

Four Steps to a **Monthly Spending Plan**

If you really want to save money, make plans to spend it....

- ◆ Do you ever have trouble paying bills at the end of the month?
- ◆ Does cash ever seem to leak out of your wallet?
- ◆ Do you ever regret spending money or wish you'd made a different spending decision?



A monthly spending plan can help. A spending plan is a guide you create to help you decide how to spend money. Without a plan, many of us spend without thinking, simply because we have cash on hand. Later, when we see something we really want, or when we need to pay bills, the money just isn't there.

When we create and follow a spending plan, we target money toward things that are important to us. Do you want to enjoy a monthly night at the movies with the kids? Plan for it. Want to pay for new tires when you need them? Or have money for holiday gifts without relying on your tax refund to pay it all off? Plan for it.

Don't worry if your plan isn't perfect or if you don't get it right the first time. The more you practice it, the better you'll be able to stop spending leaks and spend money the way you want.

Don't give up if the numbers don't add up...



If you're like most people who create a spending plan for the first time (or even the second or third time), your plan may not balance at first. Get your sharp pencil and eraser (or the "Delete" key on your keyboard) and look over the ideas below. **Ask yourself:**

Can I increase income?

- Could you get paid for something you already do for free? For example, if you already provide light housekeeping, yardwork or pet care for free for family members, could you offer these services to others outside the family for extra income? Are there crafts you could sell (that don't require you to spend money on supplies?) Brainstorm all options. Be wary of money-making ideas that could actually cost money, like those that require you to pay money up front for items to sell.
- Are there assistance programs you may be eligible for, such as FoodShare or energy assistance? We contribute to many of these programs through our taxes (sales, income and other taxes) so they can offer help when we need it.
- Some people consider additional part-time work until they catch up. However, be cautious about taking on a new job if you already have a full-time job. This may add too much stress on you or your family.

Are debt payments dragging me down?

- If debt keeps you from living within your income, consider calling lenders to ask to reduce payments or even your balance. Watch out for late fees. Even if you can't make your entire payment, late fees make the problem worse.
- Concentrate on putting any extra money (such as gifts or a tax refund) toward paying down debt.
- The website www.powerpay.org offers a tool for creating an effective debt repayment plan. If you are having serious debt problems, you may want to consult a credit counselor certified by the National Foundation for Credit Counseling at www.debtadvice.org.

Could I decrease spending?

- This is where most people make the biggest difference.
- Look at each expense and think about whether you could lower it. Can you look for ways to cut housing costs, such as taking a roommate, turning down the furnace, or canceling cable TV? Can you reduce costs for transportation by carpooling? Can you cut back on entertainment or takeout food? Only you can decide what might work for you.
- Each time you decide to reduce an expense, erase the old number, insert the new number, and re-do the math. Watching your balance change in the right direction can be powerfully motivating.

Track spending & Set Money Aside.

- Every few days or once a week, check how much you're spending in each category. You can do this by writing down your spending in a notebook, by saving receipts or by tracking it online or through a free app on your phone.
- Many people use automatic deposits into saving accounts to set aside money for expenses. This limits cash on hand and prevents theft and overspending. Others use envelopes (one for groceries, one for gas, one for gifts, etc.). The important thing is to set money aside so you have enough when the expense is ready to be paid.

Sometimes there just isn't enough money...

- If you've cut expenses wherever you can and still don't have enough to pay all bills, focus first on ways to keep the problem from growing bigger. Then look for ways to improve the situation. Sometimes it can take bigger lifestyle changes, like selling a car or moving. Big changes take time and planning.
- Certain bills should be a top priority. Ask yourself: "What will happen if I don't pay this now? Could I get evicted? Will utilities get shut off? Will my wages be garnished?" Always pay bills for housing and any that will bring legal action if they aren't paid. Then focus on bills that will result in fines or late fees if they aren't paid on time.
- Avoid using loans to pay monthly expenses— especially those with a high interest. This can make matters worse and make it harder to pay future bills.

Be patient with yourself and keep trying! Building a spending plan is a *process*—not a one-time event. Check your plan often and make changes to help it fit your situation. **The more you work with it, the better it will work for you!**