

\$ Set Up a Spending Plan \$



Setting up a spending plan includes:

- Figuring out your average monthly income
- Identifying financial goals
- Keeping track of your average monthly living expenses

Figure out your monthly income. If you use your “take-home” pay amount, then taxes and some other expenses may already be taken out for you. If you work seasonally, divide up what you can spend from that income each month during the year.

INCOME SOURCE	AMOUNT
Paycheck	
Paycheck	
Tips/Bonuses/Commissions	
Interest/dividends	
Grants/Financial Aid (If you get a lump sum, divide up what you can spend each month during the school year - after you have paid tuition)	
Child Support	
Public Assistance	
Social Security	
Other income	
Total Monthly Income	

Identify financial goals. The reason to have a spending plan is to make sure that you’re spending your money on things that are the most important to you. For each 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 \$400 in your emergency fund in one year, you need to save around \$33 every month.

Financial Goals	Total Amount Needed	Date Needed (in months) (6 months, 24 months, etc)	Amount to Save Monthly (Divide the total needed by the number of months)
Emergency Fund			
Total Monthly Savings			

Keep track of your monthly debt payments. The more debt you have, the less money you have left to cover your other monthly living expenses. If you can, try to pay more than the minimum due.

DEBT PAYMENTS	TOTAL BALANCE	MONTHLY PAYMENT
Credit Card:		
Credit Card:		
Credit Card:		
Loan		
Medical Bill		
Past Due Utility		
Other:		
Other:		
Total Monthly Debt Payments		

Keep track of your average monthly spending. To figure out your monthly spending, look at your checkbook and credit card bills. For cash purchases, try writing down how much you spend during the month in a notebook or calendar you carry with you. You can be as specific or general as you want, but here are some categories to get you started.

FIXED EXPENSES (Expenses that stay the same every month)	MONTHLY AMOUNT
Rent or Mortgage	
Vehicle Payment	
Monthly Insurance Payments:	
Vehicle	
Renter's or Homeowner's	
Life	
Health	
Taxes (estimated tax payments above and beyond monthly withholding from your paycheck)	
Child Care	
Child Support	
Other	
Total Fixed Monthly Expenses	

FLEXIBLE or VARIABLE EXPENSES (Expenses that might change a little each month)	MONTHLY AMOUNT
Housing Costs:	
Electricity	
Gas or Oil for heating home	
Water/sewer	
Garbage	
Telephone or Cell Phone	
Cable or Satellite T.V.	
Internet	
Household Supplies (Toilet paper, cleaning solutions, etc.)	
Household Furnishings	
Transportation:	
Gas for Vehicle(s)	
Vehicle Expenses (oil changes, repairs, etc.)	
Other: Public Transportation, Parking Permits	
Personal Items:	
Hair cuts, make-up, shampoo, etc.	
Clothing	
Laundry or Dry Cleaning	
Prescriptions	
Doctor/Dentist	
Personal allowance ("fun money")	
Groceries	
Work/School Lunches	
School supplies	
Pets	
Other	
Total Monthly Flexible or Variable Expenses	

Now add up all of your monthly savings and expenses:



TOTAL MONTHLY EXPENSES	AMOUNT
Total Savings	
Total Debt Payments	
Total Fixed	
Total Flexible/Variable	
Total Discretionary	
TOTAL EXPENSES =	

Then subtract your total expenses from your monthly income:

INCOME MINUS EXPENSES	AMOUNT
Total Monthly Income	
Total Monthly Expenses	
Income Minus Expenses =	



Ask yourself:

- Does your income cover all of your living expenses and savings goals?
- Or are you running out of money by the end of the month?
If yes, go back over your *flexible* and *discretionary* expenses and look for small ways to cut back. Start with those expenses that are not as important to you.

If your monthly expenses are greater than your monthly income, there are **3 options**:

- Cut back on monthly spending
- Make more money
- Do both

Sometimes more money can come from a raise at work, turning a hobby into second job, getting a tax refund, or having a rummage sale. Tracking your spending will help you find places where you can trim expenses – even if it's just for a short time.

Why doesn't my spending plan work?

Spending plans don't work if there's *not enough room* for flexibility in your monthly expenses and your savings goals. They also don't work if there's *too much room* for "spare change" spending – like that \$20 bill that just disappears before you know it.



To find a spending plan that works for you:

- **Be realistic:** Keep track of what you actually spend, not what you think you spend. Also, be realistic about the amount you can save for your financial goals without feeling deprived during the month.
- **Be specific:** If you go through the effort of putting your monthly expenses in categories, you'll have a much better idea of where you're spending your money. This will also help you to decide where *you want* to spend your money and where to make changes, like cutting back on "vending machine snacks" instead of trying to cut back on "food."
- **Allow for the unexpected:** Life never fails to throw in a few surprises. Having an emergency fund or a savings fund for those expenses that are likely to happen in the future – like car repairs – will keep you from blowing your monthly budget or having to take on debt.
- **Get (sort of) organized:** Sometimes staying within your spending plan is a matter of paying bills on time to avoid late fees or balancing your checkbook regularly to avoid overdrafts. Figure out what works for you, whether it's automatic bill payments or setting up a regular time for paying bills once a week. Having a specific place for sorting and filing paperwork will also make life a whole lot easier.

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Sources: Financial Counseling Training and Resource Manual, *University of Wisconsin-Extension, April 2003.*
Money 2000: Taking Control of Your Spending, University of Wisconsin-Extension, 1999.