

# Money 2000 and Beyond

## Taking control of your spending



How do you currently spend your money?

How do you want to manage your money to reach your goals?

How can you track your spending to stay within your spending plan?

Like most people, you probably have a limited amount of income, but face unlimited ways that you could spend it. Developing a spending plan is one of the most effective strategies for taking control of your spending and achieving financial security. A spending plan can help you live within your income, reduce the need for consumer credit, set aside money for emergencies and save for future goals.

Follow these steps to develop a spending plan.

### Step 1. Determine monthly income

Record your monthly income for the last three months. Then figure your average monthly income, and record that in the last column. Record the total amount in the shaded box.

Income source	month 1	month 2	month 3	average
Take-home pay—earner 1				
Take-home pay—earner 2				
Tips/bonuses/commissions				
Interest/dividends				
Child support				
Alimony				
Public assistance, SSI				
Social Security				
Pension/annuities				
Other income				
<b>Total income</b>				

\*

\* Transfer total from shaded box to Step 6, page 6.

## Step 2. Calculate average monthly spending

Record your spending for the last three months. **Fixed expenses** are those monthly payments that are set and cannot easily be adjusted or changed. Examples are rent, mortgage payment, car payment, and insurance.

**Flexible expenses** are expenses you have each month, but the amount varies. Examples are groceries, utilities, gasoline and medical expenses. **Discretionary expenses** are those expenditures where you choose how much you will spend. Examples are entertainment, contributions and gifts. Last, calculate your average monthly spending.

Fixed expenses	month 1	month 2	month 3	average
Mortgage or rent payment				
Vehicle payment				
Vehicle registration/license				
Vehicle insurance				
Life insurance				
Health insurance				
Disability insurance				
Property insurance				
Other insurance				
Property taxes				
Loan/credit card payments				
Dues				
Child care while working				
Child support				
Alimony				
Income tax *				
Emergency fund				
Savings for _____				
Other				
Other				
<b>(A) Total fixed expenses</b>				

\*Estimated tax payments or additional tax paid with return (in addition to what was withheld from paycheck).

Flexible expenses	month 1	month 2	month 3	average
Electricity				
Gas/fuel oil				
Water/sewer				
Garbage				
Telephone				
Groceries				
Work/school lunches				
Vehicle expenses				
Gasoline (vehicle)				

Flexible expenses (continued)	month 1	month 2	month 3	average
Transportation/bus				
Clothing				
Dry cleaning/laundry				
Personal care/hair care				
Doctors, dentists				
Prescriptions/medicines				
Tuition				
School supplies				
Household maintenance				
Household furnishings				
Personal allowances/"fun money"				
Pets/animals				
Clubs/hobbies				
Other				
<b>(B) Total flexible expenses</b>				
Discretionary expenses	month 1	month 2	month 3	average
Entertainment				
Eating out				
Contributions				
Holidays				
Birthdays				
Other gifts/cards/stamps				
Magazine subscriptions/newspapers				
Cable TV				
Lessons/music, dance				
Baby-sitting (nonwork)				
Alcohol/cigarettes				
Other				
<b>(C) Total discretionary expenses</b>				
<b>Total expenses (A+B+C)</b>				

**Ask:** Does your average income equal your average expenses, or do you spend more than your income?  
 Is this how you want to spend your income?  
 Have you set aside money for expenses that are paid once or twice a year?  
 Have you set money aside for savings?

Complete Step 3—Spending Calendar and Spending Goals—to help you plan for these expenses.

### Step 3. Identify infrequent expenses and spending goals

#### Spending Calendar

It is important to set aside money each month for expenses that are due infrequently. Use this spending calendar to write in the expenses your family will have once or twice a year. The calendar will help you remember when large payments are due. By setting aside money each month, you will have the money when the bill is due.

Item	J	F	M	A	M	Jn	Jy	A	S	O	N	D	Total	monthly average
Vehicle registration														
Vehicle insurance														
Life insurance														
Health insurance														
Property insurance														
Other insurance														
Holidays														
Birthdays														
Dues														
Subscriptions														
Property taxes														
School supplies														
Tuition														
Income tax*														
Other														
<b>Total monthly</b>														

\*Estimated tax payments or additional tax paid with return (in addition to what was withheld from paycheck).

#### Spending Goals

It also is important to set aside money each month for emergencies and for other spending goals. Your first goal should be to save enough for emergencies. Space also is provided for you to identify your other spending goals. Identifying your spending goals and then determining how much to save monthly helps you have the money when you need it.

Spending goals	date needed	amount needed	amount to save monthly
1. Emergency fund			
2.			
3.			
4.			
5.			
6.			
<b>Total/monthly expenses</b>			

Proceed to Step 4, in which you make adjustments in your current spending. Your income should equal your expenses. Include monthly amounts from your Spending Calendar and Spending Goals worksheets in your spending plan.

Use the following steps to fill in the table on pages 6 and 7.

## Step 4. Balance income and expenses

**Make adjustments in your spending so your expenses equal your average income.**

You are now ready to add and subtract from how you currently spend (from Step 2). Using a pencil with eraser, decide what additional amount you want to spend for each category each month and what expenses you want to cut. Start first with your discretionary expenses. Then, if necessary, make adjustments in your flexible expenses. Continue doing this until your expenses equal your average income. Be sure to include monthly amounts from your Spending Calendar and Spending Goals (from Step 3).

## Step 5. Complete your spending plan

Record your final adjusted spending amounts in the monthly planned expenses column.

## Steps 6 & 7. Match expenses to pay period

Determine what amount of your total monthly income you receive during each pay period.

For the individuals who get paid more than once a month, it is important to determine monthly income for each pay period, and then to decide which expenses to pay each pay period.

Determine which expenses you will pay during each pay period and enter that amount under that pay period.

## Step 8. Assign responsibilities

Decide who is responsible to pay each expense in the column labeled **who pays**.

For example:

**W** = wife; **H** = husband; **B** = both;  
**P** = parent; **C** = child

## Step 9. Track your spending

Now that you have a spending plan, it is important to track your spending in order to stay within the amounts you have planned. There are several possible ways to do this.

### Account book

You can use paper and pencil to record your expenses and compare to planned amounts. You may make your own record sheets by taking paper and making columns marked with your expense categories. As you write checks or spend cash, you can deduct these expenses from the appropriate budget categories. *Our Family Account Book* B2372, available from your county UW-Extension office or the address on the back page, can help you record expenses.

### Check register

You can use the *Using a Check Register to Track Your Expenses* B3709-5 and *Check Register Tracking System* B3709-6 publications in this series to record expense amounts as you write checks. These are also available from your county UW-Extension office or the address on the back page.

In addition to recording the balance in your checking account, the check register enables you to subtract expenses from your spending plan categories. This gives you an up-to-date summary of how your spending compares with your planned expenses.

### Envelope system

An envelope system is a simple but helpful way to keep track of and control your spending. Make envelopes for your expense categories — all or selected categories — and put the planned amounts of cash in the envelopes. As you use cash for an expense, you may write on that envelope what the money was spent for.

In addition to helping you track where you spend your money, this method also may be used to control your spending. The goal is to spend no more for a particular expense category than the cash in that envelope.

### Computer software programs

For individuals with access to a computer there are programs available to help track spending. Some people like to make their own expense sheets using a spreadsheet program. Others like the software programs designed to record expenses and compare to planned amounts.

For additional information on methods to keep track of your spending refer to *Tracking Your Spending* B3709-3.



## Guidelines

1. Develop a spending plan with realistic goals in mind.
2. Build savings into your spending plan rather than saving whatever is left.
3. Set aside money each month for large expenses that occur once or twice a year.
4. Build in personal allowances for family members to spend as they wish.
5. Be flexible.
6. Periodically review and adjust as needed.



## STEP 6

\* Transfer total from income table on page 1.

Total income	income for pay period			
	1	2	3	4

## STEP 4 STEP 5 STEP 7

## STEP 8

Fixed expenses	adjust-ment	monthly planned expenses	planned expenses for				who pays
			pay period 1	pay period 2	pay period 3	pay period 4	
Mortgage or rent payment							
Vehicle payment							
Vehicle registration/ license							
Vehicle insurance							
Life insurance							
Health insurance							
Property insurance							
Other insurance							
Property taxes							
Loan/ credit card payment							
Dues							
Child care							
Child support							
Alimony							
Income tax							
Emergency fund							
Savings for _____							
Other							
<b>(A) Total fixed expenses</b>							

Fixed expenses	adjust- ment	monthly planned expenses	planned expenses for				who pays
			pay period 1	pay period 2	pay period 3	pay period 4	
Electricity							
Gas/fuel oil							
Water/sewer							
Garbage							
Telephone							
Groceries							
Work/school lunches							
Vehicle expenses							
Gasoline (vehicle)							
Transportation/bus							
Clothing							
Dry cleaning/laundry							
Personal care/hair care							
Doctors, dentists							
Prescriptions/medicines							
Tuition							
School supplies							
Household maintenance							
Household furnishings							
Personal allowances							
Pets/animals							
Clubs/hobbies							
<b>(B) Total flexible expenses</b>							
<b>Discretionary expenses</b>							
Entertainment							
Eating out							
Contributions							
Holidays							
Birthdays							
Other gifts/cards/stamps							
Magazines/newspapers							
Cable TV							
Lessons/music, dance							
Baby-sitting (nonwork)							
Alcohol/cigarettes							
<b>(C) Total discretionary expenses</b>							
<b>Total expenses (A+B+C)</b>							

## For more information

Other University of Wisconsin-Extension publications that will help you plan for and spend your money wisely:

*Consumer Credit (Crédito al Consumidor):*

*Shopping for Consumer Credit* NCR 606-1 (*Comparación de Precios de Crédito al Consumidor* NCR 606-1S)

*When There's an Error on Your Credit Card Bill* NCR 606-2 (*Qué Hacer Cuando Hay un Error en la Cuenta de su Tarjeta de Crédito* NCR 606-2S)

*Your Credit Report* NCR 606-3 (*Su Informe de Crédito* NCR 606-3S)

*Cost of Raising Children* NCR 440

*Investment Basics* B3683

*Money 2000 and Beyond:*

*Organizing Your Financial Records* B3709-1

*Tracking Your Spending* B3709-3

*Using Power Payments to Pay Off Debt* B3709-4

*Using a Check Register to Track Your Expenses* B3709-5

Use with: *Check Register Tracking System* B3709-6

*Our Family Account Book* B2372

*Our Family Records* B2369

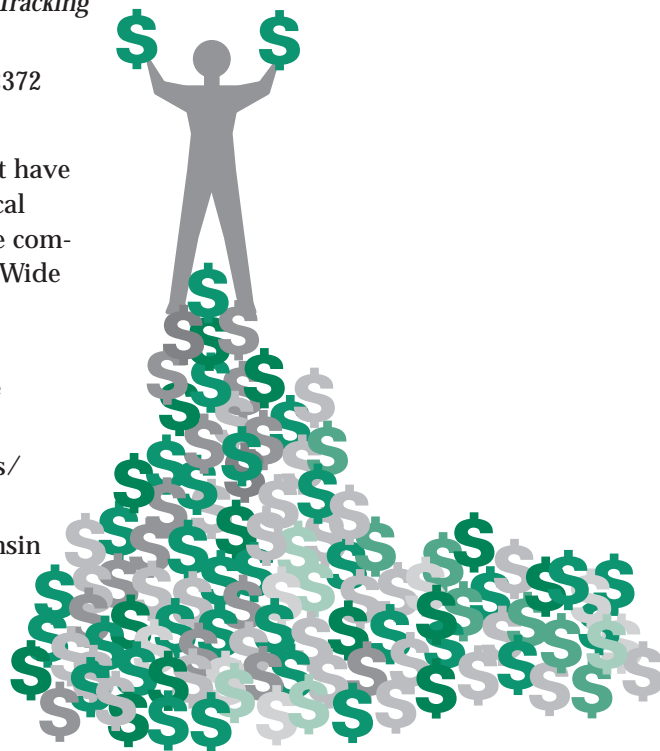
**Web sites** — If you do not have Internet access, try your local library. Many libraries have computers linked to the World Wide Web.

*Money 2000 & Beyond*, UW-Extension Cooperative Extension:

<http://www.uwex.edu/ces/money2000>

*Your Money Matters*, Wisconsin Department of Financial Institutions:

<http://www.wdfi.org>



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