

Activity 17.4: Developing and Sticking to a Spending Plan

Use when you want to better manage your expenses, save or reduce debt after assessing your financial status.

Part I: Ways to cut back expense

Suggestion. Place check marks next to the spending concerns that you could benefit from changing.

- ◇ **Educational-related.** Use your local public library. Consider how you and your children can apply for educational scholarships to reduce or delay educational expenses. Consider community colleges and programs available online or at night.
- ◇ **Food costs.** Eat out less frequently; eat more at home, coupons and bargain shop.
- ◇ **Gift spending.** Simplify Christmas. Choose cards, calls, and homemade gifts.
- ◇ **Home décor.** Including all items that are not necessary or that are not 100% paid for.
- ◇ **Housing.** Can you share, reduce utilities, move, or refinance your mortgage?
- ◇ **Personal items:** Expensive or unnecessary clothes, shoes, purses, makeup, jewelry, etc.
- ◇ **Personal services.** Do as much as you can at home or have a friend assist with hair, nails, waxing, home cleaning, car cleaning, yard maintenance, handy man work and pet care.
- ◇ **Pets:** Can you really afford them?
- ◇ **Phone.** Can you reduce use of your phone, excess or change your provider?
- ◇ **Professional,** medical, and dental expenses; limit services to only what you really need.
- ◇ **Recreational spending** including excessive fitness or social memberships. Only attend the events that are most important to you.
- ◇ **Transportation.** Can you reduce a vehicle or two? Spend less money on transportation? Carpool or use public transportation.
- ◇ **Unhealthy items:** e.g., cigarettes, alcohol, candy, sugary drinks, etc.
- ◇ **Utilities.** Can you use less electricity or water? Can you reduce heat or AC? Should you consider solar, gas?
- ◇ **Vacation spending.** Can you substitute inexpensive vacations like camping, trading homes, or staycations, and/or take them less often.

Part 2. What will you really do? Consider which changes will have the least negative impact, make the most difference financially, and/or are the easiest to do. Before finalizing any decisions. You are encouraged to 1) read Part 3 on the next page, 2) go back to Activity 17.3, Part 5 and Part 6 and use this information to 3) "work the numbers" until you accomplish what you need to do, and then 4) write final spending plan in Part 4 of this activity.

Part 3: Directions to draft and stick to your spending plan

An effective spending plan requires knowledge of your monthly income, expenses, savings and debt, and your financial goals most of which were summarized in previous activities. It is also something that can vary from month to month, from year to year, with the timing and total amounts of income and expenses.

★ **Step 1. Draft your plan (Using Activity 17.3 Part 5 and then Part 4 of this activity).**

There are many different ways to develop and monitor your spending plan. No matter what, it requires drafting how you will spend your money each month. When your income doesn't cover your expenses you must know when each source of income is available and when your key bills need to be paid, which requires constant tracking of your financial matters. To draft your spending plan you initially spend a bit of time with either a spreadsheet or a calculator/pencil with different combination of numbers. Expect it to take a while and to make some educated guesses the first time you do it.

★ **Step 2. Share your plan with the key people who will be affected.**

You may have to adjust some expenses based on the feedback you receive.

★ **Step 3. Finalize a plan for a single month.**

Finalize your spending plan in Part 4 of this activity and also develop a plan of action for how you will track your finances. At the very least you should write down on a calendar when bills need to be paid or other key things you need to do by day of the month and track receipts so you can account for what you actually spent. You should also have a back-up plan for what will occur during the last few weeks of the month if you have a major unexpected expense, or don't receive a source of income when, or as much as, expected.

★ **Step 4. Put this plan into action: Track what really occurs.**

This means implementing your plan and tracking what actually occurred. You can track your expenses using another copy of your spending plan or a spreadsheet you develop. Don't skip the tracking - you must do it for at least a month (ideally three) to know how much you are really spending.

- ◇ Monitor your plan and if you can your checking account, at least once a week.
- ◇ Track when you pay your key expenses and if they were the amount you budgeted for.
- ◇ It's OK to spend more in some areas as long as you can cut back in other areas, but it's not OK if you have nowhere to cut and don't have any savings.

★ **Step 5. Reassess after a month (or close to the end of the month).**

- ◇ Determine how closely your plans matched what really occurred.
- ◇ Honestly reassess what worked and didn't work. What could happen differently.
- ◇ If it worked fairly well, edit your spending plan and perhaps your goal, and then keep monitoring your financial data.
- ◇ If it didn't work well, if you are still spending substantially more than you earn, or otherwise can't reach your goals it is a sign that you need to get help. You must acquire more income, benefits or loans, further cut expenses, or restructure debt, or some combination. Get the help you need!

★ **Step 6. How do you stick with your plan over time?**

- ◇ *Focus.* Continue to look at your vision/goals to remember why you are doing this.
- ◇ *Simplify.* Instill as much as possible of your plan into new habits (things you do or not do). It will mean not shopping, not spending money on the Internet, canceling services, etc., and get used to a more simple way of life. It will take discipline and sacrifice and will be worth it if you've been honest and planned well.
- ◇ *Track.* Keep monitoring your plan and your financial statements. Don't get lazy! Stay organized.
- ◇ *Practice delayed gratification.* Integrate financial rewards (a meal out, personal item, gift, vacation) that you only secure when you have met your goals.

Remember. If you are not able to accomplish your goal get help immediately to reduce expenses, delay payments, make partial payments and/or secure more income. Don't delay the problem won't go away!

Part 4. Spending plan for the month of _____ 20____

Category	Week 1	Week 2	Week 3	Week 4	Week 5	Monthly Totals
INCOME						
EXPENSES						
Car/Bus/Transport						
Child/Dependents						
Clothing						
Credit card						
Education						
Food at home						
Food out of home						
Household/Laundry						
Home/Rent						
Insurance/Legal						
Medical						
Payments						
Personal						
Payment						
Recreation						
Tithe/Donations						
Utilities						
Vacation						
SUBTOTAL EXPENSES						
Remainder						
Pay Debts						
Move to Savings						