Spending Plans

Advanced Level





What is a Spending Plan?



An income and expense statement sometimes referred to as a budget which records both planned and actual income and expenses over a period of time

A budget

Spending Plan for:		
Time Period:		
	Planned	Actual
	Amount	Amount
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
Money from savings and investments to help		
pay expenses during this time period		
Received Income from Government Programs		
Total Income	\$	\$
Expenses		
Deductions Often Taken from Paychecks		
Contributions to retirement programs (401k,		
403b, pension, IRA)		
Federal income tax and state income tax		
Social Security and Medicare		
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments		
Insurance Premiums		
Health, automobile, home or renters, life		
Housing Costs		
Transportation Costs		
Food Costs		
Family Member Care		
Communication and Computers		
Telephone landline, cell phone, Internet,		
cable/satellite television		
Medical Costs Not Covered by Insurance		
Clothing and Personal Care		
Educational Expenses		
Pet Care		
Entertainment		
Gifts and Charitable Contributions		
Credit Costs		
Student loan, credit card, other loan		
payments Total Evponess	Ċ	¢
Total Expenses	\$	¢
Net Gain or Net Loss (Income less Expenses)	\$	Ą



Why is a Spending Plan an important part of financial planning?

Help manage your money in a positive manner

Analyze the opportunity costs of your trade-offs to maximize financial well-being

Increase net worth

Helps set and reach goals





Money Management Tools

Statement of **Income & Expense Spending Plan Financial Position Statement** What is my future What is my How have I financial position managed my money management plan? today? money in the past? **Determine what changes** Make to make changes





A forward-looking Income and Expense Statement

Income and Expense Statement for:	
Time Period:	
	Amount
Income	
Earned Income	
Wages or salary before deductions	
Unearned Income	
Interest earned this time period	
Money from savings and investments to help pay expenses during this time period	,
Received Income from Government Programs	
Total Income	\$
Expenses Padvetions Often Taken from Bayehooks	
Deductions Often Taken from Paychecks	+
Contributions to retirement programs (401k,	
403b, pension, IRA)	
Federal income tax and state income tax	
Social Security and Medicare	
Saving and Investing (Pay Yourself First)	
Contribution to savings and investments	
Insurance Premiums	-
Health, automobile, home or renters, life	
Housing Costs	
Transportation Costs Food Costs	1
Food Costs Family Member Care	+
Communication and Computers	
Telephone landline, cell phone, Internet,	
cable/satellite television	1
Medical Costs Not Covered by Insurance	1
Clothing and Personal Care	
Educational Expenses	
Pet Care	
Entertainment	
Gifts and Charitable Contributions	
Credit Costs	
Student loan, credit card, other loan payments	
Total Expenses	\$ \$
Net Gain or Net Loss (Income less Expenses)	\$



Spending Plan for:		
Time Period:		
	Planned Amount	
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
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Insurance Premiums		
Health, automobile, home or renters, life		
Housing Costs		
Transportation Costs		

May use the same template for both the Income and Expense Statement and the Spending Plan

Total Expenses	ΙÞ	P
Net Gain or Net Loss (Income less Expenses)	\$	\$





Spending Plan Development Process

Develop the spending plan

Maintain the spending plan

Step 1 - Track Step 5 - Evaluate Current Income and and Make Expense Adjustments Step 4 -Step 2 -Implement and Personalize Your Control **Spending Plan** Step 3 -Allocate Money to Each Category

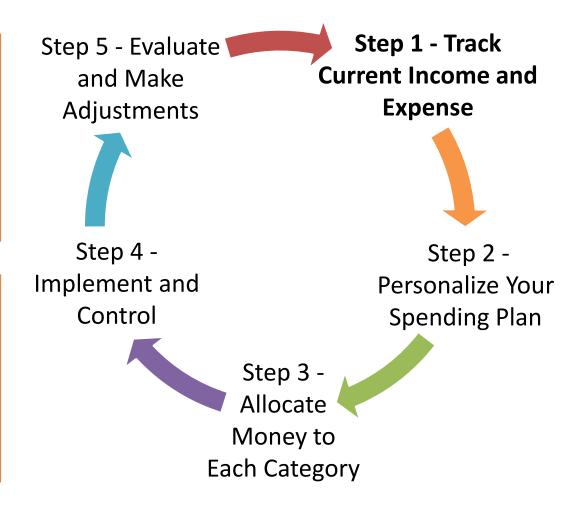




Track Current Income and Expenses

Completed by developing an Income and Expense Statement

Ensures spending plan is realistic







Personalize Your Spending Plan

How will you develop a spending plan?

What is the intended time period for your spending plan?

What categories will your spending plan include?

Step 1 - Track Step 5 - Evaluate Current Income and and Make Expense Adjustments Step 4 -Step 2 -Implement and **Personalize Your** Control **Spending Plan** Step 3 -**Allocate** Money to

Each Category





How will you develop a spending plan?

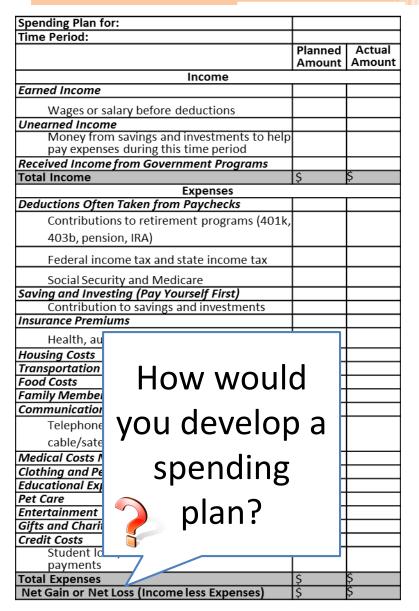
Paper and pencil

Any
written
method
that works
for you

Spreadsheet

Money management computer software

Applications







What is the intended time period for your spending plan?

 Usually concurrent with pay period

What time period would you choose for your spending plan?

What categories will your spending plan include?

- Reference tracking from the Income and Expense Statement
- Do any categories need added, changed, or removed?



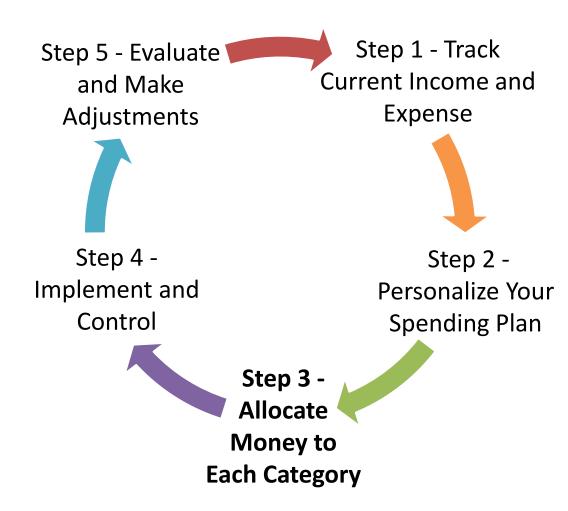


Allocate Money to Each Category

Reference tracking from <u>Step One</u>



Determine what changes to make





When allocating money consider:

Trade-offs and opportunity costs

Goals

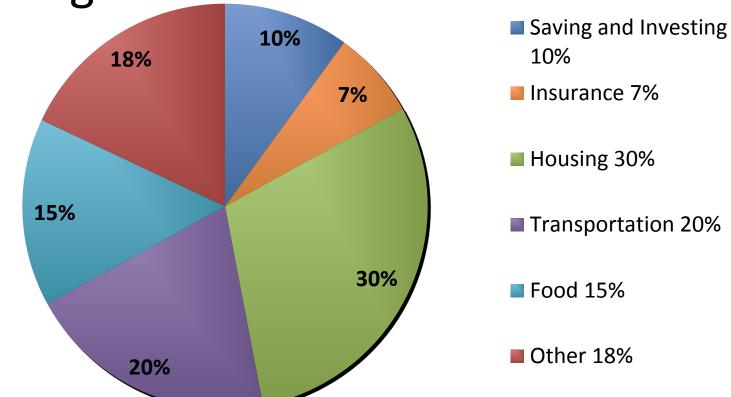
Contractual expenses



Contractual	Non-contractual
Required to pay expense for a specific amount of time - not easy to reduce or eliminate	Easy to reduce or eliminate
Rent, Internet, Cell phone	Food, entertainment



Spending Plan Guide



What variables may cause these percentages to be different?





Net Gain or Net Loss?



Net Gain?

 Add more money to savings or another expense

Net Loss?

- Increase income
- Decrease expenses
- Both

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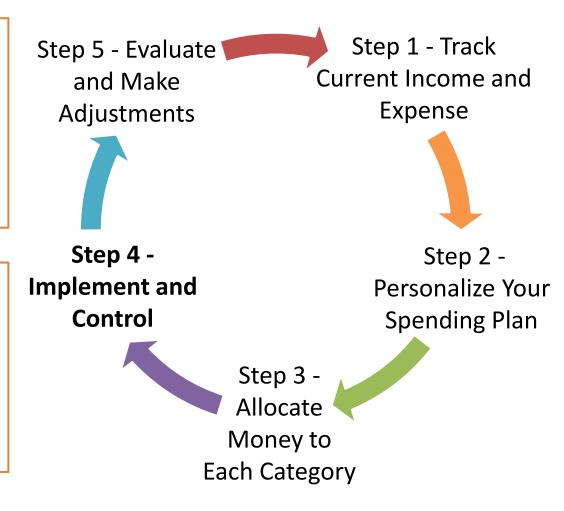




Implement and Control

Make your planned spending decisions

Use a control system to stay on track







Control Systems

Money management computer

Which control system would help you stick to your spending plan?

Internet-based spending plan

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Depository institution programs

Check register system

Envelope system





Evaluate and Make Adjustments

How well did your spending plan work?

Is your spending plan helping you reach goals?

Do you need to make any adjustments?

Step 1 - Track Step 5 - Evaluate Current Income and and Make Expense **Adjustments** Step 4 -Step 2 -Implement and Personalize Your Control Spending Plan Step 3 -**Allocate** Money to Each Category





Summary

- A spending plan is an important financial planning tool
 - Helps achieve goals
- Make your spending plan work for you
- Make sure to control, evaluate, and adjust your spending plan

