

Right on the Money



Planning Your Spending

Talking Dollars and Sense with Parents and Kids

Sponsored By

- Penn State Cooperative Extension
- The Pennsylvania Office of Financial Education

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Right on the Money

Lesson 1: Planning to Succeed Financially

Lesson 2: Planning Your Spending



Parents' Challenge

- Share your successes.
- What did your children do or say?



Overview: Planning Your Spending

- What a spending plan is
- How a spending plan can help you control your money
- How to create a simple spending plan



Spending Plan

- A spending plan is simply a guide or outline for how to spend your money.
- A spending plan tells your money where to go instead of you wondering where it went.



Benefits of Spending Plans

A spending plan can help you:

- Put aside money for savings goals
- Prepare for regular expenses
- Prepare for unexpected expenses
- Control how you spend money
- Reduce stress and increase your confidence
- Provide an excuse to calm the “gimmies”



Spending Guides

How do you decide where to spend your money?



To Reach Financial Goals, You Need to Know

- What you already have to reach the goal
- How much money it will take to reach the goal
- Where your money is going now



Spending Plans

- Are simply **road maps** that help you reach your financial goals
- Are discussed and agreed upon but **might change** for some reason
- Are not difficult to establish but do take **time and commitment**



Steps to Create a Spending Plan

1. Identify goals.
2. Identify sources of income.
3. Identify expenses.
4. Compare income and expenses.
5. Draft your plan.
6. Use, review, and adjust your plan as necessary.



Step One: Identify Goals



Step Two: Identify Sources of Income

- Employment
- Alimony/child support
- Investments, e.g., interest, dividends, and rental income
- Other, e.g., gifts, hobby, SSD/SSI, TANF, and food stamps



Step Three: Identify Expenses

1. Track your spending.
2. Categorize your expenses.



Track Your Spending

- Use a tracking worksheet or small notebook to record spending as it occurs.
- Place receipts, bills paid and bank statements in a centralized location to review and add to spending worksheet before filing.




Types of Expenses

- Fixed - amount remains the same each payment period (rent, mortgage)
- Flexible - amount changes each payment period (groceries, electric)
- Periodic - amount is due 1-3 times a year (auto insurance)



Periodic Expenses



Total all periodic expenses and divide the total by 12 to get the monthly amount you need to set aside.



Categorizing Expenses

Some common categories include:

- Housing
- Food
- Transportation
- Insurance
- Clothing & Personal Care
- Entertainment
- Gifts & Charity



Step Four: Compare Income and Expenses

- **Income > Expenses**
 - Extra money to redirect toward goals
- **Income = Expenses**
 - Breaking even; need to adjust to free up money for goals
- **Income < Expenses**
 - Need to make in-depth adjustments



Spending Leaks

- If you forego spending \$1.50 on coffee and a donut for:

- 10 days you save	= \$10.50
- 30 days you save	= \$45.00
- 1 year you save	= \$548.00
- 5 years you save	= \$2,739.00
- 10 years you save	= \$5,478.00
- 20 years you save	= \$10,958.00



Step Five: Draft Your Plan

- Use current income and categorized expenses for projected amounts.
- Income and expenses should balance.
- Adjust projected amounts as necessary to balance plan.



Step Six: Use, Review, and Adjust Your Plan

- Use the plan.
- Periodically review the plan to check your progress.
- Make adjustments as necessary to keep on track to reaching your financial goals.



Parents' Challenge

- Talk to your kids about their lesson on spending money.
- Try at least one of the everyday ways to talk to your kids about spending money.
- Track your spending.
- Review or draft a spending plan.



Remember

A spending plan tells your money where to go instead of you wondering where it went.