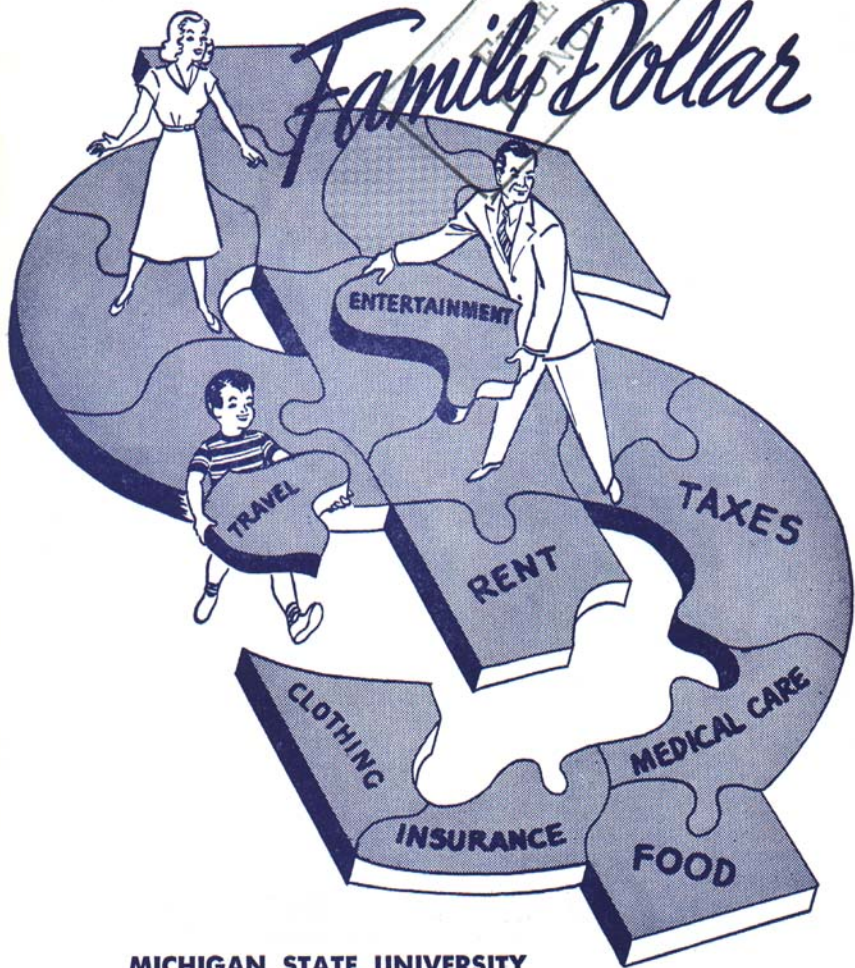


EXTENSION BULLETIN 256

# PLANNING THE USE OF THE

# *Family Dollar*



**MICHIGAN STATE UNIVERSITY**

Cooperative Extension Service

EAST LANSING

# Planning the Use of the Family Dollar

By LUCILE KETCHUM<sup>1</sup>

## HOW TO PLAN

The Livewells of Michigan have a modest income, but they've found that an organized plan helps them make the best use of whatever dollars they have to spend.

If you've decided to take a hand at getting your own family finances under control, the Livewells' system will interest you. This is how they do it.

### A. First — Talk It Over — Decide What You Want

The Livewells have learned that their spending plan must fit *them*—not the neighbors, the Smiths or the Joneses, or some "average" family. To get a good financial "fit," the family who does the spending must do the planning. Both as individuals and as a group, they must make the choices themselves about what use of income will be best.

Although the Livewell family always finds it best to have their plans written down, a good deal of discussion goes on before they actually put a spending plan on paper. They talk things over—around the dinner table, over the dishes, or on the way to town.

Various things come up for consideration. The family needs a new car. Mr. Livewell is thinking about trading tractors, and Mrs. Livewell needs a new refrigerator. Mary's teeth should be straightened. Jack starts college next fall, and will need some extra cash besides his savings. And everybody wants to see Niagara Falls this year.

As a result, many different needs and wishes seem to be of equal importance. Then someone reminds the family of the goals which

<sup>1</sup>Extension Specialist in Home Management. The author wishes to extend full credit to Miss Julia Pond—now of Iowa State College—who prepared the original bulletin of the same name. Much of Miss Pond's material, adapted to current conditions, is included in this revision.

Mrs. Eunice A. Pardee, Extension Specialist in Home Management, collaborated in the 1958 Revision of the bulletin.

mean the most to all of them. When the things they want most out of life are considered, it becomes easier to decide what is actually important at the moment. But everyone has had his say, and each has listened to the other's ideas before a decision is reached.

## **B. Then Start In**

This thinking through of goals is the core of family financial planning. Once it's done, the whole family may "sit in" on the final planning—or only Mr. and Mrs. Livewell. You'll have to decide such details according to what suits your own family best. It may not be important for all of the family actually to be present when you put your plan on paper (though the Livewells think it works better that way). However, it is important that father, mother, and the older children all share in the planning. Even the younger children will have an interest in certain parts.

The Livewells have found it most satisfactory to make their plans for a 12-month period. Fall is the best time for them to start plans, since that's when they sell their crops and receive the greater share of the year's income. Other families like starting at the first of the year better.

Your family may want to plan for a shorter period at first. You can set up a plan for a week, month, quarter, year, or half-year. But remember that if your plan is for a very short period, some expenses—such as coal, insurance and winter clothing—will be more difficult to handle.

When you're ready for the final step of putting your plan in writing, get pencils and paper together, and assemble receipts and cancelled checks. Records from account books will be a great help, if you have them. If not, estimate your living costs as accurately as you can.

In particular, take into consideration (1) What you've earned and spent in the past; (2) What the newspapers and magazines can tell you about price trends; and (3) Any special plans you have for the coming year.

The Livewells have developed a system which seems easy to them, and which helps them do a good job of planning. The following pages show how they do it, step by step. You can use these same pages to set up your own family spending plan.

## C. Take It Step By Step

I. Use this space to estimate your net money income for the period of your plan:

### Our Gross Income

Major sources—farm, salaries, owned  
business ..... \_\_\_\_\_  
Other sources ..... \_\_\_\_\_  
\_\_\_\_\_

TOTAL ..... \_\_\_\_\_

### Our Business expenses

Major—farm, owned business..... \_\_\_\_\_  
Other ..... \_\_\_\_\_  
\_\_\_\_\_

TOTAL ..... \_\_\_\_\_

OUR NET MONEY INCOME..... \_\_\_\_\_

(Subtract total, business expenses, from total, gross income)  
*Transfer the last figure in this section to top of page 7.*

## II. Find Out Where You Are Now

It isn't only "income" and "out-go" that count. How far have you come already? You may be surprised to find how much you've accomplished—so before you go any further, buckle down and figure out your "Net Worth Statement." That will give you a picture of where you stand now.

The next page is a place to figure "What You Own" and "What You Owe." The difference between the totals of the two columns is your "Net Worth."

Our Net Worth \_\_\_\_\_ Date \_\_\_\_\_ 19 \_\_\_\_\_

## OUR NET WORTH STATEMENT

What We Own	What We Owe
Cash on hand and in checking account _____	Mortgage Debt Real Estate ..... _____
Bank Savings ..... _____	_____
U. S. Savings Bonds.. _____	Installment Debt Auto ..... _____
Stocks and Bonds.... _____	Furniture ..... _____
Cash Value of Life Insurance .... _____	H. H. Equipment.. _____
Market Value of: Farm or Home..... _____	Farm Equipment .. _____
Other Real Estate.. _____	Other ..... _____
Own Business ..... _____	Notes to Bank And Others _____
Auto ..... _____	_____
Inventory Value of: Livestock ..... _____	Interest Past Due.... _____
Crops, Seed, Feed.. _____	Taxes Past Due..... _____
Machinery and Equipment ..... _____	Other Debts _____
Estimated Value of: House Furnishings and Equipment .. _____	_____
Money Owed Us..... _____	_____
Other ..... _____	_____
Total ..... _____	Total ..... _____
 Our Net Worth _____	 Date _____ 19 _____

**III.** Make a list of all items for which members of your family will use their money. It may help you to balance expenditures against money income if you put the different items under one of these two headings:

Things We Plan to Have	Cost	Things We'd Like to Have	Cost

Now estimate as accurately as you can the cost of all items in these lists. Refer to your receipts, bills, account books, etc. Make this step easier by first estimating amounts for the week or month. Then put them on a quarterly, semi-annual, or yearly basis, depending upon the length of plan you expect to make.

**IV.** Transfer the items listed here to the appropriate sections on page 7, or use page 7 as a pattern and make yourself a larger page with more spaces.

## OUR PLAN FOR FAMILY LIVING

From \_\_\_\_\_ To \_\_\_\_\_

Net Money Income \$ \_\_\_\_\_ (From section 1, page 4)

	Totals		Totals
<b>1. FOOD PURCHASED</b>		<b>7. EDUCATION AND RECREATION</b>	
_____ \$ _____		School supplies \$ _____	
Meals eaten out \$ _____ \$ _____		Books, newsp'r's \$ _____	
<b>2. HOUSEHOLD OPERATION</b>		Games, toys \$ _____	
Electricity . . . \$ _____		Radio . . . \$ _____	
Fuel . . . . \$ _____		Entertaining . \$ _____	
Soap, wax, etc. \$ _____		Membership	
Telephone . . . \$ _____		dues . . . \$ _____	
Postage . . . . \$ _____		_____ \$ _____	\$ _____
_____ \$ _____ \$ _____			
<b>3. HOUSING</b>		<b>8. GIFTS AND CONTRIBUTIONS</b>	
*Rent . . . . \$ _____		To relatives and	
Upkeep . . . . \$ _____		others outside	
*Taxes, interest \$ _____		family . . . . \$ _____	
*Insurance . . . \$ _____		Church . . . . \$ _____	
_____ \$ _____ \$ _____		Community Fund,	
<b>4. FURNISHINGS, EQUIPMENT</b>		etc. . . . . \$ _____	
Furniture . . . \$ _____		_____ \$ _____ \$ _____	
Equipment . . . \$ _____		<b>9. CLOTHING</b>	
Sheets, towels,		Dad . . . . . \$ _____	
etc. . . . . \$ _____		Mother . . . . \$ _____	
Dishes . . . . . \$ _____		_____ \$ _____	
_____ \$ _____ \$ _____		_____ \$ _____	
<b>5. CAR AND OTHER TRANSPORTATION</b>		_____ \$ _____	
Car Payments . \$ _____		_____ \$ _____	
Insurance . . . \$ _____		_____ \$ _____	
License . . . . \$ _____		_____ \$ _____	
Gas, oil . . . . \$ _____		_____ \$ _____	
Repairs . . . . \$ _____		_____ \$ _____	
Other travel . . \$ _____		_____ \$ _____	
<b>6. HEALTH CARE</b>		_____ \$ _____	
Doctor, dentist \$ _____		<b>10. PERSONAL</b>	
Hospital . . . . \$ _____		Dad . . . . . \$ _____	
Hospitalization		Mother . . . . \$ _____	
and accident		_____ \$ _____	
insurance . . . \$ _____		_____ \$ _____	
Medical supplies \$ _____		_____ \$ _____	
Glasses . . . . \$ _____		_____ \$ _____	
Surgery . . . . \$ _____		_____ \$ _____	
_____ \$ _____ \$ _____		_____ \$ _____	
<b>TOTAL</b> . . . . .		<b>11. SAVINGS, PAYMENTS ON DEBTS</b>	
		Payments on	
		debts . . . . \$ _____	
		_____ \$ _____	
		U.S. Sav. Bonds \$ _____	
		Life Insurance \$ _____	
		Investment,	
		farm or home . \$ _____	
		Other . . . . \$ _____	
		_____ \$ _____	
		_____ \$ _____	

\*Rent or taxes, insurance, interest, etc., probably would not be listed here if you live on a farm. They usually will be considered with the farm business.

V. Compare the total of planned expenditures with the total of expected income.

EXPECTED INCOME \_\_\_\_\_

PLANNED EXPENDITURES \_\_\_\_\_

### **Can you make ends meet?**

If so, skip this paragraph. If not, there should be things you can do. Patterning after the Livewells, you could consider one or more of the following:

1. Locate items in your plan you can do without, and omit them. You may find some in both the "plan-to-have" and "like-to-have" lists. Or perhaps you'll transfer some "plan-to-haves" to the "like-to-have" list.
2. Determine to spend less for some items.
3. Re-examine ways of increasing your income.
4. If possible, produce more of your food and fuel at home.

A family discussion should bring out other ways that will suit your particular family circumstances.

### **Be SURE you can make ends meet.**

There always will be uncertainties—in expenses *and* income. Because this is so, you need a cushion—a safety margin between your estimates of income and expenses. Don't underestimate expenses nor put income too high just to balance your plan on paper. Make your estimates honest and realistic, and allow that margin. If you've done that, the planning job is done.

Now—to make the plan work!



## MAKING YOUR PLAN WORK

### A. Follow Through

You have made thoughtful choices. Now is the time to follow through. Circumstances may change and you may have to take a different route from time to time, but always keep your goals in mind. That will help you to keep going in the direction you want, and to decide when detours are wise.

### B. Try This

To make the way easier, pick out the expenses that are likely to be troublesome and decide how you will handle them. Some of the items that the Livewells plan ahead for are: taxes, insurance, the winters' fuel; fall school clothing; a vacation trip; building up a moderate "rainy day" fund for emergencies. You will be able to decide which expenses your family needs to make special plans for.

On pages 10 and 11 are places to figure out how you will meet some of these special needs when they come along. Put in the first column the total cost of the items you decide upon. There are two ways to provide for them:

1. From regular income, plan to set a side a definite amount each month so that you will have the money on hand when payment is due. You may wish to put the "set aside" funds into a separate bank account for easier handling.
2. For some expenses you may find it more convenient to plan to use lump sum income which you expect at a certain time—such as returns from sale of hogs, wheat or cherry crops; or perhaps a bonus payment from your company.

**OUR PLAN FOR SAVING**

Items	YEARLY TOTALS	DATE DUE	JAN.	FEB.	MAR.	APR.	MAY	JUNE
Taxes, Federal Income								
Taxes, Property								
Property Insurance								
Interest on Loans								
Payment on Debts								
Life Insurance								
Savings (list purposes)								
<b>TOTAL</b>								

**AND MEETING SPECIAL EXPENSES**

(See Section B, page 9)

JULY	AUG.	SEPT	OCT.	NOV.	DEC.	Memoranda

### **C. Check Your Plan**

You will find that it pays to keep records of income and expenses. Records will enable you: (1) to see how your plan works; (2) to decide where to make changes, if you need to; (3) to make a better plan next time.

#### **For your monthly record:**

Page 13, section I, can be used to record a month's cash receipts and business expenses. Pages 14-17 provide space for a record of family living expenses two months running. You can easily make additional record sheets like these.

#### **For your annual record:**

At the bottom of page 13, in section II, there is space for your annual record of cash receipts and business expenses. Pages 18 and 19 are for your annual record of family spending. By keeping these records you will be able to compare your actual spending with your plans for the year.

#### **A family account book is, of course, the best choice.**

You may obtain one for a nominal charge from your County Extension Office or by writing to: *Home Economics Extension Department, Michigan State University, East Lansing.*

Adopt the policy of comparing actual records at the end of a week or month with your plan. Do not hesitate to make the necessary adjustments. Remember—the entire family should help to decide which adjustments are best. Working it out together you will be better able to follow through. The Livewells did not expect to be 100 per cent successful at first, but each year they made improvements. You can do it, too.

## CASH RECEIPTS AND BUSINESS EXPENSE

### I. Record for One Month

CASH RECEIPTS		CASH BUSINESS EXPENSES	
Source	Amount	Item	Amount
Total for month		Total for month	
Amount planned		Amount planned	

### II. Annual Record

Month	Amount	Month	Amount
Total, cash receipts		Total, business expense	
Total, planned		Total, planned	

Month of \_\_\_\_\_

## MONTHLY RECORD OF

Date	GOODS AND SERVICES BOUGHT	Food	Household Operation	Housing	Furnishings Equipment	Car, Other Transportation	Health Care	Education and Recreation	Gifts, Contributions
Total Amounts Spent									
Total Amounts planned to spend									

**FAMILY SPENDING**

CLOTHING				PERSONAL EXPENSES				Total, Family Living Expenses	Savings, Investments, Debt Payments
Dad	Mother	Children		Dad	Mother	Children			





# FAMILY SPENDING

CLOTHING					PERSONAL EXPENSES					Total, Family Living Expenses	Savings, Investments, Debt Payments
Dad	Mother	Children			Dad	Mother	Children				

## ANNUAL

MONTH	Food	Household Operation	Housing	Furnishings Equipment	Car, Other Transportation	Health Care	Education and Recreation	Gifts, Contributions
Total Amount Spent								
Total Amount Planned to Spend								

# SUMMARY

CLOTHING					PERSONAL EXPENSES					Total, Family Living Expenses	Savings, Investments, Debt Payments
Dad	Mother	Children			Dad	Mother	Children				

## WHY PLAN?

Although it does take time and thought to set up a sound family spending plan, you'll find it pays. These are the advantages a spending plan can give you:

1. It provides a complete, current picture of your family's financial situation.
2. It helps your family to get those things you need and want most.
3. It results in a better division among the different budget items, and it can result in a fairer distribution of money among members of your family.
4. It teaches your children the value of money, and helps them develop good spending habits.
5. It promotes family cooperation and understanding.