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Managing Your Money

Michigan State University Extension Service

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MANAGING YOUR MONEY

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What do you wish you could do with your money?

Get some special things for your family or yourself? Have enough for food the entire month? Get bills paid up? Feel in control of your money—know where it goes, get what you really want when you spend?

“Worksheets for Managing Your Money,” Extension Bulletin E-1779 is designed for use with this bulletin. For a free copy, call your County Extension Office or write the MSU Bulletin Office, P.O. Box 231, Michigan State University, East Lansing, MI 48823-0231.

You can control the use of your money better if you're willing to invest some time and effort in working out a realistic spending plan for your family. This bulletin will give you some help on how to do that. Extension Bulletin E-1779, "Worksheets for Managing Your Money," has forms you can use to develop your own budget and records.

Just as everyone can't wear the same shoes, every family can't use the same budget or spending plan. Your family is special, different from every other family, with special needs, wants, and resources. Needs are what you must have; wants are what you'd like to have; resources are skills, abilities, and things you have already that you can use to get what you want.

Think for a moment: What does your family most need? Most want? Good planning can help you get more of what you really need, and want. Someone else is always telling you what you should want, on TV, in ads, in stores, door-to-door salespersons, even some friends. But **your family** should manage **your** money to get what you need and want, to get the most out of your income.

All families have some problems in spending money. Do you have any of these common problems:

- run out of food before there's money to buy more
- get behind on rent
- can't save to have something to fall back on
- worry about gas or electricity being turned off
- have had furniture or appliances repossessed
- can't buy shoes or clothes for kids

Talk over these problems in your family. Follow the suggestions in this bulletin to solve some of your money problems. Use the **WORKSHEETS** to plan and keep track of your spending for a month. Get another copy to use for a second month from your county Cooperative Extension Service office.

What Is Our Income?

Use the form on the top of page 1 in the **WORKSHEETS** to figure how much income from all sources you will have to spend this month.

- 1** Write the cash income you get from each source in either the "Weekly," "Every Two Weeks," or "Monthly" column, according to when it's paid to you.
- 2** Under "Wages," list take-home pay of all adults contributing to the family income. List only income you are **sure** of. If those wages vary each pay period, use an average or lower figure, not the highest you could get. If wages are seasonal, you will not have them some months. Can you save part of them for months when you don't get a wage?
- 3** If children earn money that goes into the family income, list that amount.
- 4** If you have income from sources not listed, put that under "Other."

- 5** If income is paid weekly, multiply times 4 to get the "Total Income for the Month" in right-hand column. (Occasionally you'll have a 5th weekly payday in a month; part of that week's income will have to cover some expenses for the next month.) If income is paid every two weeks, multiply times 2 to get the "Total Income." If it's paid monthly, just copy that amount into the "Total Income" column. See the examples below:

	Weekly	Every Two Weeks	Monthly	Total Income for Month
Wages	\$100.			\$400.
Soc. Sec.			\$250.	\$250.

- 6** Add up all the totals in the right-hand column. The total at the bottom is your "Total Income for the Month." This is what you have to spend for all your needs this month.

Where, What, How Much Do We Owe?

If you're like most families, you have already promised some of your income in monthly payments on debts.

In the form at the bottom of page 1 of the WORKSHEETS, write in all debts you owe right now, such as time payments in installment purchases, credit card balances, loans, overdue utility bills, etc.

- 1** Under "Where" write the company or person this debt is owed to. Example: XYZ Finance Co., ABC Store Card, electric utility, etc.
- 2** Under "What" write what this debt is for (furniture, clothes, etc.).
- 3** Under "How Much" write in the total debt you owe (balance on your last credit statement or bill plus any more purchases you've charged since then) and the monthly payment you have to make.
- 4** Under "Due Date" write in when this monthly payment is due.
- 5** Add up the total **monthly payments**. This is the amount of money that will have to come out of your monthly income before any other expenses. You have already promised to pay this much money.

When Are Monthly Bills Due?

To remember bills that are due on a certain date during the month, it helps to write them on a calendar. Use the calendar on page 2 of the WORKSHEETS. Look at a calendar for this month, and copy the dates onto this calendar form. Then write in the due dates and amount to be paid for these monthly bills:

- Debt payments due this month from "Where, What, How Much Do We Owe?"
- Monthly fixed expenses like rent, electricity, heat, etc.

This is an example of how your calendar might look:

MONTH <u>NOVEMBER</u>						
SUN.	MON.	TUES.	WED.	THURS.	FRI.	SAT.
				1 RENT \$200	2	3
4	5	6	7	8	9	10 ABC CHARGE \$20
11	12	13 PHONE BILL	14	15 ELEC. BILL	16	17
18	19	20 GAS BILL	21	22	23	24
25	26	27	28 HOME INS. \$1200	29	30	

Get in the habit of looking every week at the next week on the calendar. See what bills are due. If you mail in payments you will need to send the money at least 5 days ahead to get there on time and avoid late charge or extra interest. Plan ahead to have the money by the time you need it for the bill.

Occasional Big Expenses

Some big expenses come up only once or twice a year. Because they don't come every month, it's easy to forget about them and then not have any money saved up to pay them when they're due. By keeping a list of what is due each month of the year, you can look ahead each month and see if you have a big occasional expense coming up in the next couple months that you need to save up for.

Most of these occasional expenses are fixed amounts that you have to pay, like insurance premiums, car licenses, or property taxes. A few are controllable, where you can decide how much you will spend, like school clothes or Christmas or other holiday gifts. If you get a fuel oil tank or propane tank filled for heating in the fall and again in the winter, you may want to write that expense down too for the months you expect to have to pay for it.

Circle those bills you expect to have to pay sometime during this year:

- home insurance
- life insurance
- car license
- driver's license
- fill home fuel tank
- Christmas gifts
- car insurance
- health insurance
- other vehicle license
- property taxes
- school clothes
- other holiday expenses

Now write each of those items on the form on page 2 of the WORKSHEETS, under the month you'll have to pay it. Estimate the cost the best you can. Maybe you can remember what you paid for each item last year. It will be a guide to what you can expect to pay. This year though the cost may change as your situation or prices change.

Making a Spending Plan

On pages 3 and 4 of the WORKSHEETS, are forms you can use to make your spending plan for the month. Your spending plan is your decision about how you will use the income you have to buy the things you need and to pay your bills. You can plan ahead for the month on paper, and know you have enough money to pay the expenses you have to pay, and how much you have left for spending where you have some choice or control.

First: Fixed Expenses

You have to plan first for your **fixed expenses** because these are regular monthly bills that have to be paid. Most of them are definite amounts of money that you will know ahead of time, since they are the same from month to month. Utilities are also fixed expenses, but the dollar amount will vary from month to month according to how much you use and changes in the price. For example, if you use more heat and the fuel price goes up, your bill will be higher. If the price doesn't rise and you cut back on use, your bill will be lower.

For all the fixed expenses that you have to pay, write in the planned dollar amount and the due date. Look back at your calendar on page 2 to see when these payments are due, including any monthly payments on debts. Also check your occasional expense list; are any of those expenses due this month? If there are, write them on your spending plan under occasional fixed expenses. Also write in the name of the expense (such as taxes, car insurance, etc.).

Add up the total of all your estimated fixed expenses. Subtract that from your total monthly income. The dollars left over are what you have to divide up among all your **Controllable Expenses**.

Total Income for Month	\$ _____
Minus	— _____
Total Fixed Expenses	\$ _____
Amount Left for Controllable Expenses	\$ _____

Second: Controllable Expenses

Look over all the kinds of controllable expenses listed on the spending plan form on pages 3 and 4. With a pencil, check or circle those you think you will be spending money for this month. If you have other expenses not listed, write them in under "Other" at the end of the list. Your family may not have all the kinds of expenses listed.

These expenses are called "Controllable" because you can, to some extent, control how much money you spend for them. You will buy food, but you have some choice over what you buy and how much you pay for it. This is true also for clothing, household operation, and all the other kinds of expenses.

With a pencil, write in the amount of money you estimate you will spend for each of these categories. Remember, you are planning for a whole month. But if it is easier to think of food or other expenses for a week at a time, plan that and then multiply by 4 to get the monthly total. This is your worksheet so do it the way that seems easiest for you.

Now add up all the controllable expenses. Is the total less than the amount left after subtracting fixed expenses from your monthly income? Great! You will have a little extra to pay on a bill, or save for something else you need! Is the total more than the amount left for controllable expenses? Then you will have to go back and cut the amount you will spend for some categories until you get the total down to the amount of money you have. When you get the planned expenses adjusted so you are not planning to spend more money than you have, you have taken a big step in deciding how to spend your money.

The next big step is keeping track of how you spend your money this month so you can know how your plan is working.

Keeping Records of Spending

Record of Fixed Expenses

As you pay each fixed expense bill during the month, write in the **Actual Amount** in the right-hand column of the "Spending Plan—Fixed Expenses" form on page 3 of the WORKSHEETS. You will have a record of what you spent, and be able to check if your estimate was right. If a fixed expense is a lot more than you had estimated (for example a higher utility bill) you will need to adjust your other spending, or make some other arrangements to pay the bill.

Record of Controllable Expenses

On pages 5 and 6 of the WORKSHEETS, there is a place to keep track of your spending. First write in the amount you planned to spend at the top of each section. Then when you buy something, write in the items and amounts you spent as soon as you get home. You can write in the date too if you wish.

Example of record: FOOD

FOOD		\$ Planned 150.00	
groceries, eating out, school lunch, etc.			
Date	Items	\$	
3	GROCERIES	31	46
5	School Lunches	5	00

As the month goes along, you may want to total up what you've spent part way through to be sure that you're not spending more than you planned. If you have to spend more for one expense than you planned (the car breaks down and has to be fixed, etc.) you will have to cut down what you had planned to spend for something else, like maybe furnishings or recreation, by that same amount.

At the end of the month, add up the totals for each category. Copy them in the "Summary" on page 6, and add up this total. Then add your total fixed expenses from page 3. This tells you the total amount of money you spent this month. In the blank space on page 6, subtract the total spent from your income for the month. Did you actually have some money left? Great! Can you use this to cover a big occasional expense next month? Can you pay off part or all of a bill you owe? Or is there something your family needs now that you could buy?

Did you spend more than you had planned to, in spite of your best intentions? Did you run out of money before the month ended? Don't get discouraged! You can use the record of spending you kept this month to make a more accurate plan for spending next month, because now you have a better idea of what you spend money for.

If your record shows that you didn't spend all your income for the month, but you still ran out of money, maybe you forgot to write down some expense on your record. Try next month to keep track of all spending. It might help to carry a little notebook and pencil when you go to the store and write down every time you spend money; then you can copy this on your monthly record when you get home. But don't worry if you can't account for every penny; few people can.

Making Your Spending Plan Work

If you spent too much in some categories, what do you think happened? Did you have unexpected expenses you didn't plan for? Did you buy something on impulse that you hadn't planned to get? Did you buy because the ads or salesperson persuaded you to get it?

Here are 10 cost-cutting ideas for ways to spend less and still get the things you need to live. Try to think of at least one way you could try each of these ideas for your family, to make your dollars go farther.

1. **DON'T BUY IT**—ask yourself if you really need this item.
2. **BORROW**—especially something you don't need very often.
3. **SHARE**—share items and skills with family and friends.
4. **SUBSTITUTE**—ask yourself if something at a lower price would do the job almost as well.
5. **USE WISELY**—make the things you buy last longer by taking care of them.
6. **FIND THE BEST BUY**
7. **MAKE IT**—if you can do it cheaper.
8. **RENT OR HIRE**—an item you won't use much.
9. **FIND IT FREE**
10. **TRADE**—things or skills for what you need.

More Ideas to Make Your Plan Work Better

Try to set aside money for expenses coming up later in the month, like bills you know you will have. One way to do this is to label envelopes (or jars or boxes) with names of kinds of expenses, like rent, electricity, car, credit payment, etc. Put the amount of money you planned into each envelope and use it only for that purpose. However, you have to keep the envelopes of money in a safe place. If you don't have a safe place, someone else could take your money.

If you don't have a safe place to keep money for a long time, try to pay a bill as soon as you have the money in hand. If you have to pay a bill by mail, get a money order, even though it costs something. Don't send cash in the mail.

If you can find a low-cost checking account, this may be the safest place to keep your money, and a safe way to pay bills. Does a credit union, bank, or other financial institu-

tion in your area offer such a low-cost account? This would give you a good way to save up for big bills, occasional expenses, and emergencies, since you could put a little extra money into the account to have when you need it.

If you have bills that are higher than you expected, like utility bills, don't give up or just ignore them. Talk to the company, and try to work out a plan for paying as much of the bill as you can. Also cut your use as much as you can. With heating fuel, you might want to get on a "budget plan" where you pay the same amount year-round to avoid heavier bills in the winter; however, you could have one larger payment at the end of the year. Learn how to read your utility bills and meters. Then you can keep track of how much gas, electricity, or water you're using during the month. Also keep track of long distance phone calls your family makes so you can have some idea of how much you will have to pay in your next bill.

Be willing to change your spending plan to make it fit your income and your needs. Your plan will have to change as your family situation changes. Stick to your plan and records until you make it work. Then you are managing your money to get the best possible living from your income. You will be the boss of your money!

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