



HEALTHY, WEALTHY, & WISE

Learning to improve financial health, increase wealth, and make wise consumer choices

Budget Basics

Some families seem to have a knack for making ends meet. The difference is not how much money they have but how well they manage their resources. These families have learned the value of planning and controlling expenses by using a spending plan.

In this issue, you will learn to make a monthly spending plan. Monthly expenses that stay about the same each month are easy to remember. You will also learn to plan for nonmonthly periodic expenses that can be budget-busters if you don't have money set aside for them.

Most "unexpected" expenses are things we've "neglected" in our spending plan. What are some expenses that always seem to cause stress for your family?

The next sections can help you decide if it's the little things or the big things that cause the most trouble. You may get a few ideas for ways to plan for or control them.

Little things add up

Does your money seem to just disappear? Cutting out a few daily expenses can do magic! Figure how much these "little things" cost each year:

- Eating out \$5 per day = \$150 per month x 12 or \$_____ per year.
- Cola \$1 per day = \$30 per month x 12 or \$_____ per year.
- Movie rental \$5 per week x 52 = \$_____ per year.
- Cigarettes \$4 per day x 365 = \$_____ per year.
- Coffee \$2 per day x 365 = \$_____ per year.
- Snacks \$1 per day x 365 = \$_____ per year.
- Alcohol \$20 per week x 52 = \$_____ per year.

All of these together add up to \$6,015 per year.

What else could you do with nearly \$500 per month?



Use these words to complete the statements and increase your knowledge about spending plans.

**debt
expenses**

**fixed
flexible**

**income
needs**

**periodic
written**

1. A spending plan helps families to live within their _____.
2. One of the best ways to stay on track with a spending plan is to stay out of _____.
3. Two major parts of a spending plan are income and _____.
4. Before developing a spending plan, it is a good idea to keep a _____ record of your income and expenses for two or three months. This helps you establish a more realistic and accurate plan you can stick with.
5. Expenses that stay the same each month, like housing, car payments, or other monthly installment credit payments are called _____ expenses. These are the easiest payments to remember and the hardest to change. Write them on your spending plan first.
6. Expenses that change from month to month are called _____ expenses. These may include food, clothing, gasoline, personal care, and most daily expenses. The envelope method is one way to control these. Write how much you can afford on your spending plan and put that amount in an envelope labeled for that category. When the envelope is empty, it's time to stop spending.
7. Irregular or _____ expenses that don't occur every month are the hardest to remember. To avoid budget bumps and bulges, plan for these annual expenses.
8. Separating wants from _____, or what is absolutely necessary, is another important part of budgeting. Include necessities in your budget first, and make sure to set aside the money to cover those that are priorities. Some people who fail to plan mistakenly believe they have money to spend on what they want when they get a paycheck. Those who have carefully planned realize that most of their income is already designated for other expenses before it arrives.

Answers to knowledge about spending plans:
1. income 2. debt 3. expense 4. written 5. fixed 6. flexible 7. periodic 8. needs

Answers to Little things add up:
B. \$1,800 C. \$360 D. \$260 E. \$1,460 F. \$730 G. \$365 H. \$1,040



Monthly Spending Plan

GROSS INCOME \$ _____
Minus taxes and other deductions _____

NET INCOME \$ _____

ESTIMATED EXPENSES

- Housing _____
- Food at home _____
- Food away from home _____
- Clothing _____
- Clothing care _____
- Life insurance* _____
- Car payment(s) _____
- Gasoline _____
- Utilities (gas, water, electricity) _____
- Cable TV _____
- Telephone _____
- Home furnishings/appliances _____
- Credit card payment(s) _____
- Other loans _____
- Personal care _____
- Health care (doctor, dentist, medicine) _____
- Household supplies _____
- Recreation _____
- Emergency fund/savings _____
- Savings for non-monthly expenses (see next page) _____
- Miscellaneous (pets, hobbies, club dues, subscriptions) _____

TOTAL EXPENSES \$ _____

DIFFERENCE BETWEEN INCOME AND EXPENSES \$ _____

The first step in making a spending plan is to figure your income and estimate your expenses. If you keep a written record of what you actually spend for a month or two, your estimated expenses will be more realistic.

Use the form to the left to record income and expenses. Finally, subtract your total expenses from your net income. If the result is negative, look for ways to cut back. Your goal is to balance your income with your expenses.



*Do not include if payroll deducted



Schedule Nonmonthly Expenses

Most spending plans are based on **monthly** income and expenses. Some expenses do not occur monthly but rather periodically throughout the year. When a major **nonmonthly** expense such as car insurance comes due, it may be difficult to pay the entire amount out of one month's income. Planning ahead for major expenses eliminates this problem. Use the form below to help you calculate how much to set aside each month so you can pay major bills when they are due. In other words, break large payments down into monthly payments to prevent your budget from being blown! An example is shown.

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Yearly cost	Average monthly amount
Car services/tires				35					35	300	35	405	810	67.50
Taxes—personal property									150				150	12.50
Auto insurance		300						300					600	50.00
Total amounts		300		35				300	185	300	35	405	1560	130.00

↑ **EXAMPLE** ↑

Set aside
each month

Item	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Yearly cost	Average monthly amount
Total amounts														

Set aside
each month

IN THE NEXT ISSUE: *Saving*

Revised by **Dr. Bobbie Shaffett**, Extension Professor, from *Marriage and Money* newsletter series by Joy Buffalo, County Extension Agent, Franklin County, and Dr. Lynn Russell, Extension Family Resource Management Specialist, University of Arkansas Extension Service.

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