



HOW TO CREATE A SPENDING PLAN

One of the final steps in your study is to create your own Spending Plan, or budget. Once you have created your Spending Plan, use the plan to keep track of your spending, so that you can control your spending. This process will lead to having margin that you can use to pay off debt and save for the future.

You want your Spending Plan to be realistic and accurate. To fill out the first column of numbers – the monthly budget – you will probably have to estimate. A good, fairly quick way to get an accurate estimate is to gather your bank statements and credit card statements for the last two or three months. Write down what you have actually spent for as many of the categories as apply to you. Don't forget to write down expenses that do not occur monthly, such as certain insurance payments, estimated taxes, ad valorem tax, etc. (anything that is billed to you quarterly, semi-annually or annually)

As part of this process, you will need to estimate where you spend your cash. Don't forget little things like a soda at the gas station or cash you give your kids. The cash estimates will probably be the numbers that you have to refine the most, because most people don't pay very much attention to a dollar here and a dollar there. A way to keep track of cash you spend is to carry a small spiral notebook with you and record cash spent just as you would record checks written in your check register. Writing down what you are spending as soon as you spend it will let you get an accurate record of how much cash you spend. After you have kept track of your spending for a couple of months, you may be surprised by how much cash you spend.

An area that most of you will not have to estimate is your monthly income. The best way to estimate income, if you receive a regular paycheck, is to take the numbers straight off your pay stub. If you do not receive a regular paycheck, you still probably have a pretty good idea of what your income is going to be. If not, go back and use the last few months' bank statements so you can see how much money you have coming in. If your income is inconsistent, use averaging over a long period of time and then make your best guess, using a conservative estimate.

Once you have your Spending Plan written down, you need to start keeping track of what you are spending. There are several ways you can do this. You could use the envelope system. Using this system involves putting the budgeted amount of cash in several categorized envelopes, and only allowing yourself to spend until the money is gone. We would suggest that when you spend money, you put the receipt in the envelope when you take the cash out. Then you will not forget where you spent your money. This is a good system to control overspending. Another way you can keep track of your spending is to keep receipts for everything that you spend. Remember to even keep the receipts for small amounts that you spend. Then, at regular intervals, add up and write down what you have spent. You can also come up with your own system that works best for you. The most important thing is that you have a system, and that you keep track of everything you are spending.



A couple of other notes about your Spending Plan:

1. Your spending should be less than or equal to your income. If it is not, find the areas that can be reduced. You should not ever plan to spend more than you earn.
2. Your Spending Plan should be flexible. If you need more money in an area than you have budgeted, talk to your spouse about it, and make adjustments as you both feel is necessary.
3. After two or three months, go back and re-do your Spending Plan. At this point you will have kept track of your actual spending, and you will know where you need to make changes to your estimates.
4. Continually look at your spending to see where you can save money. A good example of this is your phone/cable/internet bills. Keep up with whether your cost could be less if you simply make a phone call to your current provider and ask for a deal, or switch providers.



SPENDING PLAN WORKSHEET

Monthly Budget		Monthly Actual		
INCOME	Estimate	Month One	Month Two	Month Three
Salary #1				
Minus Taxes				
Minus Insurance				
Minus Savings - 401(k), etc.				
Total Salary #1				
Salary #2				
Minus Taxes				
Minus Insurance				
Minus Savings - 401(k), etc.				
Total Salary #2				
Bonus				
Investment Income				
Interest				
Dividends				
Sale of Investments				
Other Investment Income				
Total Investment Income				
Rental Income				
Social Security				
Retirement Income				
Alimony Received				
Child Support Received				
Gifts Received				
Other				
Total Income:				

SPENDING PLAN WORKSHEET

E1

Monthly Budget	Monthly Actual			
EXPENSES	Estimate	Month One	Month Two	Month Three
Automobile				
Ad Valorem Tax				
Car Payment #1				
Car Payment #2				
Fuel				
Insurance				
Maintenance				
Repairs				
Total Automobile				
Babysitting				
Cell Phone				
Charitable Contributions				
Church				
Other				
Other				
Total Contributions				
Clothing				
Person #1				
Person #2				
Person #3				
Person #4				
Total Clothing				
Education				
Childcare				
College				
Private School				
Total Education				
Food				
Groceries				
Dining Out				
Total Food				



SPENDING PLAN WORKSHEET

E2

Monthly Budget	Monthly Actual			
EXPENSES	Estimate	Month One	Month Two	Month Three
Gifts				
Housing				
Mortgage				
Taxes				
Insurance				
Home Repairs				
Yard Work				
Other:				
Total Housing				
Insurance				
Disability Insurance				
Separate Health Insurance				
Life Insurance				
Other Insurance				
Total Insurance				
Medical Expenses				
Dentist				
Doctor				
Eye Doctor				
Medicine				
Total Medical				
Utilities				
Cable				
Gas and Electric				
Internet				
Pest Control				
Security				
Telephone				
Water and Sewer				
Total Utilities				

SPENDING PLAN WORKSHEET

E3

Monthly Budget	Monthly Actual			
EXPENSES	Estimate	Month One	Month Two	Month Three
Miscellaneous				
Bank Fees				
Drug Store				
Dry Cleaning				
Extracurricular Activities				
Gym Membership				
Haircuts				
Pets				
Subscriptions				
Other				
Other				
Other				
Total Miscellaneous				
Savings				
Debt Repayment				
Credit Card #1				
Credit Card #2				
Credit Card #3				
Second Mortgage				
Other				
Other				
Other				
Total Debt Repayment				

Total Income	I
Total Expenses	E1 + E2 + E3 = E
Budget Surplus/Shortfall	I - E