



# S P E N D I N G PLAN 101



## SPENDING PLAN 101

Having a spending plan (yes, a budget) doesn't mean you'll have less; it means you'll have more for those things that really matter to you. You'll have greater control over your financial destiny and achieve those goals most important to you and your family.

## 5 STEPS TO A SPENDING PLAN

A spending plan helps you plan for short-term goals by managing your income and expenses which also helps you save for the longer-term goals.

1. List all sources of income
  - Paychecks – if you list the gross amount be sure to list income taxes and other deductions under expenses.
  - Pension, Social Security
  - Tax Refunds
  - Other – child support, alimony, interest income, etc.

2. List monthly expenses
  - Fixed payments – mortgage, rent, car payment
  - Flexible – food, clothing, gifts, utilities
  - Periodic – insurances, taxes

If you're not able to track all of your monthly expenses, it's likely you have a spending leak which can be a financial drain. Be diligent about tracking your expenses for a month or two to make sure all expenses are accounted for.

3. Balance income and expenses
  - Income greater than expenses? Good for you – save a little bit more.
  - Expenses greater than income? Don't despair. You'll need to make some adjustments to your spending but now you know where you can cut back because you've tracked your expenses.

4. Review income and expenses – Once your spending leaks have been identified and patched, review your plan to see if it fits your financial goals. Does it allow you to achieve what you want in the short- and long-term? If not, here are some quick and easy changes you can make:

- Eat out less
- Get a part-time job
- Borrow books and movies from the library
- Shop used-clothing stores (you won't believe the deals you'll find)

5. Commit to managing your plan for the long-term — It's great that you took the steps necessary to establish a spending plan but you need to stick to it consistently reach your evolving goals. Manage your plan by:
  - Tracking expenses regularly
  - Reviewing goals annually or after a major life change
  - Matching your plan to your goals - remember the plan is in support of your goals so keep that in mind when tempted to spend beyond your budget.

## MONEY SAVING TIPS

- Pay down debt, starting with the highest interest rate loans/credit cards
- Refinance mortgage and consider consolidating debts
- Bundle insurance with one company
- Shop around for insurance and credit needs:
  - Raise/eliminate deductibles as appropriate
- Use credit cards wisely:
  - Only charge what you can pay-in-full each month
  - Eliminate late fees – use the card issuer's secure internet site to make payments
- Pack brown bag lunches
- Cancel subscriptions to papers and magazines that go unread
- Fix air leaks around doors and windows
- Plan your route when running errands to avoid back-tracking

## RESOURCES FOR MORE MONEY SAVING AND BUDGETING TIPS

### U.S. DEPARTMENT OF ENERGY

- [www.eere.energy.gov/consumer](http://www.eere.energy.gov/consumer)
- [www.energy.gov/forconsumers.htm](http://www.energy.gov/forconsumers.htm)

### FEDERAL CITIZENS INFORMATION CENTER

- [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

### NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

- [www.smartaboutmoney.org](http://www.smartaboutmoney.org)

### CHOOSE TO SAVE

- [www.choosetosave.org/tips](http://www.choosetosave.org/tips)