



Developing a **Spending/Savings Plan**

A spending/savings plan helps you manage your money more effectively. A realistic plan tailored to your situation gives you more control over how money is spent and saved. Developing a spending/savings plan takes time. Following it takes determination.

Talking About Money

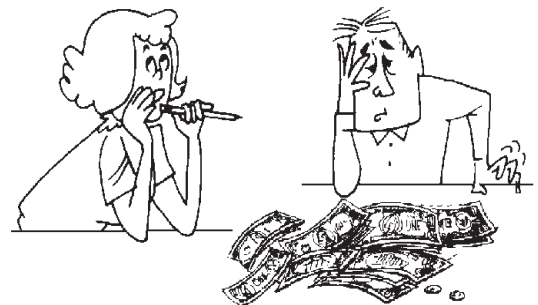
Money is a common problem regardless of your income, age or education. Sometimes a lack of income causes money hassles and arguments. More often inadequate discussion about money and our feelings about money is the root of financial problems.

When household members have different attitudes about spending and saving money, or when unrealistic goals are attempted, there is a potential for conflict. Preventing and overcoming money problems takes honest and open communication. It also takes time and effort.

Be willing to arrange a specific time when all household members can talk about money. Choose a location where you won't be interrupted. Meet on a regular basis instead of waiting until problems occur.

When talking about money:

- ✓ Clearly identify the issue at hand.
- ✓ Recognize that whoever earns the money doesn't also earn the right to dictate how it should be spent.
- ✓ Let each household member freely state wants, needs and personal feelings.
- ✓ Listen carefully.



Communication about money is critical for a spending/savings plan to work for the entire household. When people don't talk about money, even the most workable spending/savings plan may face ruin.



Identifying Goals

The first step of developing a spending/savings plan is to identify your goals. If your goals are identified first, all your money won't be spent with little or none saved. By identifying goals first, you will realize what you want to save toward and it will get you in the habit of saving. Goals may include saving for emergencies, buying school clothes, paying off the balance on a credit card, buying a new or used car, or saving for a child's education.

Encourage each member in your household to think of goals, including short-term (less than 1 year), intermediate (1- 5) and long-term (more than 5 years). List all the goals from each person in the household in the "Identifying Goals Chart" below.

Identifying Goals Chart

Short-term Goals - Less than 1 year	
1. _____	5. _____
2. _____	6. _____
3. _____	7. _____
4. _____	8. _____

Intermediate Goals - From 1 to 5 years	
1. _____	5. _____
2. _____	6. _____
3. _____	7. _____
4. _____	8. _____

Long-term Goals - More than 5 years	
1. _____	5. _____
2. _____	6. _____
3. _____	7. _____
4. _____	8. _____



Setting Goals

During Step 2 of developing a spending/savings plan you'll be deciding on the goals you want to save toward. Discuss the short-term, intermediate, and long-term financial goals listed on the "Identifying Goals Chart", page 2, with the members of your household. If all household members agree on the financial goals, they will be more willing to work toward reaching each goal. Ask them to state their most important short-term, intermediate and long term goal. Agree on the goal(s) all of you will try to achieve. Be willing to listen and as a group settle differences.

List the agreed upon priority goal(s) on the "Setting Goals Chart" (below). Set a date when each goal will be reached (example: down payment for a car September 200__ or pay off a credit card balance April 200__). Determine the total dollar amount for each goal. To get the approximate cost per month, count the number of months from now to the target date and then divide the total dollar amount by that number of months. You now know the approximate amount of money that is needed to be saved each month in order to reach each goal. Add up the "Cost Per Month" column to get the Total Cost Per Month for all your goals. At this time disregard the "Adjusted Cost Per Month" column.

Eventually you'll be incorporating the priority goal(s) in your spending/savings plan. From time to time, re-evaluate your goals to determine if they are still important and realistic. This will renew your commitment to reaching them.

Setting Goals Chart

Priority Goal(s)	Target Date	Total Cost	Cost Per Month	Adjusted Cost Per Month
1. Example: Down payment for a car	12 months September 200_	\$1200.00	\$100.00	\$
2.				
3.				
4.				
Total Cost Per Month/Adjusted Cost Per Month			\$	\$



Recording Income

Step 3 of developing a spending/savings plan involves knowing how much income you have. On the "Monthly Income Chart" shown here, record your take-home income for one month. If your income fluctuates, underestimate it. Other income could include Social Security, food stamps, pension, trust and other. If you're anticipating additional income during the year (example: tax refund), figure out how much income you would gain per month.

Monthly Income Chart	
Wages/Salary (Take-Home)	\$ _____
Savings/Investments	\$ _____
Child Support	\$ _____
Other _____	\$ _____
Other _____	\$ _____
Other _____	\$ _____
Total Monthly Income	\$ _____



Determining Expenses

Step 4 of developing a spending/savings plan involves knowing what your expenses are. Typically people aren't aware of where their income goes. To find out, keep receipts for everything you spend money on. The receipt could be a cash register tape, a piece of paper with the item, date, and cost written on it, a charge slip or your record of checks written. Designate a place where all members of the household will put their receipts.



Recording Expenses

At the end of the week, organize the above receipts in savings and expense categories. Total these for each category and write the weekly total for each category on the "Monthly Savings and Expense Chart" (page 5). If a spending category doesn't apply to your household, cross it out and replace it with one which does apply. If you need more room for savings, use an additional piece of paper. Since the "Monthly Savings and Expense Chart" will be used again, you may want to photocopy it before beginning to record your expenses.

Put a copy of the "Monthly Savings and Expense Chart" on the refrigerator or another visible place. This will act as a reminder to keep daily receipts and to total your weekly expenses. At the end of the month, total each savings and expense category. Then add the totals of each savings and expense category to get the "Monthly Grand Total of Savings and Expenses." At this time, disregard the "Planned Amount" column.



Recording Periodic Expenses

The "Periodic Expense Chart" (page 6) lists the many expenses that either weren't paid last month or due yet (medical bills, property taxes and car registration). You may want to look at the "Monthly Savings and Expense Chart" (page 5) for other periodic expenses. List them as "Other" on the "Periodic Expense Chart."

In the first column, write the annual total for each category. Divide each total by 12 to get the monthly expense. Add up the "Monthly Expense" column to get the "Monthly Grand Total."

At this time disregard the "Adjusted Annual Total" column and the "Adjusted Monthly Expense" column.



Monthly Savings & Expense Chart

Planned Amount	Savings	Week 1	Week 2	Week 3	Week 4	Week 5	TOTAL
_____	Goal 1 ()						
_____	Periodic Expense ()						
_____	Periodic Expense ()						
Planned Amount	Expenses	Week 1	Week 2	Week 3	Week 4	Week 5	TOTAL
_____	Household						
_____	Rent or Mortgage						
_____	Furnishings/Equipment						
_____	Maintenance/Repair						
_____	Taxes						
_____	Utilities						
_____	Electricity						
_____	Heat						
_____	Water/Sewer						
_____	Telephone						
_____	Food and Groceries						
_____	Food at Home						
_____	School/Work Lunch						
_____	Meals Eaten Out						
_____	Transportation						
_____	Automobile Payment						
_____	Gas/Diesel						
_____	Maintenance/Repair						
_____	Bus, Taxi, etc.						
_____	Child care						
_____	Medical						
_____	Physician/Dentist						
_____	Prescriptions						
_____	Clothing						
_____	Laundry/Dry Cleaning						
_____	Personal Care						
_____	Hair Care						
_____	Insurance						
_____	Automobile/Home						
_____	Disability						
_____	Life						
_____	Medical						
_____	Recreation/Entertainment						
_____	Cable TV						
_____	Gifts						
_____	Contributions						
_____	Education/Self-improvement						
_____	Installments						
_____	Department Stores						
_____	Bank Charge cards						
_____	Loans						
_____	Miscellaneous						
_____	Miscellaneous						
\$	Total Planned Amount	Monthly Grand Total of Savings and Expenses					\$

Periodic Expense Chart

Periodic Expense	Annual Total	Monthly Expense , 12 =	Adjusted Annual Total	Adjusted Monthly Expense , 12 =
Clothes	\$ _____	, 12 = \$ _____	\$ _____	, 12 = \$ _____
Heating Fuel/Wood	_____	, 12 = _____	_____	, 12 = _____
Doctor/Dentist	_____	, 12 = _____	_____	, 12 = _____
Medicine	_____	, 12 = _____	_____	, 12 = _____
Glasses	_____	, 12 = _____	_____	, 12 = _____
Newspaper & Magazines	_____	, 12 = _____	_____	, 12 = _____
Household Repair/ Furnishings	_____	, 12 = _____	_____	, 12 = _____
Gifts (birthday, wedding etc.)	_____	, 12 = _____	_____	, 12 = _____
School supplies or books	_____	, 12 = _____	_____	, 12 = _____
Tires and car repair	_____	, 12 = _____	_____	, 12 = _____
Car inspection/registration	_____	, 12 = _____	_____	, 12 = _____
Car insurance	_____	, 12 = _____	_____	, 12 = _____
Emergencies	_____	, 12 = _____	_____	, 12 = _____
Taxes	_____	, 12 = _____	_____	, 12 = _____
Entertainment	_____	, 12 = _____	_____	, 12 = _____
Travel	_____	, 12 = _____	_____	, 12 = _____
Vacation	_____	, 12 = _____	_____	, 12 = _____
Recreation	_____	, 12 = _____	_____	, 12 = _____
Other	_____	, 12 = _____	_____	, 12 = _____
Monthly Grand Total		\$ _____	Adjusted Monthly Grand Total	
			\$ _____	

This chart has been developed by UNH Cooperative Extension for the Developing A Spending/Savings Plan Publication.



Developing Your Spending/Savings Plan

The outcome of Step 5 is to have $\text{Income} = \text{Expenses} + \text{Savings}$. Let's see if your income equals your expenses and savings.

Fill in the blanks:

- \$ _____ Goals - Total Cost Per Month (page 3)
- \$ _____ Savings and Expenses - Monthly Grand Total (page 5)
- \$ _____ Periodic Expenses - Monthly Grand Total (page 6)

$$\boxed{\$ \text{_____}} \text{ Total Monthly Expenses and Savings} = \boxed{\$ \text{_____}} \text{ Total Monthly Income (page 3)}$$

Does your monthly income equal your monthly savings and expenses? If not, consider the following changes:

- ❶ Examine the expenses on the "Monthly Savings and Expense Chart" (page 5) that change each month (ex: food, clothing, entertainment, personal care, etc). Determine if any of these expenses can be decreased. Keep in mind as the expenses are adjusted they need to be realistic. It's easy to write down a lower figure, but can you live with that? Write the new figures in the "Planned Amount" column.
- ❷ Examine the expenses on the "Monthly Savings and Expense Chart: (page 5) that don't change each month (ex. rent, installment loans, insurance premiums). Determine if any changes can be made. Because of the nature of these expenses, you may not be able to make any immediate changes. Write any new figures in the "Planned Amount" column. Total the "Planned Amount" column.
- ❸ Examine the expenses on the "Periodic Expense Chart" (page 6). Determine if any of these expenses can be decreased. Write the new figures in the "Adjusted Annual Total" column. As before, divide the Adjusted Annual Total figures by 12 to get the Adjusted Monthly Expense. Add up the "Adjusted Monthly Expense" column to get the Adjusted Monthly Grand Total of periodic expenses.
- ❹ On the "Setting Goals Chart" (page 3) reexamine your goals. Will you be able to accomplish them? Should they be adjusted or eliminated? If adjustment need to be made, write the new figure in the "Adjusted Cost Per Month" column. Add up this column to get the Total Adjusted Cost Per Month.

Fill in the blanks:

- \$ _____ Goals - Total Adjusted Cost Per Month (page 3)
- \$ _____ Savings and Expenses - Total Planned Amount (page 5))
- \$ _____ Periodic Expenses - Adjusted Monthly Grand Total (page 6)

$$\boxed{\$ \text{_____}} \text{ Total Adjusted Monthly Savings and Expenses} = \boxed{\$ \text{_____}} \text{ Total Monthly Income (page 3)}$$

Now does your monthly income equal your monthly savings and expenses?

If, after adjusting your expenses, you are spending more than your income, either go back again for further adjustments or you may want to consider increasing your income (ex. part-time/full-time job, yard sale, starting a business). If you choose to cut your expenses further, keep in mind you will need to live with this amount in order to make the spending/savings plan work.



Using The Plan

Step 6 of developing a spending/savings plan is to implement the plan. Continue to save your expense receipts. An important part of a spending/savings plan is savings. Each month save the monthly amount needed to achieve your goal(s). Also, each month, save the monthly amount needed for each periodic expense so that when the periodic expense occurs, the money will be available. Keep a weekly record of your savings and expenses on the "Monthly Savings and Expense Chart" (page 5). At the end of the month, total each category and compare this total with the "Planned Amount" for the same category.

If the total monthly expense in a spending category is more than the "Planned Amount," another spending category will need to be adjusted. For example, if the food spending category is overspent by \$50, then you need to underspend in other spending categories by a total of \$50. If this doesn't occur, you will be spending more than you earn.

Overspending may be a signal that either your spending habits must change or your spending plan doesn't accurately reflect your values. If you continually spend more than the "Planned Amount," you will want to examine your spending habits.

Working through your spending/savings plan may indicate that some goals of savings and expenses are unrealistic in light of current demands on your income. Periodically review the spending/savings plan and make necessary changes. After 2 or 3 months of keeping track of income and expenses, you should be able to develop a realistic spending/savings plan. Your individual plan will not only match your expenses to your income, but also help you save for your financial goals.

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