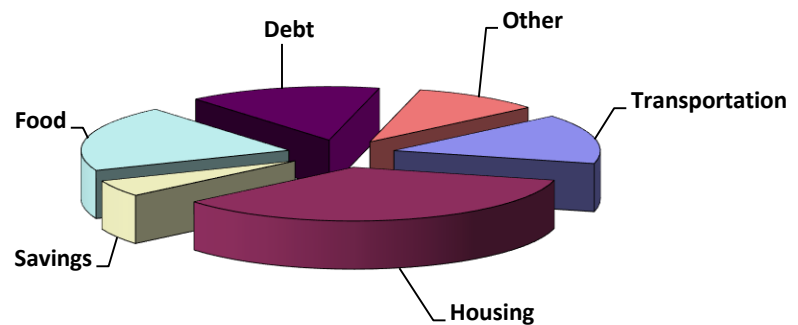


Sharon's Spending Plan Story



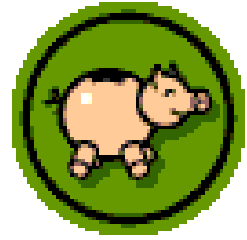
Have you ever planned to put some money into savings only to find that there's nothing left to save at the end of the month?

You're not alone. Saving money and stretching dollars to pay all the bills isn't easy. Ironically, one of the best ways to save money is to make a plan for how you're going to spend it. A spending plan is a guide, a roadmap for how you want to spend your money. It takes time (and often a little trial and error) to develop a plan that works for you.

Let's look at an example...



Sharon's Spending Plan Story



Sharon is a single 25-year-old. She shares an apartment. Her portion of the rent is \$425. This includes all utilities. She has a loan on a used car that she bought from a family member. She pays \$155/month on that. She is paying off a medical bill for an illness she had last fall and she's also paying off a credit card that has been costing her a lot in interest. She wants to build a good credit record so she can get a good rate on a car loan or house loan in the future.

She works full time and gets paid twice per month. Her take-home pay is \$655 per check for a total of \$1310 per month.

Sharon would like to do a better job of saving money for a trip she'd like to take to visit a friend. So she creates a monthly spending plan to help.

Scroll down to look at Sharon's November Spending Plan

What do you think she is doing well in her planning?

Can you spot any potential problems in her November Spending Plan?

How could Sharon improve her plan?

Monthly Spending Plan

(sample)

Name Sharon

Month November

Basic Living Expenses	
Monthly Expense	Amount
Rent/Mortgage	\$425
Electricity	\$0
Heating Oil or Gas	\$0
Water/Sewer	\$0
Cable/Satellite	\$0
Phone/Internet	\$0
Cell Phone	\$50
Gas for Car	\$75
Car insurance	\$70
Groceries	\$200
Eating Out	\$0
"Stuff" for household & personal care	\$0
Clothing and Laundry	\$25
Doctor co-pays	\$0
Prescriptions	\$0
Entertainment	\$25
Hobbies/Habits	\$0
Pets	\$0
Gifts/Donations	\$0
Other insurance	\$0
	\$0
Emergency Savings	\$0
Other Savings	\$0
	\$0
	\$0
TOTAL EXPENSES	\$870
+ TOTAL MONTHLY DEBT PAYMENTS	\$240
= TOTAL MONTHLY SPENDING	\$1110

Debts		
Name of Creditor	Monthly Payment Requested	Total Amount Owed
Car Payment	\$ 155	\$ 1800
Medical Bill	\$ 30	\$ 350
Credit Card	\$ 55	\$ 800
TOTAL DEBTS	\$ 240	\$ 2950

Take Home Income/Paychecks	
Income (1)	\$ 655
Income (2)	\$ 655
Income (3)	\$
Income (4)	\$
TOTAL MONTHLY NET (TAKE HOME) INCOME	\$1310
- Monthly Spending	\$1110
Difference	\$ 200

Our story continues...A plan is one thing, reality is something else.

When Sharon first created her budget, she was happy to see that she could probably save about \$200 per month. She looked forward to putting this money away into her savings account at the end of November.

But when the end of the month rolls around, Sharon doesn't have anywhere near that amount left to save! After looking over her receipts and bank statements, she determines that this is how she actually spent her money:

November Actual Spending		Notes
Rent	\$425	
Cell Phone	50	
Gas	70	(I combined errands, awesome!)
Car Insurance	70	
Groceries	185	
Clothes	47	(Buy one get one half off sale)
Entertainment	50	(Spent more than I planned)
Car Payment	155	
Medical Bill	30	
Credit Card	55	(Can't wait until I get these debts paid off!)
Other, Unknown	173	(How did I spend that?!)

What worked well for Sharon in following her spending plan?

What didn't work as well?

What could she have done differently in her planning, her spending, or in keeping track?

Sharon is determined to save for her trip, so she decides to try again and revises her spending plan for December. This time she decides to put her savings aside at the beginning of the month and keep better track of her spending.

Scroll down to look at Sharon's December Plan. What has she decided to do differently? What has she improved? Do you still see any possible problem areas?

Monthly Spending Plan

(sample)

Name Sharon

Month December

Basic Living Expenses	
Monthly Expense	Amount
Rent/Mortgage	\$425
Electricity	\$0
Heating Oil or Gas	\$0
Water/Sewer	\$0
Cable/Satellite	\$0
Phone/Internet	\$0
Cell Phone	\$50
Gas for Car	\$75
Car insurance	\$70
Groceries	\$200
Eating Out	\$0
"Stuff" for household & personal care/ Misc	\$35
Clothing and Laundry	\$25
Doctor co-pays	\$0
Prescriptions	\$0
Entertainment	\$45
Hobbies/Habits	\$0
Pets	\$0
Gifts/Donations	\$0
Other insurance	\$0
	\$0
Emergency Savings	\$0
Other Savings (Trip—set up auto deposit)	\$145
	\$0
TOTAL EXPENSES	\$1070
+ TOTAL MONTHLY DEBT PAYMENTS	\$240
= TOTAL MONTHLY SPENDING	\$1310

Debts		
Name of Creditor	Monthly Payment Requested	Total Amount Owed
Car Payment	\$ 155	\$
Medical Bill	\$ 30	\$
Credit Card	\$ 55	\$
TOTAL DEBTS	\$ 240	\$

Take Home Income/Paychecks	
Income (1)	\$ 655
Income (2)	\$ 655
Income (3)	\$
Income (4)	\$
TOTAL MONTHLY NET (TAKE HOME) INCOME	\$1310
- Monthly Spending	\$1310
Difference	\$ 0

Our story continues...Hmmm, looks like the plan still needs work.

The end of December rolls around and Sharon is in for a shock. Good news: She put money in her new savings account at the beginning of the month as planned. Bad news: she has to pull it all right back out again just to pay her bills! Not only that, she doesn't have enough at the end of the month to make a payment on her medical bill or the payment she planned to make on her credit card. When she looks at her records, this is how she spent money in December:

December Actual Spending		Notes
Rent	\$425	
Cell Phone	50	
Gas	70	
Car Insurance	70	
Groceries	235	(had family over on Xmas & NY Eve)
Miscellaneous Stuff	35	
Clothes	20	
Entertainment	45	
Gifts	225	(I really like to give gifts!!)
Car Payment	155	
Car License Fee	75	
Medical Bill		
Credit Card		
Unknown	20	

What went well for Sharon in December?

What didn't go as well?

What will happen if she doesn't pay her credit card? What about her car payment?

What will happen if she doesn't pay her medical bill?

How can Sharon revise her spending plan to make sure this doesn't happen again?

Never a quitter, Sharon creates a new plan to start the year off fresh in January. Fortunately, she is also able to put in some extra hours at work to catch up.

Scroll down to Sharon's spending plan for January. What is different? How might these changes help? What could she do if she runs into a financial emergency?

Monthly Spending Plan

(sample)

Name Sharon

Month January

Basic Living Expenses	
Monthly Expense	Amount
Rent/Mortgage	\$425
Electricity	\$0
Heating Oil or Gas	\$0
Water/Sewer	\$0
Cable/Satellite	\$0
Phone/Internet	\$0
Cell Phone	\$50
Gas for Car	\$70
Car insurance	\$70
Groceries	\$200
Eating Out	\$0
"Stuff" for household & personal care/Misc	\$30
Clothing and Laundry	\$25
Doctor co-pays	\$10
Prescriptions	\$0
Entertainment	\$45
Hobbies/Habits	\$0
Pets	\$0
Gifts/Donations (Save—automatic deposit)	\$25
Other insurance	\$0
Car Maint & Expense (Save—auto deposit)	\$45
	\$0
Emergency Savings	\$0
Other Savings (Trip—auto deposit)	\$75
TOTAL EXPENSES	\$1070
+ TOTAL MONTHLY DEBT PAYMENTS	\$240
= TOTAL MONTHLY SPENDING	\$1310

Debts		
Name of Creditor	Monthly Payment Requested	Total Amount Owed
Car Payment	\$ 155	\$
Medical Bill	\$ 30	\$
Credit Card	\$ 55	\$
TOTAL DEBTS	\$ 240	\$

Take Home Income/Paychecks	
Income (1)	\$ 655
Income (2)	\$ 655
Income (3)	\$
Income (4)	\$
TOTAL MONTHLY NET (TAKE HOME) INCOME	\$1310
- Monthly Spending	\$1310
Difference	\$ 0

Epilogue: From January forward Sharon has succeeded in following her spending plan. She hasn't stopped revising it. She makes mistakes and goes over budget sometimes, but she adjusts her plan as needed and gets right back on it as soon as she can. Her plan does give her a little wiggle room. For example, if she wants to treat her friend to a night out for her birthday, she knows she can cut down a bit on gas or groceries

She's putting aside savings for irregular expenses like gifts and her car maintenance and registration. This way they don't take her by surprise. When she finishes paying for her car, she plans to put that extra \$155/month into a savings account toward her next car, so she can buy a newer model some day without a huge loan. When she's finished paying off her credit card, she'll have more to save or spend. She plans to put part of that extra \$55 per month into an emergency fund. (In the meantime, if she has an emergency, she knows she can dip into her travel savings and postpone her trip.)

With a plan that works for her lifestyle, Sharon is less stressed about money. She's also on her way to having enough for that trip she's been wanting.



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