



Money Management System

Budgeting is the cornerstone to anyone's personal financial plan, whether you're saving a lot of money already or if you're behind on your financial obligations. A budget tells a financial story. The financial story that your budget tells will be a successful one by planning, tracking, and adjusting.

BUDGETING - YOUR SPENDING PLAN

Seven Steps to a Successful Budget

Budgeting can be a simple and straightforward process. It can also be a rewarding experience for all family members. But, it takes interest and commitment. Here are seven steps to help you create a successful budget.

1. Discuss Values – Determine what is most important to the people involved in your budget, or spending plan. By understanding these values, you can make decisions that will provide you with the most satisfaction.

2. Set Goals – Begin setting goals by discussing with family members what each one may want to do with their money. An example of a goal might be to save for a child's education. Have each member list the goal and a deadline. Work on the most important goals first.

Put money aside in your budget for your priority goal. Remember, to achieve your special goal, you must treat the money as a bill to be paid to you.

3. Determine Income – Figure out your net pay, or the money that is left over after deductions. The money that makes up your income can come from sources such as salary, allowances, social security or child support. Do not include overtime pay.

4. Determine Expenses – What are the expenses in your budget? Consider fixed, variable and periodic expenses. Fixed expenses consistently stay the same every month, variable expenses vary from month to month and periodic expenses are not due every month.

5. Create a Plan – Design a spending plan so that your income will allow you and your family to have what you want and need. If you find that your income does not cover your expenses, re-evaluate your plan and decide what categories can be changed.

6. Keep Track of Expenses – Keep a record of expenses to see where your money is being spent. By comparing your estimated expenses with what you are actually spending, you can evaluate whether or not your plan is working.

7. Evaluate Your Plan – Periodically evaluate your spending plan. Is the plan still helping you meet your needs and achieve your goals?

A Lifelong Must

In its most basic form the budget includes income, expenses, and debts. Income and debts are usually fairly straightforward categories and are easy to identify and list. You might have a few income sources depending on how many wage earners you have in the family. And with debts you might have a mortgage, a car loan, a student loan, a personal loan, and a number of credit cards for example. It's the expense side of the budget that always seems to be the most challenging for people. When preparing your budget include as many expense categories as possible in order to see where your money is really going. Spending too much can sabotage your goals. It's not how much you earn in your life, but how much you spend that keeps you from achieving your goals.

Financial experts have guidelines showing what percent of take-home pay should be going to the basic budget categories each month. After you create your budget, compare your spending to the guidelines below:

Recommended Monthly Expenditures	
Category	% Of Monthly Take-Home Pay
Mortgage/rent	25-35
Food	18-23
Consumer debt	10-20
Savings	7-10

Keeping track of your income, expenses and debts will allow you to continually monitor your budget as you move toward accomplishing your goals. Remember, your budget is like a muscle. If it is not worked and exercised, it will get weak. So, exercise your budget every week to keep your finances strong.

Work It Weekly, Monthly, Annually



The weekly, monthly, and annual budgets are one in the same. The annual budget is really a monthly budget followed each week for the entire year.

Once a year, in November or December, prepare your annual budget for the upcoming year. The annual budget for next year will take into account a number of items including family goals, expected income, what you spent this year, and expected expenses for the upcoming year.

Choose a time when the entire family can sit down and discuss the budget. Leave enough time to discuss all issues and give everyone an opportunity to express his/her ideas and concerns. Set a time limit for the meetings so they are productive.

As a family, discuss the annual budget to set a financial plan for the upcoming year. This will include a balanced budget that meets the family needs and realistic wants. The annual budget meetings also have the added benefit of giving family members a chance to talk about money as a family, to share ideas and to gain perspective on other family members' needs and wants. It also gives you the opportunity to identify new goals and to confirm that existing goals are still important and being worked towards.

Use the Budget worksheet and fill in the categories that apply to your monthly budget for the upcoming year. Expect to make adjustments as you prepare the budget. Consider what you earned and spent this year to determine what you will include in next year's budget. Also remember to include enough money in the savings category to stay on track to reach your short-, mid-, and long-term goals.

What's Your Money Personality?



Have you ever wondered why you use money in a particular way? Many forces impact the development of your money personality. Some spending influences include: advertising, media, society, friends, family, and easy credit. One way to evaluate your approach to money is to identify your attitudes about money. Where do you fit?

- **Hoarder** – The hoarder likes to save, budget, and prioritize
- **Spender** – The spender likes to spend
- **Planner** – The planner is the nitty-gritty, take-it-one-step-at-a-time type
- **Dreamer** – The dreamer hatches passionate schemes, but has no idea how to make them come true
- **Merger** – The merger wants to pull all of the couple's money together
- **Separatist** – The separatist wants at least some of his/her own money
- **Risk-taker** – The risk-taker loves adventurous investing
- **Risk-avoider** – The risk-avoider goes for the sure thing

If the budget does not balance, discuss which areas of the budget can be adjusted. Will you increase income or decrease expenses? Whose income will increase? What expenses will be reduced? Will goal time frames be adjusted?

Manage Periodic Expenses

Periodic expenses are the trickiest expenses in the family budget. These expenses don't occur each week or each month. Instead, they occur at different times during the year. For example, clothing might be purchased seasonally, car repairs and maintenance might occur every 3,000 miles or when something breaks down, and a vacation might be taken during the summer. Normally, these are the types of expenses that are paid with credit cards. Typically, when the credit card bill arrives, only the minimum payment is paid leaving an outstanding balance to generate finance charges and increased expense. Periodic expense management is key to successful family budgeting because it takes expenses that happen at different times during the year and treats them as monthly expenses.

When planning your annual budget in November or December, pay particular attention to your periodic expenses. These generally include expenses such as car repairs and maintenance, gifts, entertainment, house repairs and maintenance, clothing, vacation and insurance. Estimate how much money you will spend in each of these categories in the following year. Check out some questions on the next page that you can ask when trying to determine how much will be spent.

House Repairs and Maintenance

- Do we have a yard to maintain?
- How much do we spend on mulch, flowers, fertilizer, vegetables, tools, etc. for the yard each year?
- Is painting needed?
- What major items need repair (hot water heater, washer/dryer, oven, dishwasher, windows, roof, siding, gutters, etc.) in the upcoming year or in subsequent years?
- How much money will be needed to replace the major items?

Clothing

- How many people are in the family?
- How much did we spend last year on clothes?
- Where do we shop for clothing?
- Can we find better deals on clothing?
- What hand-me-down opportunities do we have from cousins, friends or neighbors?
- Will anyone be getting a new job that will require a new wardrobe?

Vacation

- Do we take vacations?
- How many vacations do we take each year?
- How much did we spend on vacations last year?
- Is there a special occasion coming next year that will require travel?

Insurance

- How often do we pay car insurance, life insurance, homeowners insurance, renters insurance, etc?
- How much do we pay for each?
- Will we be buying more insurance in the upcoming year?
- Will there be a new driver in the household?
- Will there be a new child in the household next year?

Car Repairs and Maintenance

- How many miles do I drive each year?
- How often do I usually get oil changes?
- How old is my car?
- What maintenance is expected next year (30,000 mile service, new tires, etc.)?
- Will I be driving more or fewer miles next year?
- How much does each service item cost?

Entertainment

- Do I have children involved in sports activities, music lessons, or school activities?
- How often do we go out to eat?
- What sports, hobbies, etc. do the adults have in the family?
- How much does each of these things cost?

You might have other expenses in your budget that you identify as periodic. List them and follow the same type of questioning sequence to estimate how much money you will spend next year in each category. Reviewing old credit card statements is a good way to determine what you purchased last year and how much you spent.

Calculating these numbers can be time consuming, but the payoff will be worth it. The purpose of this exercise is to have the cash available to make the purchases when they occur. Good management of periodic expenses will minimize the need to maintain a balance on your credit cards. If you already carry balances on your credit cards, periodic expense management will help you to not increase those balances next year.

YOUR MONTHLY BUDGET

Take the time to create your monthly budget.

Step 1: List all monthly income in the Monthly Net Income column. Net Income is your income after taxes or take home.

Step 2: List all of your monthly expenses. If you have weekly expenses, multiply that number by four to translate it into a monthly expense. If some expenses are periodic expenses, add up the total that you spend in a year and divide that number by 12 to determine the monthly amount.

Step 3: Complete the Summary to determine if you have a surplus or deficit. If you have a surplus, you may be able to add more to the savings category. If you have a deficit, it may be time to further track and evaluate your expenses to determine what you can trim.

SOURCES OF INCOME	MONTHLY AMOUNT (NET)
Employment (Primary)	\$
Employment (Spouse)	\$
Social Security	\$
Pension	\$
Alimony or Child Support	\$
Commissions	\$
Other	\$
Other	\$
TOTAL MONTHLY INCOME	\$

SUMMARY OF EXPENSES	MONTHLY AMOUNT (NET)
Housing	
Mortgage	\$
2nd Mortgage	\$
Home Equity Loan/Line	\$
Rent	\$
Property Taxes	\$
Condominium Fee	\$
Homeowners/Renters Insurance	\$
House Repairs/Maintenance	\$
Gardening/Pool Service	\$
Other	\$
Other	\$
Total Housing	\$
Utilities	
Gas	\$
Oil	\$
Propane	\$
Electricity	\$
Water/Sewer	\$
Trash Removal	\$
Telephone	\$
Cell Phone	\$
Other	\$
Total Utilities	\$
Food	
Groceries	\$
Eating Out Lunch	\$
Dining Out	\$
Coffee/Snacks	\$
Kids Lunch Money	\$
Other	\$
Total Food	\$

SUMMARY OF EXPENSES (cont...)	MONTHLY AMOUNT (NET)
Transportation	
Auto Payment 1	\$
Auto Payment 2	\$
Auto Payment 3	\$
Gasoline	\$
Insurance	\$
Parking Fees/Tolls	\$
Auto Registration/Plates	\$
Public Transportation	\$
Car Repairs/Maintenance	\$
Other	\$
Total Transportation	\$
Health Care	
Health Insurance	\$
Prescriptions	\$
Co-pay/Deductibles	\$
Other	\$
Total Health Care	\$
Education Expenses	
Tuition	\$
Books	\$
Student Loans	\$
Room/Board	\$
Day Care	\$
Newspapers/Magazines	\$
Other	\$
Total Education	\$

SUMMARY OF EXPENSES (cont...)	MONTHLY AMOUNT (NET)
Clothing	
Purchases	\$
Laundry	\$
Dry Cleaning	\$
Repairs	\$
Other	\$
Total Clothing	\$
Personal Care	
Beauty Salon/Hair Cuts	\$
Cosmetics	\$
Manicure/Pedicure	\$
Toiletries	\$
Other	\$
Total Personal Care	\$
Entertainment	
Cable	\$
Movies	\$
Music	\$
Sports	\$
Hobbies	\$
Internet	\$
Other	\$
Other	\$
Total Entertainment	\$
Pets	
Food	\$
Vet	\$
Insurance	\$
Grooming	\$
Other	\$
Total Pets	\$

SUMMARY OF EXPENSES (cont...)	MONTHLY AMOUNT (NET)
Other	
Tobacco	\$
Alcohol	\$
Religion	\$
Charity	\$
Lottery	\$
Vacation	\$
Gifts	\$
Other	\$
Other	\$
Other	\$
Other	\$
Total Other	\$
Credit Cards	
#1	\$
#2	\$
#3	\$
#4	\$
#5	\$
Total Credit Cards	\$
Savings	
Emergency Savings Account	\$
Other	\$
Other	\$
Total Savings	\$
TOTAL MONTHLY EXPENSES	\$

SUMMARY	
Total Monthly Income	\$
Minus Total Monthly Expenses	\$
Monthly Surplus (Deficit)	\$

Always remember that the most important factor in using money wisely is not how much money you make...but how you use it!

IMPULSE SPENDING

If, after you completed your budget, you found yourself with a deficit, evaluate your spending habits to determine if you can eliminate or reduce some of your expenses. It may be that impulse buying is hurting your budget. Here are some strategies for controlling spending.

Do not take credit cards with you.

Go on fewer shopping trips.

Think through the “decision making steps” before making your final decision.

Stop and think what you will be giving up.

Sleep on the decision – the bigger the purchase, the more nights.

Make a list and stick to it.

Seek activities and diversions that do not cost money.

Ask someone to support you in self-control and discipline if impulsive buying is a habit.

Seek professional help if a family member has a compulsion to spend and may have deep-seated problems.



Keep most of your money in checking or savings accounts. It is safer than cash and the process of writing a check or withdrawing money may make you think twice before purchasing.

Estimate how many hours of work are required to pay for an item or the extra cost of credit to determine the value of the item to you.

Plan first, then purchase. Many problems arise when something is bought without sufficient thought as to how the bill will be paid.

Use cash if seeing the money makes you stop to evaluate its use in terms of what other purchases will be given up for this use.

Do not take tags off clothes until you wear them. If you do not wear the item within two weeks after you buy it, take it back to the store.

You can take advantage of the Accel program, a free financial education and counseling program. Accel counselors are available Monday through Thursday 8 a.m. to 10 p.m. (EST), Friday 8 a.m. to 7 p.m. and Saturday from 9 a.m. to 1 p.m. To use this service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at www.accelservices.org.