



## *Developing a* **Spending/Savings Plan**

A spending/savings plan helps you manage your money more effectively. A realistic plan tailored to your situation gives you more control over how money is spent and saved. Developing a spending/savings plan takes time. Following it takes determination.

### **Talking About Money**

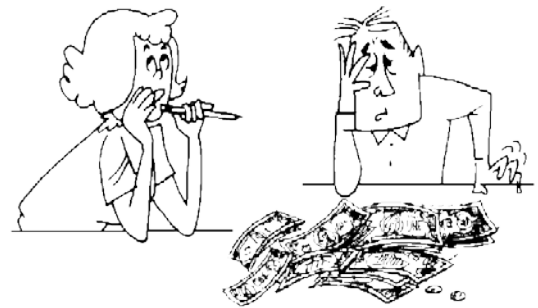
Money is a common problem regardless of your income, age or education. Sometimes a lack of income causes money hassles and arguments. More often inadequate discussion about money and our feelings about money is the root of financial problems.

When household members have different attitudes about spending and saving money, or when unrealistic goals are attempted, there is a potential for conflict. Preventing and overcoming money problems takes honest and open communication. It also takes time and effort.

Be willing to arrange a specific time when all household members can talk about money. Choose a location where you won't be interrupted. Meet on a regular basis instead of waiting until problems

When talking about money:

- ✓ Clearly identify the issue at hand.
- ✓ Recognize that whoever earns the money doesn't also earn the right to dictate how it should be spent.
- ✓ Let each household member freely state wants, needs and personal feelings.
- ✓ Listen carefully.



Communication about money is critical for a spending/savings plan to work for the entire household. When people don't talk about money, even the most workable spending/savings plan may face ruin.

**Step #1 Identifying Goals**

The first step of developing a spending/savings plan is to identify your goals. If your goals are identified first, all your money won't be spent with little or none saved. By identifying goals first, you will realize what you want to save toward and it will get you in the habit of saving. Goals may include saving for emergencies, buying school clothes, paying off the balance on a credit card, buying a new or used car, or saving for a child's education.

Encourage each member in your household to think of goals, including short-term (less than 1 year), intermediate (1-5 years) and long-term (more than 5 years). List all the goals from each person in the household in the "Identifying Goals Chart" below.

**Identifying Goals Chart**

Short-term Goals - Less than 1 year	
1	5.
2	6.
3.	7
4	8.
Intermediate Goals - From 1 to 5 years	
1	5.
2	6.
3.	7
4	8.
Long-term Goals - More than 5 years	
1	5.
2	6.
3.	7
4	8.



## Setting Goals

During Step 2 of developing a spending/savings plan you'll be deciding on the goals you want to save toward. Discuss the short-term, intermediate, and long-term financial goals listed on the "Identifying Goals Chart", page 2, with the members of your household. If all household members agree on the financial goals, they will be more willing to work toward reaching each goal. Ask them to state their most important short-term, intermediate and long term goal. Agree on the goal(s) all of you will try to achieve. Be willing to listen and as a group settle differences.

List the agreed upon priority goal(s) on the "Monthly Savings Chart" (below). Set a date when each goal will be reached (example: down payment for a car September 20\_\_\_\_or build an emergency fund). Determine the total dollar amount for each goal. To get the approximate monthly savings, count the number of months from now to the target date and then divide the total dollar amount by that number of months. You now know the approximate amount of money that is needed to be saved each month in order to reach each goal. Add up the "Monthly Savings" column to get the Total Monthly Savings for all your goals. At this time disregard the "Adjusted Monthly Savings" column.

Eventually you'll be incorporating the priority goal(s), including building or maintaining an emergency fund, into your spending/savings plan. An emergency fund is so important because we never know when we'll need money to pay an unexpected bill, buy tires for the car, etc. From time to time, re-evaluate your goals to determine if they are still important and realistic. This will renew your commitment to reaching them. Should you need more room, copy the Monthly Savings Chart onto a separate piece of paper and be sure to include these amounts in the Total Monthly Savings below.

### Monthly Savings Chart

Priority Goal(s)	Target Date	Total Dollar Amount	Monthly Savings	Adjusted Monthly Savings
1. Example: Down payment for a car	12 months September 20__	\$1200.00	\$100.00	\$
2. Emergency Fund				
3.				
4				
<b>Total Monthly Savings/Adjusted Monthly Savings</b>			<b>\$</b>	<b>\$</b>



## Recording Income

Step 3 of developing a spending/savings plan involves knowing how much income you have. On the "Monthly Income Chart" shown here, record your take-home income for one month. If your income fluctuates, underestimate it. Other income could include Social Security, food stamps, pension, trust, etc. If you're anticipating additional income during the year (example: tax refund), figure out how much that would be per month by dividing the total by 12

Monthly Income Chart	
Wages/Salary (Take-Home)	\$
Savings/Investments	\$
Child Support	\$
Other	\$
Other	\$
Other	\$
<b>Total Monthly Income</b>	<b>\$</b>



## Determining Expenses

Step 4 of developing a spending/savings plan involves knowing what your expenses are. Typically people aren't aware of where their income goes. To find out, keep receipts for everything you spend money on. The receipt could be a cash register tape, a piece of paper with the item, date, and cost written on it, a charge slip or your record of checks written. Designate a place where all members of the household will put their receipts.



### Recording Monthly Expenses

At the end of the week, organize the above receipts in expense categories. Total these for each category and write the weekly total for each category on the "Monthly Expense Chart" (page 5). If a spending category doesn't apply to your household, cross it out and replace it with one which does apply. If you need more room, use an additional piece of paper. Since the "Monthly Expense Chart" will be used again, you may want to photocopy it before beginning to record your expenses.

Put a copy of the "Monthly Expense Chart" on the refrigerator or another visible place. This will act as a reminder to keep daily receipts and to total your weekly expenses. At the end of the month, total each expense category. Then add the totals of each expense category to get the "Monthly Grand Total of Expenses." At this time, disregard the "Planned Amount" column.



### Recording Periodic Expenses

The "Periodic Expense Chart" (page 6) lists the many expenses that either weren't paid last month or due yet (medical bills, property taxes and car registration, for example). You may want to look at the "Monthly Expense Chart" (page 5) for other periodic expenses. List them as "Other" on the "Periodic Expense Chart."

In the first column, write the annual total for each category. Divide each total by 12 to get the monthly expense. Add up the "Monthly Expense" column to get the "Periodic Monthly Grand Total."

At this time disregard the "Adjusted Annual Total" column and the "Adjusted Monthly Expense" column.



### Monthly Expense Chart

Planned Amount	Expenses	Week 1	Week 2	Week 3	Week 4	Week 5	TOTAL
	Household						
	Rent or Mortgage						
	Furnishings/Equipment						
	Maintenance/Repair						
	Taxes						
	Utilities						
	Electricity						
	Heat						
	Water/Sewer						
	Telephone/Cell Phone						
	Food and Groceries						
	Food at Home						
	School/Work Lunch						
	Meals Eaten Out						
	Transportation						
	Automobile Payment						
	Gas/Diesel						
	Maintenance/Repair						
	Bus, Taxi, etc.						
	Child care						
	Medical						
	Physician/Dentist						
	Prescriptions						
	Clothing						
	Laundry/Dry Cleaning						
	Personal Care/Hair Care						
	Pets						
	Insurance						
	Automobile/Home						
	Disability						
	Life						
	Medical/Dental						
	Recreation/Entertainment						
	Cable TV/Internet						
	Gifts						
	Contributions/Donations						
	Education/Self-improvement						
	Installments						
	Department Stores						
	Credit Cards						
	Loans						
	Miscellaneous						
	Miscellaneous						
\$	Total Planned Amount						Monthly Grand Total of Expenses \$

This chart has been developed by UNH Cooperative Extension for the Developing A Spending/Savings Plan publication.

## Periodic Expense Chart

Periodic Expense	Annual Total	÷ 12 =	Monthly Expense	Adjusted Annual Total	÷ 12 =	Adjusted Monthly Expense
Clothes	\$		12 = \$	\$		12 = \$
Heating Fuel/Wood			12 =			12 =
Doctor/Dentist			12 =			12 =
Medicine			12 =			12 =
Glasses			12 =			12 =
Newspaper & Magazines			12 =			12 =
Household Repair/ Furnishings			12 =			12 =
Gifts (birthday, holiday etc.)			12 =			12 =
School supplies or books			12 =			12 =
Tires and car repair			12 =			12 =
Car inspection/registration			12 =			12 =
Car insurance			12 =			12 =
Emergencies			12 =			12 =
Taxes			12 =			12 =
Entertainment			12 =			12 =
Travel			12 =			12 =
Vacation			12 =			12 =
Recreation			12 =			12 =
Other			12 =			12 =
<b>Periodic Monthly Grand Total</b>		\$		<b>Adjusted Periodic Monthly Grand Total</b>		\$

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## Developing Your Spending/Savings Plan

The outcome of Step 5 is to have  $\text{Income} = \text{Savings} + \text{Expenses}$ . Let's see if your income equals your savings and expenses.

Fill in the blanks:

\$\_\_\_\_\_ Monthly Savings from Total Monthly Savings (page 3)

\$\_\_\_\_\_ Monthly Expenses from Monthly Grand Total of Expenses (page 5)

\$\_\_\_\_\_ Periodic Expenses from Periodic Monthly Grand Total (page 6)

Total Monthly Savings + Expenses =  Total Monthly Income (page 3)

Does your monthly income equal your monthly savings and expenses? If not, consider the following changes:

- 1 Examine the expenses on the "Monthly Expense Chart" (page 5) that change each month (ex: food, clothing, entertainment, personal care, etc). Determine if any of these expenses can be decreased or eliminated at least temporarily. Keep in mind as the expenses are adjusted they need to be realistic. It's easy to write down a lower figure, but can you live with that new amount? Write the new figures in the "Planned Amount" column.
- 2 Examine the expenses on the "Monthly Expense Chart" (page 5) that don't change each month (ex. mortgage, installment loans, insurance premiums, etc.). Determine if any changes can be made, for example, refinance or renegotiate better loan terms or increase insurance deductibles. Because of the nature of these expenses, you may not be able to make any immediate changes. Write any new figures in the "Planned Amount" column. Total the "Planned Amount" column.
- 3 Examine the expenses on the "Periodic Expense Chart" (page 6). Determine if any of these expenses can be decreased or eliminated at least temporarily. Write the new figures in the "Adjusted Annual Total" column. As before, divide the Adjusted Annual Total figures by 12 to get the Adjusted Monthly Expense. Add up the "Adjusted Monthly Expense" column to get the Adjusted Periodic Monthly Grand Total.
- 4 On the "Monthly Savings Chart" (page 3) reexamine your goals. Will you be able to accomplish them? Should they be adjusted or eliminated? If adjustments need to be made, write the new figure in the "Adjusted Monthly Savings" column. Add up this column to get the Total Adjusted Monthly Savings.

Fill in the blanks:

\$\_\_\_\_\_ Monthly Savings from Total Adjusted Monthly Savings (page 3)

\$\_\_\_\_\_ Monthly Expenses from Total Planned Amount (page 5)

\$\_\_\_\_\_ Periodic Expenses from Adjusted Periodic Monthly Grand Total (page 6)

Total Adjusted Monthly Savings + Expenses =  Total Monthly Income (page 3)

Now does your monthly income equal your monthly savings and expenses?

If, after adjusting your expenses, you are spending more than your income, either go back again for further adjustments or you may want to consider increasing your income (ex. part-time/full-time job, yard sale, starting a business). If you choose to cut your expenses further, keep in mind you will need to live with this amount in order to make the spending/savings plan work.



## Using The Plan

Step 6 of developing a spending/savings plan is to implement the plan. An important part of a spending/savings plan is savings. Each month save the monthly amount needed to achieve your goal(s). Also, each month, save the monthly amount needed for each periodic expense so that when the periodic expense occurs, the money will be available.

The other important part of the spending/savings plan is tracking your expenses. Continue to save your expense receipts. Keep a weekly record of your expenses on the "Monthly Expense Chart" (page 5). At the end of the month, total each category and compare this total with the "Planned Amount" for the same category.

If the total monthly expense in a spending category is more than the "Planned Amount," another spending category will need to be adjusted. For example, if your food expense is \$50 higher than you planned for, you will need to underspend in other spending categories by a total of \$50. If this doesn't occur, you will be spending more than you earn. Overspending may be a signal that either your spending habits must change or your spending plan doesn't accurately reflect your values.

Working through your spending/savings plan may indicate that some goals of savings and expenses are unrealistic in light of current demands on your income. Periodically review the spending/savings plan and make necessary changes. After 2 or 3 months of keeping track of income and expenses, you should be able to develop a realistic spending/savings plan. Your individual plan will not only match your expenses to your income, but it will also help you save for your financial goals.

This publication was written by Suzann Enzian Knight, M.O.E., M.S., CFP, Extension Specialist, Family Resource Management. In addition to this publication, the University of New Hampshire Cooperative Extension conducts the program, "Taking Charge of Your Finances" which includes developing a spending/savings plan. Other related publications include "When Your Bills Pile Up" and "When Your Income Drops." This publication was reviewed by Extension Educators, Barbara Hunter, Deborah Maes and Associate Professor Elizabeth M. Dolan, Dept. of Family Studies, UNH. For more information contact the University of New Hampshire Cooperative Extension office nearest you.

**UNH Cooperative Extension**  
**Office of the Director**  
**59 College Road**  
**Taylor Hall, UNH**  
**Durham, N.H. 03824**  
**603 862-1520**  
**John E. Pike, Dean & Director**

**Cheshire**  
800 Park Ave.  
Keene, NH 03431-1513  
(603) 352-4550

**Merrimack**  
315 Daniel Webster Highway  
Boscawen, NH 03303  
(603) 796-2151

**Coös**  
629A Main St.  
Lancaster, NH 03584-9612  
(603) 788-4961

**Rockingham**  
13 North Road  
Brentwood, NH 03833  
(603) 679-5616

### County Offices

**Belknap**  
635 Main Street 3<sup>rd</sup> fl. Suite 1  
Laconia, NH 03246-2900  
(603) 527-5475

**Grafton**  
3855 DCH, Box 5  
North Haverhill, NH 03774-4909  
(603) 787-6944

**Strafford**  
268 County Farm Road  
Dover, NH 03820-6015  
(603) 749-4445

**Carroll**  
73 Main Street  
PO Box 1480  
Conway, NH 03818  
(603) 447-3834

**Hillsborough**  
329 Mast Rd.  
Goffstown, NH 03045  
(603) 641-6060

**Sullivan**  
24 Main Street  
Newport, NH 03773  
(603) 863-9200

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