

It's Your Money: Making Choices

Every day, we make choices about how to spend money. Often, these choices are made without planning. This booklet will help you make a spending plan or budget for your household. A budget will help you

- Live within your income
- Spend your money wisely
- Reach personal goals

Learning to manage your money now will make life easier in the future. It takes six simple steps to develop a household budget. A budget will help you get the things you want and cut down on unplanned spending. The four worksheets at the end of the book will guide your planning. You might want to read through the steps quickly, then go back and do the steps.

STEP 1

Decide what your most important money goals are. For example, it may be saving money, paying an overdue bill, or meeting big expenses that come only once or twice a year. Try to figure out which money goals you want to plan for this month. Write down your goals on Worksheet 1. Keep in mind the first rule of budgeting: you cannot spend more money than you have.

In the future, you should also set goals for using money for the whole year. For example, you may have to plan for expensive items and additional savings. Worksheet 1 has space to write long-term goals.

STEP 2

Now, look at how much money you have this month. On Worksheet 3, list all your sources of income and how much you receive. Add all the money you get each month to find your total income for the month. There are 3 copies of Worksheet 3 included to help you plan for 3 months.

STEP 3

Step 3 has two parts. First, you will use Worksheet 2. Then, you will use Worksheet 3.

You might have some big expenses that you pay only once or twice a year—taxes, loans, insurance, school clothes or holiday costs. To plan for these items, use Worksheet 2. List the items and their costs next to the months they are due. Add each month's total. Next, add all the monthly totals and divide by 12. The answer is what you must set aside each month to pay for those big expenses.

Now, turn to Worksheet 3. Write your final answer from Worksheet 2 next to "Monthly Amount I Must

Set Aside" under Step 3.

In addition, you probably have some monthly or regular expenses you cannot change right now. These *fixed* expenses could be rent, mortgage or car payments. Record these costs also.

If you have overdue bills, write down an amount you think you can pay each month. In addition, record the amount of money you must save to reach your goals. Add the cost of all items for the total you must spend in 1 month.

STEP 4

This step shows you how much money you have for other expenses. Simply subtract how much you must spend each month from your total monthly income.

In every budget, there are *flexible* expenses for items that leave the amount to spend up to you. You might spend a lot or, if you want to cut spending, you might spend less.

These costs might include: food; household needs-utilities and paper products; transportation- gas, oil, car repairs, or bus and taxi fares; clothing-buying and laundry; medical-doctor, dentist, clinic fees and medicine; personal- cosmetics or haircuts; social games, sports, movies, trips, gifts, club dues, magazines and school expenses; and any other expenses you have.

Now, list what you think you will spend for these items on Worksheet 3 under "What I Might Spend This Month". Any records you have about past spending will help you make a decision. Add all the amounts to get a monthly total of what you might spend on flexible expenses.

STEP 5

Step 5 checks that your income is the same as, or more than, your expenses. Add your "Must Spend" and "Might Spend" totals. Then, subtract that amount from your total income.

If the amount you plan to spend is greater than your income, look for areas where you can cut. Think about the many money-saving ways to spend less.

Check to see if advertised brand names cost more than other brands. When they do, buy the cheaper product. Buy specials. Buy a product in large quantities if it is cheaper than buying small amounts and you have storage space. Do more of your own work rather than paying for services, such as repairs, haircuts, sewing and prepared food. Shop in stores that have the best prices, such as discount stores. Make use of free or inexpensive recreation, such as hikes and picnics. Turn the thermostat down. Prepare snacks instead of buying them. Mend clothing rather than buying new. Above all else, stop buying things you really do not need.

You must make the hard choices and cut until your expenses are not more than your income.

STEP 6

Step 6 helps you keep a spending record. That makes budgeting easier. Use Worksheet 4 to record how much you actually

spend on flexible items. Write down the items you buy and their costs. At the bottom of the spending record, write the amount you planned to spend on flexible items. During the month, check your actual spending against this planned amount. If you are spending more than you planned, cut back and try cost-cutting ideas. If you are well within your spending limits, you may still want to use the worksheets for budget planning.

In the next months, use what you have learned about planning and spending and repeat the steps on the worksheets provided. Each month's plan will change as you learn where you can save and where you must plan to spend more money. No plan is of any use unless you put it into action. With the worksheets, you will budget your money, live within your means, and watch your savings grow.

Step 1: Personal Goals

One month from today, I plan to have these things done with my money.

1. _____

2. _____

3. _____

One year from today, I plan to have these things done with my money

1. _____

2. _____

3. _____

4. _____

5. _____

Step 2 : Periodic Expenses

List items and Costs for Each Month

		Months Total
January		
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		

Total Periodic Expenses = \$ _____

12) Total Periodic Expenses = Monthly Amount I must set aside
= \$ _____

Step 3 : Plan for month of _____

Total Income for Month of _____

Sources of Income	Amount
(Paychecks, Assistance, Social Security, Unemployment, retirement or other)	
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
Monthly Income Total (Add column.)	\$ _____

What I might spend this month

Item	Amount
Monthly Amount I must set aside (from Worksheet 2)	\$ _____
Housing -- Mortgage or rent	\$ _____
Installment Payments	\$ _____
Overdue Bills	\$ _____
Other _____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
Monthly Amount I must set aside for goals (From Worksheet 1)	\$ _____
Total	\$ _____
What I must spend this month (Add. column.)	\$ _____

STEP 4

Monthly Income Total \$ _____
 What I MUST spend this month \$ _____
 Subtract (Line 2 from line 1)
 What I might spend this month = \$ _____

What I might spend this month

Item	Amount
Food	\$ _____
Household Needs	\$ _____
Transportation	\$ _____
Clothing	\$ _____
Medical	\$ _____
Personal	\$ _____
Social	\$ _____
Other	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
What I might spend this month (add column)	\$ _____

STEP 5

Must Spend + Might Spend = What I plan to spend = \$ _____
 Am I spending more than I have?
 Total Income - What I plan to spend
 _____ - _____ = \$ _____

LET'S REVIEW

- Set your monthly and yearly financial goals
- Determine your monthly income
- Add all of your fixed expenses and a monthly portion of your yearly expenses. This is the amount you must spend in one month
- Subtract the amount you must spend in 1 month from your monthly income. This is the amount you have left for flexible expenses
- Add your fixed expenses and your flexible expenses. Subtract this figure from your monthly income. The amount you plan to spend monthly should not be greater than your monthly income.
- Keep track of what you actually spend on flexible items. Avoid spending more than you planned

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