ESTABLISHING A SUCCESSFUL SPENDING PLAN
Financial planning and financial stability begins with a well-prepared spending plan. Your spending plan measures how your actual expenses match your desired expenses, and is also a guide to future spending, promptly paying your bills, and maintaining your good credit.

A Family Spending Plan is Critical
- 80% of all divorces in the U.S. are related to financial disagreements or difficulties.
- Americans have accumulated $400 billion in consumer debt. The average household has in excess of $20,000 of non-mortgage debt. (25% of all consumer purchases are by impulse)
- Only 3% of Americans have a plan for retirement.

How To Establish a Spending Plan
The following suggestions are helpful in preparing your spending worksheet and establishing a successful spending plan:

1. Use your actual current income, not income from overtime, bonuses, or other sources.
2. Identify debts vs. expenses.
   A debt is a bill that can be permanently paid off: car payment, credit cards, boat loan, dentist bills, and club fees. Expenses include payments for rent, gas, electricity, phone bill, car insurance and groceries. These are on-going expenses that will likely be with you the rest of your life.
3. Use a separate budget for each month
   Monthly expenses can fluctuate. To anticipate future monthly expenses:
   - Review pay-stubs, tax returns, credit card bills, check books and other financial records.
   - Keep accurate records; plan for the entire year.
   - Review your total spending each month and compare it to your yearly plan.

This will give you an idea of where you are headed and how well you are following your overall financial plan, especially during the first year when you are trying to develop a workable spending plan. It is OK to make adjustments in your plan as long as you do not lose sight of your personal financial goals and objectives.

Most families use a 12-month budget but you need not start your budget in January. You can start any time during the year. If this is your first budget, do a trial run using a shorter time frame to start. For a yearly budget, divide your income and expenses by the number of your pay periods. Most people are paid weekly or bi-weekly. Most bills are paid monthly and not all are due at the same time of the month. Estimate the due date of the bills and allocate your paychecks accordingly. Also allocate part of each paycheck towards new future expenses that you may foresee.
4. List all expenses, and all uses of cash. Account for all cash and credit spending in your plan. You may be surprised at the amount of cash you are unable to account for. Cash includes ATM cash, grocery store cash back, bank deposit cash back, and credit card charges. Categorize all expenditures, i.e., how much was spent on food, entertainment, restaurants, etc.

5. **Discuss your spending plan with family members:**
   How will money be spent? Who is responsible for bill paying and record keeping? One or both family members need to become responsible for financial planning. Families often encounter problems when no one assumes responsibility for the overall plan. Develop a personal spending plan during this time. Limits of spending for each category must be agreed to and a commitment made to stay within these limits.
   Determine your family's most important goals. Allocate money to those items that will help you achieve your goals, the family's welfare, and the family's overall happiness. Shared family goals provide a greater incentive. It's much easier to forego a dinner and show or new clothes, when you know another more important dream, moves closer to realization.

6. **Pay yourself first.**
   Allocate a portion of your income for savings: five to ten per cent of your income is a good place to start. Savings can include a savings account, 401k plans, IRA's etc. Begin with a small amount and always pay this amount first each month. Increase the amount as much as your spending plan will allow. Use unexpected income such as overtime or bonus money to reduce credit card or other debt or to increase savings. Do not use this money for impulse spending.

7. **Start/Continue an Emergency Fund**
   - Once you begin to pay your debts, your accumulated extra cash can become your savings.
   - Use your budget to prevent overspending, but allow yourself the freedom to reasonably spend more as your debts fall further behind.
   Maintain at least a three-month, but preferably six-months salary, for an emergency cushion, just in case.

8. **Judging your spending plan**
   Compare your income with your expenses for the current month. Any money left for emergencies? If expenses exceed income, review your plan again. What expenses can you eliminate? Review flexible expenses when you want to trim expenditures. For example:
   - Can you cancel book club memberships or magazine subscriptions?
   - Can you reduce the number of restaurant visits?
   - Can you survive without a house cleaning service?
   - Must all your laundry go to the dry cleaners?

9. **Once flexible expenses are trimmed, reduce your fixed expenses:**
   - Can you move to a more affordable residence?
   - Are you driving more car than you can afford?
   - Cheaper transportation means lower premium. Have you reviewed your insurance lately? There is usually big savings there.
Why not move to more affordable housing until you are debt-free?

10. **Consider other ways to increase your income:**
   - A higher paying job or a second job; can the spouse be employed?
   - Children can supplement their allowance by mowing grass/baby-sitting.

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