	Cost	# Of Times You Buy In a Month	Cost/ Month	Cost/ Year
<i>Example: Eating Out</i>	<i>\$15</i>	<i>4</i>	<i>$\\$15 \times 4 = \\60</i>	<i>$\\$60 \times 12 = \\720</i>

Once you see how these small “leaks” add up, is there anything you can cut back on? This is the where you are going to find the additional money you need to set aside for the goals you made earlier. Some possible categories: vending machines, cigarettes, alcohol, extra cell phone minutes, CDs/DVDs/Games, cable/satellite TV, lottery tickets.

Ideas for saving money

Another way to shed some of your expense dollars is by making adjustments to the purchases you still make. For example, many grocery stores will carry generic versions of cereals that are virtually identically yet cost a fraction of the price of the name brand. When you're thinking about saving, think of an item you've bought and answer the following three questions:

1. How can I buy it cheaper?
2. How can I make it last longer?
3. How can I use it less?

Looking for money

Cable/satellite TV	\$50/month = \$600/year
DVD rentals @ \$12/week	\$36/month = \$432/year
Movie tickets @ \$8/each	\$16/month = \$192/year
Treats at movie @ \$5/visit	\$10/month = \$120/year

Recall that if you're trying to get the biggest bang for your buck, you can increase your income, decrease your expenses, or both.

A penny saved...

If you're looking for further ideas to help make ends meet, there are lots of good tip sheets, websites, and other resources available to help you think about creative ways to save in your budget.

Saving money is not always an easy process, and it will take time to build your savings account. You may feel like you're only cutting nickels and dimes off your expenses by making small changes. However, each change you make to your buying habits and to your lifestyle will add up to make very legitimate differences in your spending plan and in your savings account.

Supplemental Materials

This chapter contains a number of supplemental worksheets, handouts, activities, and other resources to help you or someone else best understand this material. The options are outlined below. Feel free to photocopy or print these supplemental materials and use them as you see fit.

Definitions

A list of terms that have appeared throughout this chapter.

Budgeting Worksheets

✓ WORKSHEET: 4-WEEK MONEY MANAGEMENT PLAN

- ❖ A spending plan that divides monthly income into up to four pay periods.
- ❖ Helpful for those who are struggling to figure out how to spread their money out over a month or how to save up across a couple paychecks to make a car or rent payment.
- ❖ Dividing up expenses within each pay period can be confusing.

✓ WORKSHEET: MONTHLY SPENDING PLAN

- ❖ Combines information on income, debts, expenses, and allows for tracking of savings and emergency funds.
- ❖ This is a good worksheet to start with for someone who has never written down or tracked expenses before.

✓ WORKSHEET: DETAILED SPENDING PLAN

- ❖ 5-pages, includes financial savings goals and more extensive monthly/annual spending categories.
- ❖ Worksheet might be overwhelming to anyone who has never looked at their spending before, but helpful to those who are more aware of their monthly expenses.
- ❖ Can be used as a self-study budgeting guide.

✓ WORKSHEET: PLANNING TO STAY AHEAD

- ❖ 2-page document that outlines, income, types of assistance programs, expenses, and compares income and expenses.
- ❖ The only worksheet that also highlights some of the different types of assistance and support that are available to make ends meet.

Savings Tips

✓ ACTIVITY: GET HOOKED ON SAVING

- ❖ Learning to save, even as you pay off bills, is an important part of managing money.
- ❖ It can be wise to learn about the saving priorities for the rest of your household.

✓ HANDOUT: KEEPING COSTS DOWN

- ❖ A list of helpful suggestions to increase income and reduce expenses.

DEFINITIONS	
Spending Plan	A concrete method to track the money that is coming in and going out. Also known as a budget.
Income	The sum of all wages, salaries, profits, and other earnings received by a person or a household.
Gross Income	
Net Income	
Debts	Money you owe and need to repay.
Creditors	The individuals or organizations to which you owe money.
Expenses	The costs of everything we spend money on.
Fixed Expenses	Expenses that require set payments on a weekly, monthly or annual basis.
Variable Expenses	Expenses which change, fluctuate, or vary from month to month.
Occasional Expenses	Irregular expenses such as holiday shopping, auto insurance and registration; may be variable or fixed. Also known as periodic or seasonal expenses.
Short Term Savings	Money set aside for goals within 5 years.
Long Term Savings	Money set aside for goals outside of 5 years.
Retirement Savings	Money placed in long term, tax deferred accounts such as a 401(k).
Emergency Fund	A savings account or other saving method set aside in case of an unexpected expense.

4-Week money management plan

worksheet

Name _____ Month _____

	Week 1	Week 2	Week 3	Week 4	Total Monthly (add weeks 1-4)
MONTHLY INCOME					
FIXED or VARIABLE EXPENSES					
<i>Fixed Example: Rent/Mortgage</i>					
<i>Variable Example: Groceries</i>					
OCCASIONAL EXPENSES (occurring less than once a month)					
<i>Example: Income taxes</i>					
SAVINGS or EMERGENCY FUNDS (amount put into the account)					
<i>Savings</i>					
<i>Emergency fund</i>					
DEBT PAYMENTS (amount due)					
<i>Example: Credit card</i>					
TOTAL SPENT	\$	\$	\$	\$	\$

Month

Take Home Income/Paychecks	
Income (1)	\$
Income (2)	\$
Income (3)	\$
Income (4)	\$
TOTAL MONTHLY NET (TAKE HOME) INCOME	\$

Detailed spending plan

worksheet

Name _____ Month _____

INCOME	Amount (Net)
Employment #1	\$
Employment #2	\$
Social Security	\$
Pension	\$
Alimony or Child Support	\$
Food Stamps/Food Share	\$
Commissions	\$
Other	\$
TOTAL MONTHLY NET INCOME	\$

EXPENSES		
Savings	Current or Tracked	Planned
Savings Account or Fund	\$	\$
Emergency Savings Fund	\$	\$
Other	\$	\$
Total Monthly Savings	\$	\$

Housing	Current or Tracked	Planned
Mortgage	\$	\$
2nd Mortgage	\$	\$
Home Equity Loan/Line of Credit	\$	\$
Rent	\$	\$
Property Taxes	\$	\$
Condominium Fee	\$	\$
Homeowners/Renters Insurance	\$	\$
House Repairs/Maintenance	\$	\$
Garden/Pool/Lawn/Snow	\$	\$
Other	\$	\$
Total Monthly Housing Expenses	\$	\$

Utilities	Current or Tracked	Planned
Natural Gas, Oil, Propane	\$	\$
Electricity	\$	\$
Water/Sewer	\$	\$
Garbage/Recycling	\$	\$
Phone/landline ____ +cell ____	\$	\$
Other	\$	\$
Total Monthly Utility Expenses	\$	\$

Food	Current or Tracked	Planned
Groceries	\$	\$
Eating Out Lunch	\$	\$
Dining Out	\$	\$

Coffee/Snacks	\$	\$
Kids School Lunch Money	\$	\$
Other	\$	\$
Total Monthly Food Expenses	\$	\$

Transportation	Current or Tracked	Planned
Auto Payment 1	\$	\$
Auto Payment 2	\$	\$
Auto Payment 3	\$	\$
Gasoline	\$	\$
Auto Insurance	\$	\$
Parking Fees/Tolls	\$	\$
Auto Registration/Plates	\$	\$
Public Transportation	\$	\$
Car Repairs/Maintenance	\$	\$
Other	\$	\$
Total Monthly Transportation Expenses	\$	\$

Health Care	Current or Tracked	Planned
Health Insurance	\$	\$
Prescriptions	\$	\$
Co-pay/Deductibles	\$	\$
Dental Care	\$	\$
Other	\$	\$
Total Monthly Health Care Expenses	\$	\$

Education and Employment Costs	Current or Tracked	Planned
Tuition	\$	\$
Books	\$	\$
Student Loans	\$	\$
Room/Board	\$	\$
School Supplies, Fees, Field Trips	\$	\$
Child Care & After-school Care	\$	\$
Newspapers/Magazines	\$	\$
Other	\$	\$
Total Monthly Education/Employment	\$	\$

Clothing	Current or Tracked	Planned
Purchases	\$	\$
Team or Group Shirts/Uniforms	\$	\$
Laundry	\$	\$
Dry Cleaning	\$	\$
Repairs	\$	\$
Other	\$	\$
Total Monthly Clothing Expenses	\$	\$

Personal Care	Current or Tracked	Planned
Beauty Salon/Haircuts	\$	\$
Cosmetics	\$	\$

Manicure/Pedicure	\$	\$
Toiletries	\$	\$
Fitness/Health Club or Gym	\$	\$
Other	\$	\$
Total Monthly Personal Care Expenses	\$	\$

Entertainment	Current or Tracked	Planned
Cable	\$	\$
Movies	\$	\$
Music	\$	\$
Sports	\$	\$
Hobbies	\$	\$
Internet	\$	\$
Babysitting Costs	\$	\$
Other	\$	\$
Total Monthly Entertainment Expenses	\$	\$

Pets	Current or Tracked	Planned
Food	\$	\$
Vet	\$	\$
License	\$	\$
Insurance	\$	\$
Grooming	\$	\$
Other	\$	\$
Total Monthly Pet Expenses	\$	\$

Other	Current or Tracked	Planned
Bank Fees/Money Orders/etc.	\$	\$
Tobacco	\$	\$
Alcohol	\$	\$
Religious/Charitable Contributions	\$	\$
Lottery	\$	\$
Vacation	\$	\$
Special Event (graduation, prom, wedding, etc.)	\$	\$
Gifts	\$	\$
Life Insurance	\$	\$
Long-Term Care Insurance	\$	\$
Allowance/Spending Money	\$	\$
Other	\$	\$
Total Monthly Other Expenses	\$	\$

Credit Cards (include balances)	Payment	Planned Payment
#1	\$	\$
#2	\$	\$
#3	\$	\$
#4	\$	\$
#5	\$	\$
Total Monthly Credit Cards	\$	\$

Summary of Expenses	Current or Tracked	Planned
Savings	\$	\$
Housing	\$	\$
Utilities	\$	\$
Food	\$	\$
Transportation	\$	\$
Health Care	\$	\$
Education/Employment	\$	\$
Clothing	\$	\$
Personal Care	\$	\$
Entertainment	\$	\$
Pets	\$	\$
Other	\$	\$
Credit Cards	\$	\$
TOTAL MONTHLY EXPENSES	\$	\$

SUMMARY	Current or Tracked	Planned
Total Monthly Net Income	\$	\$
Minus - Total Monthly Expenses	\$	\$
Monthly Surplus/Deficit	\$	\$

Adapted by Ruth Schriefer, Family Living Agent, UW-Extension Iowa County (June 2009) from GreenPath Debt Solutions & UW-Extension "Your Personal Journey to Financial Success after Bankruptcy", 2008.

Planning to stay ahead

worksheet

1. What money and other resources do you have?**Standard income**

How much money comes in each month from:

\$_____ Wages and salaries
 \$_____ Wages and salaries
 \$_____ Wages and salaries
 \$_____ Tips, commissions or overtime
 \$_____ Social Security and pensions
 \$_____ Child support and alimony
 \$_____ Unemployment Compensation
 \$_____ TANF (Temporary Assistance to Needy Families)
 \$_____ SSI (Supplemental Security Income)
 \$_____ Veterans' benefits
 \$_____ Children's wages
 \$_____ Other: _____
 \$_____ Other: _____

 \$_____ **TOTAL MONTHLY INCOME**

Resources other than money

Certain programs and strategies help you and your family to get food and other services while also reducing some of your expenses. Do you or your family access:

_____ BadgerCare Plus/Medicaid
 _____ WIC coupons (women, infants, and children)
 _____ FoodShare (also known as SNAP or food stamps)
 _____ Free or reduced price School Lunches or School Breakfasts
 _____ EITC (Earned Income Tax Credit)
 _____ Meals at Head Start or Child Care Feeding Program at day care
 _____ SHARE food buying club
 _____ Commodity foods program
 _____ Food from a food pantry or free meal site
 _____ Food from a garden, friends or relatives
 _____ Free clothing, furniture or baby goods
 _____ Day care assistance
 _____ Energy assistance
 _____ Housing assistance
 _____ Other: _____

2. Where does the money go?**Housing & utilities**

\$_____ Rent or house payment
 \$_____ Electricity, gas, oil
 \$_____ Phone
 \$_____ Home maintenance, cleaning supplies
 \$_____ Garden and lawn supplies
 \$_____ Water/sewer
 \$_____ Furnishings, appliances
 \$_____ Property taxes
 \$_____ Other: _____
 \$_____ **TOTAL**

Food

\$_____ Groceries
 \$_____ Eating out or snacks
 \$_____ School lunches
 \$_____ Infant formula
 \$_____ Special occasions
 \$_____ Other: _____
 \$_____ Other: _____
 \$_____ Other: _____
 \$_____ Other: _____
 \$_____ **TOTAL**

Transportation

\$_____ Car/truck payment
 \$_____ Bus pass/cab
 \$_____ Tires and repairs
 \$_____ Gas, oil, etc.
 \$_____ License and insurance
 \$_____ Parking
 \$_____ Other: _____
 \$_____ **TOTAL**

Medical & dental

\$_____ Insurance
 \$_____ Doctor
 \$_____ Dentist
 \$_____ Eye care
 \$_____ Prescriptions
 \$_____ Hospital
 \$_____ Other: _____
 \$_____ **TOTAL**

Clothing & personal care

\$ _____ Clothing
 \$ _____ Diapers
 \$ _____ Shoes and boots
 \$ _____ Laundry
 \$ _____ Haircuts
 \$ _____ Personal products
 \$ _____ Child(ren)'s allowance(s)
 \$ _____ Other: _____
 \$ _____ Other: _____
 \$ _____ **TOTAL**

Education & recreation

\$ _____ Tuition, school supplies
 \$ _____ Lessons (sports, music, etc.)
 \$ _____ Books, papers, magazines
 \$ _____ Cable TV
 \$ _____ Video rentals
 \$ _____ Vacations, weekend trips
 \$ _____ Hobbies, sports
 \$ _____ Movies, plays, sporting events
 \$ _____ Other: _____
 \$ _____ **TOTAL**

Contributions & gifts

\$ _____ Contributions
 \$ _____ Gifts/birthday, holiday
 \$ _____ Other: _____
 \$ _____ Other: _____
 \$ _____ **TOTAL**

Child care

\$ _____ Child care/day care
 \$ _____ Baby-sitting
 \$ _____ Child support
 \$ _____ Other: _____
 \$ _____ **TOTAL**

Credit payments

\$ _____ Payment: _____
 \$ _____ Payment: _____
 \$ _____ Payment: _____
 \$ _____ Payment: _____
 \$ _____ Payment: _____
 \$ _____ Other: _____
 \$ _____ Other: _____
 \$ _____ **TOTAL**

Other expenses

\$ _____ Savings, emergency fund
 \$ _____ Checking account, money order fees
 \$ _____ Life insurance
 \$ _____ Stamps, postage
 \$ _____ Union, work expenses
 \$ _____ Pet food and care
 \$ _____ Other: _____
 \$ _____ **TOTAL**

3. Monthly totals

Write the total amounts for each monthly spending category (from step 2, above)

Housing & utilities \$ _____
 Food \$ _____
 Transportation \$ _____
 Medical & dental \$ _____
 Clothing & personal care \$ _____
 Education & recreation \$ _____
 Contributions & gifts \$ _____
 Child care \$ _____
 Credit payments \$ _____
 Other expenses \$ _____
 \$ _____ **TOTAL MONTHLY EXPENSES**

4. Is it enough?

Your TOTAL MONTHLY INCOME (from step 1, above): \$ _____
 Your TOTAL MONTHLY EXPENSES (from step 3, above): \$ _____

Adapted from *Planning to Stay Ahead*, UW-Extension

Get hooked on saving

activity

Learning to save, even as you pay off bills, is an important part of managing money. Once you have experienced the satisfaction of getting something you have saved for, it is easier to continue. Putting money into savings each month for emergencies or for something you want gives you more control.

Materials

- A sheet of paper and pencil.
- A container for savings—a jar with a screw on lid, coffee can or purchased “piggy bank” will work.

Implementation

1. Make a list of 4-6 items you/families members would like to have. Each item should cost less than \$100.00.
2. Look over the list, each family member vote for item they would most like to save for now. Item with the most votes is selected.
3. Use store ads, magazine pictures or draw a picture of the item. Tape or glue the pictures to the container.
4. Check store prices and determine exactly how much money is needed to buy the item. Label the container with this amount.
5. Make a plan to start saving the money needed for the item.
6. Save certain coins like dimes or quarters.
7. Save change at the end of each day.
8. Spend less on an expense—take a lunch to work and put money you would have spent in the jar, get video from library, put money for video rental in jar, make a pizza
9. At home, subtract the cost of ingredients from the price of having a pizza delivered, put the difference in the jar.
10. Collect aluminum cans, sell them and put money in the jar.
11. Once a week, meet together, and count the money in the jar.
12. When there is enough money to buy the item, plan a trip to make the purchase and celebrate.
13. Keep the jar and decide on the next item you want to save for.

Discussion Questions

- What did you learn from this activity?
- Do you have a strategy to save for something you want?

Keeping costs down

handout

There are three ways to make income and expenses balance: You can increase income, decrease expenses, or do both.

Increasing family income

An increase in income may involve additional time or energy sacrifices on the part of one or more members of a household.

- ❖ Household members may look for additional short-term, part-time or full-time jobs.
- ❖ Household members who are already employed may decide to work more hours. Note: *Consider the increase in income balanced against the extra cost of day care, transportation, and clothing, etc.*
- ❖ Sell crafts/hobby work (knitting, woodwork, art pieces, etc.)
- ❖ You may want to sell some items you no longer need.
- ❖ Claim tax credits.
- ❖ Reduce or drop voluntary paycheck deductions. You can use the withholding calculator from the IRS website (www.irs.gov).
- ❖ Part-time job or self-employment
- ❖ Sell stuff

Decreasing expenses

Take a good look at where your money is going. Do you spend your money on what you need or on what you want? Compare what you buy with what your goals are. Try to cut back on things you don't really need. If you don't know where your money is going, track your expenses each month.

Recreation can be inexpensive.

- ❖ Check local papers for free activities in your area. Look for youth activities, craft classes and sport teams at local community centers and recreation departments.
- ❖ Watch for special free or reduced price days at museums, movie matinees, or zoos.
- ❖ Think about how you can save on what you pay for television service. If you have cable TV, the basic plan is much less expensive.
- ❖ Borrow books, videotapes, music, and sometimes even games and toys, from the public library.
- ❖ Plan parties at home with friends. Pot-lucks can be inexpensive.
- ❖ Play games together as a family instead of going to the mall or to a movie.
- ❖ Grow a family garden. This can be fun and produce food for the family, too.

Eating out doesn't have to ruin your food budget.

- ❖ Plan an occasional meal at a family restaurant or fast food place as part of your food budget.
- ❖ Watch for coupons and specials for the restaurant you plan to visit.
- ❖ Grocery store delis often have ready-to-eat meals at prices much lower than restaurants.

Use fewer expensive cleaners.

- ❖ Buy one good all-purpose cleaner to use for floors, walls, woodwork and appliances.
- ❖ Make inexpensive glass cleaner. Mix 1/3 cup vinegar in 1 gallon of water; spray on and wipe dry.
- ❖ Clean soap scum in the bathroom by wiping fixtures with a cloth wet with white vinegar.
- ❖ Clean sinks and counter tops with baking soda. Sprinkle baking soda on wet surface, and scrub with a wet cloth or sponge. Rinse well.
- ❖ Disinfect your kitchen cutting boards by wiping with a weak mixture of 1 Tablespoon of bleach in

1 gallon of water.

- ❖ Buy fewer unnecessary products, such as air fresheners, toilet bowl colors, laundry softeners, carpet deodorizers.
- ❖ Use only the amount of cleaner you need to do the job. Cut down on waste. Warning: *Always keep cleaning supplies out of the reach of children. Read labels, and do not mix cleaners, especially those with ammonia and bleach.*

Use fewer expensive paper products.

- ❖ Cut up old towels and flannel shirts to make cleaning rags for dirty jobs.
- ❖ Save money by using fewer paper towels.
- ❖ Use reusable plastic plates and cups for picnics and parties.

Use other ways to get around.

- ❖ Take the city bus whenever possible.
- ❖ Buy monthly bus passes if you use the bus a lot.
- ❖ Walk or ride a bike for shorter trips.
- ❖ Join a carpool; share the costs for gasoline.

If you have a car, take good care of it.

- ❖ Wash your car yourself; a clean car will rust less.
- ❖ Remember to do regular maintenance such as oil changes.

Reduce costs for your car.

- ❖ You will get better gas mileage if your car is tuned up and tires are properly inflated.
- ❖ Plan your trips and errands so you drive fewer miles.
- ❖ Talk to two or three insurance agents about lower cost insurance for your car or pickup.
- ❖ Watch for sale prices on motor oil, anti-freeze and windshield washer fluid.

Work at staying healthy.

- ❖ Set a good example for your children by taking good care of yourself.
- ❖ Encourage regular exercise by all family members.
- ❖ Have children fully immunized. Find out about free immunization clinics in your area.
- ❖ Get regular medical, dental and vision checkups. Check with your local health department for free or low cost checkups. Ask about Healthy Start.

Make wise health care decisions.

- ❖ Find out about all health care benefits you are entitled to.
- ❖ Ask your doctor if generic brands are available for prescription medicines.
- ❖ Compare costs of over-the-counter medicines to find the best buy.
- ❖ Ask questions about medical tests and treatments. What is the cost?

Feed your family well for good health.

- ❖ Plan and fix good meals for your family.
- ❖ Find out if you are eligible for Food Stamps, free or reduced-price school lunch and breakfast, and WIC programs.
- ❖ Ask about reduced fees or scholarships for youth activities, clubs, sports and recreation programs for your children. Many activities and programs will have ways to let children enroll, even if they are unable to pay.
- ❖ Talk to your child's teacher or principal about reduced fees for field trips and school activities.
- ❖ Trade baby-sitting with another family.
- ❖ Enroll children in Head Start summer school and summer day camp offered by school and community groups. Fees are usually less than child care.
- ❖ Ask human services staff about special child care programs that might work for you.

Cut energy costs.

- ❖ Look for a program in your community that can help you winterize your home.

- ❖ Add weather-stripping and caulking where necessary. Put clear plastic over leaky windows.
- ❖ Talk to your landlord about ways you can work together to cut heating/cooling costs.
- ❖ Set thermostat at 65 degrees F or less in winter. Wear layers of clothing to keep warm.
- ❖ Turn your thermostat down at night and when you are away from home all day. Pull drapes and blinds closed tightly.

Spend less on utilities.

- ❖ Cut telephone costs by looking for a long distance plan that meets your needs. Use less long distance.
- ❖ Use fewer optional custom calling services (like "Call Waiting").
- ❖ Use less electricity by buying low wattage or high efficiency light bulbs, except for reading or study areas. Use "night lights" instead of regular room light.
- ❖ Turn off lights in empty or unused rooms.
- ❖ Turn off the radio and television when no one is using them.
- ❖ Use hot water wisely — use cold water to rinse laundry. Keep your water heater set at 120°F or less.
- ❖ Use your oven efficiently by cooking two or three things at the same time.
- ❖ Defrost your refrigerator freezer often to keep ice from building up.

Keep clothing costs down.

- ❖ In spring or fall, watch for sales on winter coats and boots. Consider buying winter coats on layaway.
- ❖ Look for good used clothing at resale shops and garage sales.
- ❖ Buy clothes that go with items you already have. Mix and match outfits.
- ❖ Trade clothes or "hand-me-downs" with other families, especially children's outgrown clothes.
- ❖ Decide how much you are able to spend for older children's clothes.
- ❖ Teenagers can often earn money to help buy their own clothes or shoes if they want more expensive items.
- ❖ Wash out-of-season clothes and store them carefully to avoid damage by insects and mildew.

Spend less on hair care and cosmetics.

- ❖ Learn to trim your children's hair yourself.
- ❖ Shop around for lower cost haircuts. Look for a beauty college near your home where haircuts cost less.
- ❖ Watch for sales and specials on shampoos, soaps and cosmetics.

Other suggestions:

- ❖ Agree on your household priorities
 - ❖ Get organized
 - ❖ Buy in bulk wisely—bulk is best when you know you'll use it all, otherwise it can be a waste.
-