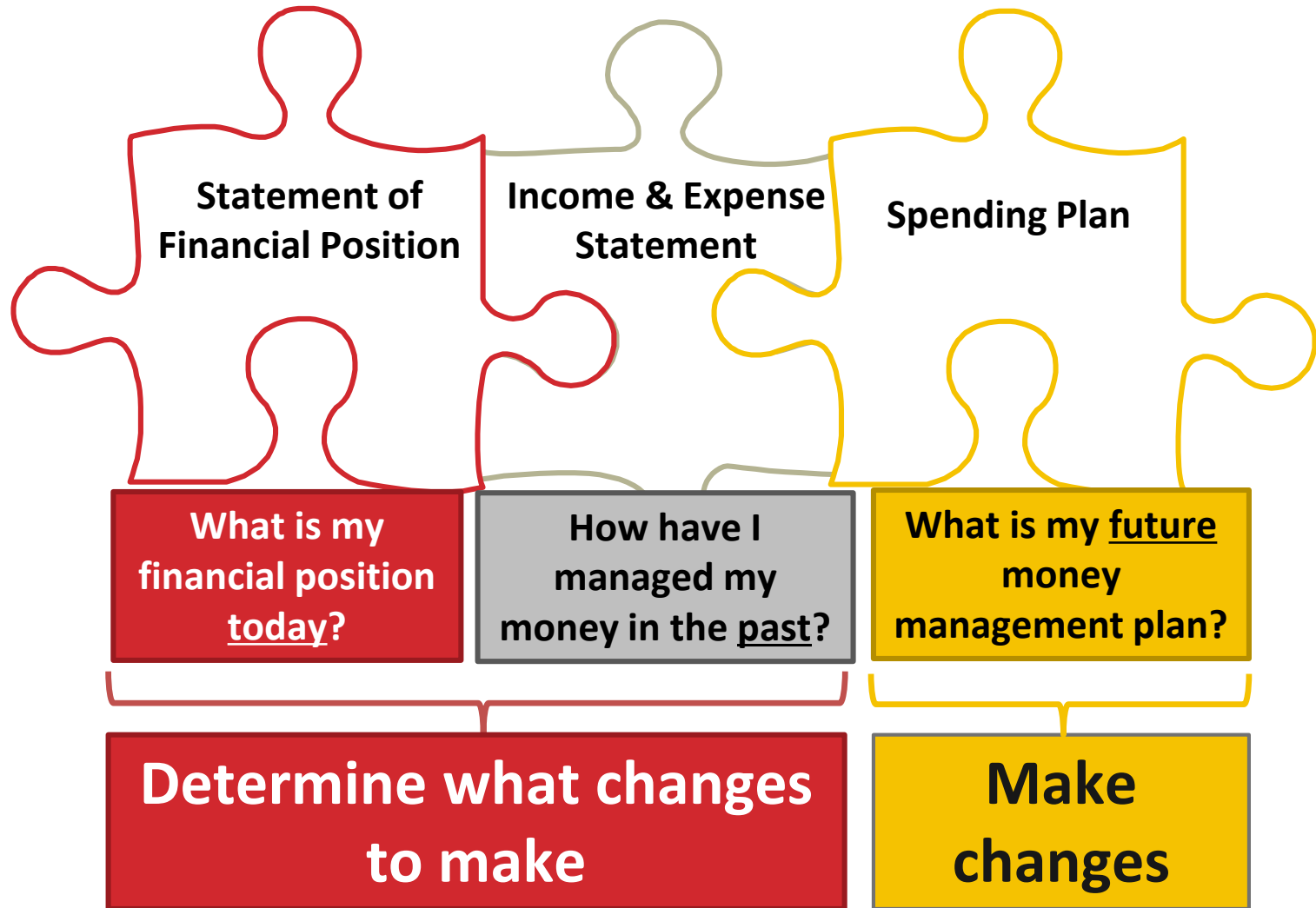


Money Management Tools



Budget Bean Game

- Round 1: Check to make sure you have 20 beans.
- You must select one item in each of the categories with the gold stars (food, housing, furnishings, transportation, insurance and clothing & laundry)
- Then, continue selecting items until you have used up your 20 bean income.

- In what ways were you influenced by your values?
- Your goals?
- Your previous experiences?
- Compare what you spent your beans on with another person.

- Round 2—Your income has just been cut to 13 beans.
- What will you give up?
- What changes will you make?
- Make changes until you only have 13 beans on your spending card.

- What kinds of items did you choose to give up and why?
- What did you learn about yourself and money in this process?
- Compare your budget-cutting choices with another student.

What is a Spending Plan?



An income and expense statement sometimes referred to as a budget which records both planned and actual income and expenses over a period of time



A budget

[Cosby Video](#)

<http://vimeo.com/4653537>

Spending Plan for:		
Time Period:		
	Planned Amount	Actual Amount
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
Money from savings and investments to help pay expenses during this time period		
Received Income from Government Programs		
Total Income	\$	\$
Expenses		
Deductions Often Taken from Paychecks		
Contributions to retirement programs (401k, 403b, pension, IRA)		
Federal income tax and state income tax		
Social Security and Medicare		
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments		
Insurance Premiums		
Health, automobile, home or renters, life		
Housing Costs		
Transportation Costs		
Food Costs		
Family Member Care		
Communication and Computers		
Telephone landline, cell phone, Internet, cable/satellite television		
Medical Costs Not Covered by Insurance		
Clothing and Personal Care		
Educational Expenses		
Pet Care		
Entertainment		
Gifts and Charitable Contributions		
Credit Costs		
Student loan, credit card, other loan payments		
Total Expenses	\$	\$
Net Gain or Net Loss (Income less Expenses)	\$	\$

Why is a 
Spending Plan
an important
part of financial
planning?



A forward-looking Income and Expense Statement

Income and Expense Statement for:	
Time Period:	
	Amount
Income	
Earned Income	
Wages or salary before deductions	
Unearned Income	
Interest earned this time period	
Money from savings and investments to help pay expenses during this time period	
Received Income from Government Programs	
Total Income	\$
Expenses	
Deductions Often Taken from Paychecks	
Contributions to retirement programs (401k, 403b, pension, IRA)	
Federal income tax and state income tax	
Social Security and Medicare	
Saving and Investing (Pay Yourself First)	
Contribution to savings and investments	
Insurance Premiums	
Health, automobile, home or renters, life	
Housing Costs	
Transportation Costs	
Food Costs	
Family Member Care	
Communication and Computers	
Telephone landline, cell phone, Internet, cable/satellite television	
Medical Costs Not Covered by Insurance	
Clothing and Personal Care	
Educational Expenses	
Pet Care	
Entertainment	
Gifts and Charitable Contributions	
Credit Costs	
Student loan, credit card, other loan payments	
Total Expenses	\$
Net Gain or Net Loss (Income less Expenses)	\$

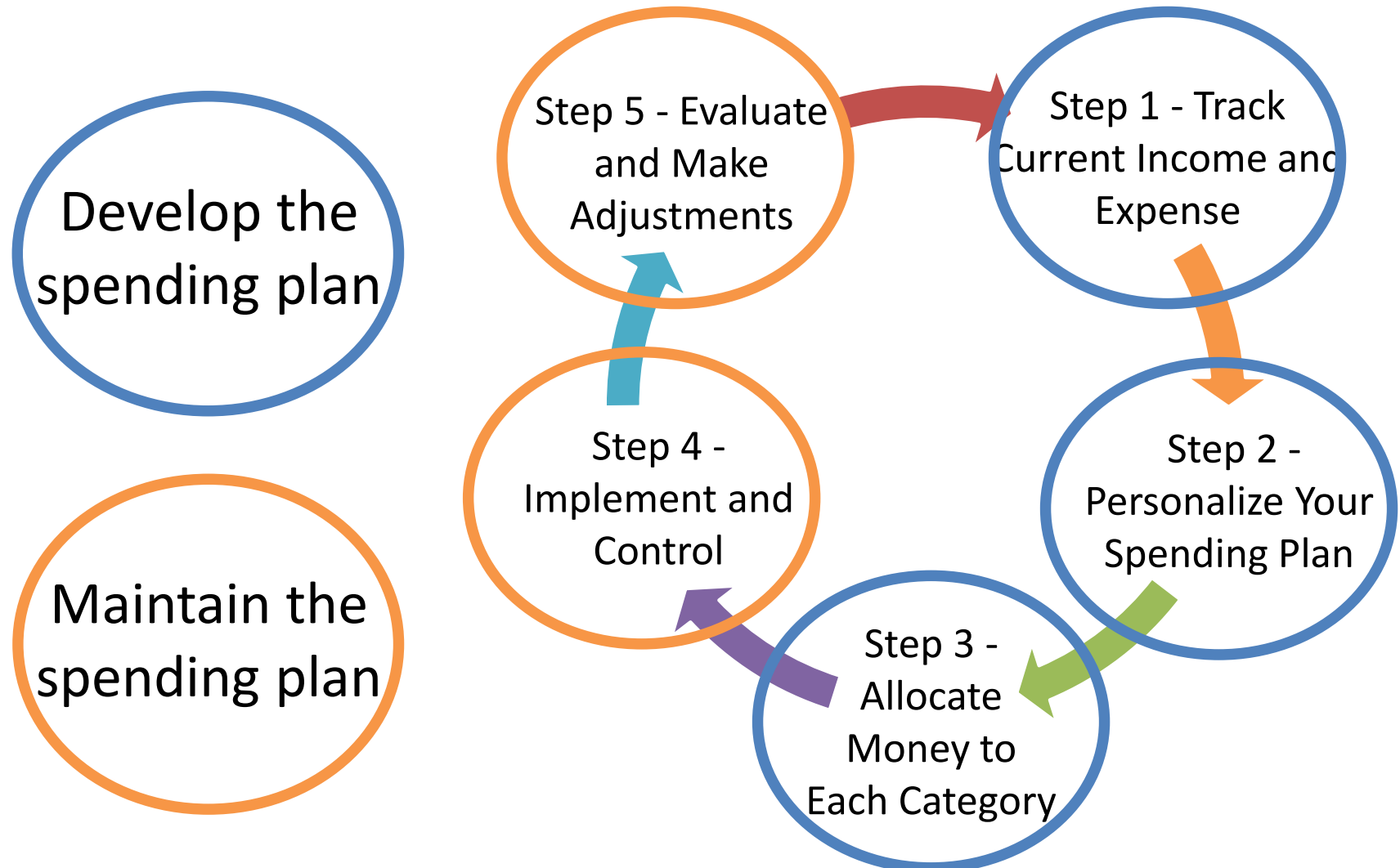


Spending Plan for:		
Time Period:		
	Planned Amount	Actual Amount
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
Money from savings and investments to help pay expenses during this time period		
Received Income from Government Programs		
Total Income	\$	\$
Expenses		
Deductions Often Taken from Paychecks		
Contributions to retirement programs (401k, 403b, pension, IRA)		
Federal income tax and state income tax		
Social Security and Medicare		
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments		
Insurance Premiums		
Health, automobile, home or renters, life		
Housing Costs		
Transportation Costs		
Total Expenses	\$	\$
Net Gain or Net Loss (Income less Expenses)	\$	\$

May use the same template for both the Income and Expense Statement and the Spending Plan

Spending Plan Development Process

<http://handsonbanking.org/htdocs/en/t/#/en/t/bu/index.html>





Envelope System

- <https://www.youtube.com/watch?v=hLXk0Y7Y6UI&feature=related>
- Each envelope is labeled for the category of spending.
- Each pay period, a pre-determined amount is placed in each envelope.
- Each time money is spent from an envelope, the transaction details (date, vendor, amount, etc.) is recorded on the outside of the envelope.
- When the envelope is empty, spending stops!



Paper Tracking

- Record transactions in a check register format for each category.
- https://www.youtube.com/watch?v=oHIs9gU_QHo

Online or Software Options

<https://www.youtube.com/watch?v=DlwIFGTvJRw>

<https://www.youtube.com/watch?v=Pt3SJVfhmRo>

<http://www.quicken.com/personal-finance/starter-edition-2015>

The screenshot displays the Quicken 2005 Premier software interface. The main window shows a transaction list for a checking account. The interface includes a menu bar (File, Edit, Tools, Online, Cash Flow, Investing, Property & Debt, Planning, Tax, Reports, Help), a toolbar with icons for Back, Update, Reports, Services, Quicken.com, Calc, Port, Budget, and Customize, and a search bar. The transaction list is as follows:

Date	Num	Payee/Category/Memo	Payment	Clr	Deposit	Balance
5/2/2003	1104	Credit Card	787.50			2,058.65
5/4/2003	1105	[Credit Card]				716.16
		Home Mortgage	1,342.49			
		--Split--				
5/8/2003	1106	Electric Company	198.15			518.01
		Utilities:Gas & Electric				
5/9/2003	1107	Telephone Company	47.30			470.71
		Utilities:Telephone				
5/10/2003	DEP	Rob's Paycheck			1,697.09	2,167.80
		--Split--				
5/10/2003	1108	Golf Warehouse	782.24			1,181.28
		Entertainment:Golf				
5/21/2003		Gas Company			Payment	
		Category:None			Deposit	
				Enter	Edit	Split
Online Balance: 399.57						Ending Balance: 1,385.56

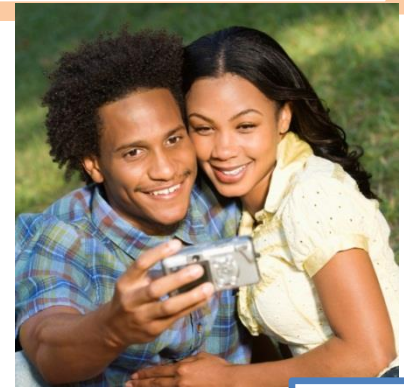
Summary statistics shown at the bottom of the window:

- Net Worth: \$174,230.07
- Financial Overview: Customizable and Hide Amounts options.

The background shows the Quicken website interface with navigation links for Products & Services, New Products, and Which Quicken is Right for You?.

Congratulations!

You have been hired as a financial advisor for John and Tia Brown



Financial Advisor Information

- Developed a Statement of Financial Position and Income and Expense Statement
- Identified the following goals:

Your Job

- Develop a spending plan for the Brown family



Increase the amount of their emergency savings fund

Pay more on their monthly car loan payment to pay the loan off faster

Spend less money dining out at restaurants

Spend less money on clothing every month



The Brown Family

Step One: Track Current Income and Expenses



Financial Advisor Information

Kept all receipts for the month of January to create an Income and Expense Statement

Your Job

Review John and Tia's January Income and Expense Statement for a realistic view of their income and expenses

Income and Expense Statement for:		John and Tia Brown
Time Period:		January
		Amount
Income		
<i>Earned Income</i>		
Wages or salary before deductions		5500.00
Total Income		\$5,500.00
Expenses		
<i>Deductions Often Taken from Paychecks</i>		
*Contribution to a retirement program (401k, 403b)		385.00
*Federal income tax		1,100.00
*Social Security		317.13
*Medicare		74.17
<i>Saving and Investing (Pay Yourself First)</i>		
Contribution to savings and investments		250.00
<i>Insurance Premiums</i>		
*Health insurance, Medicaid and Medicare		250.00
*Renters or homeowners insurance		15.00
*Automobile insurance		70.00
<i>Housing Costs</i>		
*Housing payment (rent or mortgage)		800.00
*Utilities (gas, electricity, water, garbage)		100.00
<i>Transportation Costs</i>		
*Automobile payment		200.00
*Fuel (gasoline/diesel)		100.00
*Automobile repairs and maintenance		50.00
*Public transportation fees		50.00
*Automobile license and registration (yearly fee)		20.00
<i>Food Costs</i>		
Food at the grocery store		300.00
Meals at restaurants		350.00
Snacks away from home (coffees, treats)		30.00
Non-food kitchen supplies (plastic wrap, dish soap)		30.00
<i>Communication and Computers</i>		
*Cell phone		110.00
*Internet		60.00
*Cable/satellite television		40.00
<i>Medical Costs Not Covered by Insurance</i>		
*Medical care		100.00
<i>Clothing and Personal Care</i>		
Clothing		250.00
Personal care (shampoo, haircuts, cosmetics, laundry, etc.)		150.00
<i>Entertainment</i>		
Movies, books, and other entertainment		200.00
Total Expenses		\$5,401.30
Net Gain or Net Loss (Income less Expenses)		\$98.70



The Brown Family

Step Two: Personalize Your Spending Plan



Financial Advisor Information

- Requested a spending plan for the month of February
- Requested the same document and categories as the Income and Expense Statement

Your Job

- Find the column on the Income and Expense Statement where the Spending plan will be created

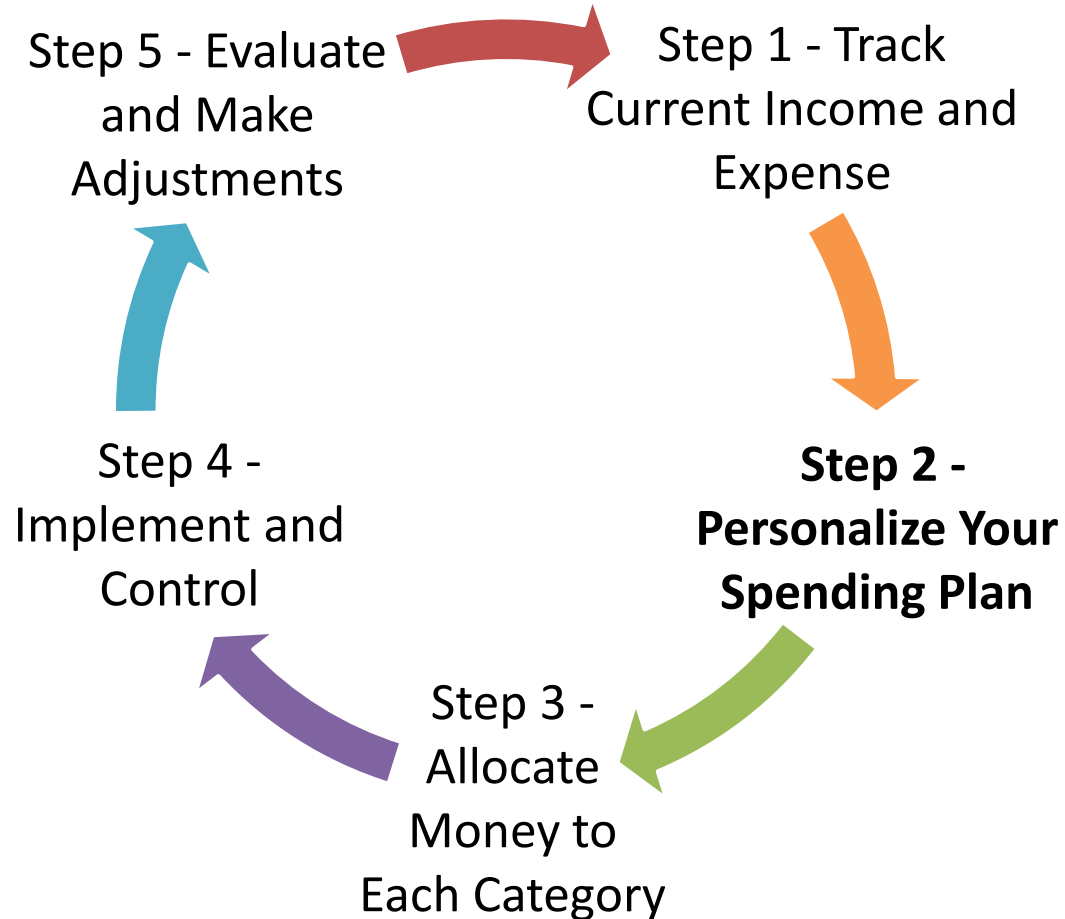
Income and Expense Statement for:		John and Tia Brown
Time Period:		January
	Amount	Planned Amount for February
Income		
<i>Earned Income</i>		
Wages or salary before deductions	5500.00	
Total Income	\$5,500.00	\$
Expenses		
<i>Deductions Often Taken from Paychecks</i>		
*Contribution to a retirement program (401k, 403b)	385.00	
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<i>Entertainment</i>		
Movies, books, and other entertainment	200.00	
Total Expenses	\$5,401.30	\$
Net Gain or Net Loss (Income less Expenses)	\$98.70	\$

Personalize Your Spending Plan

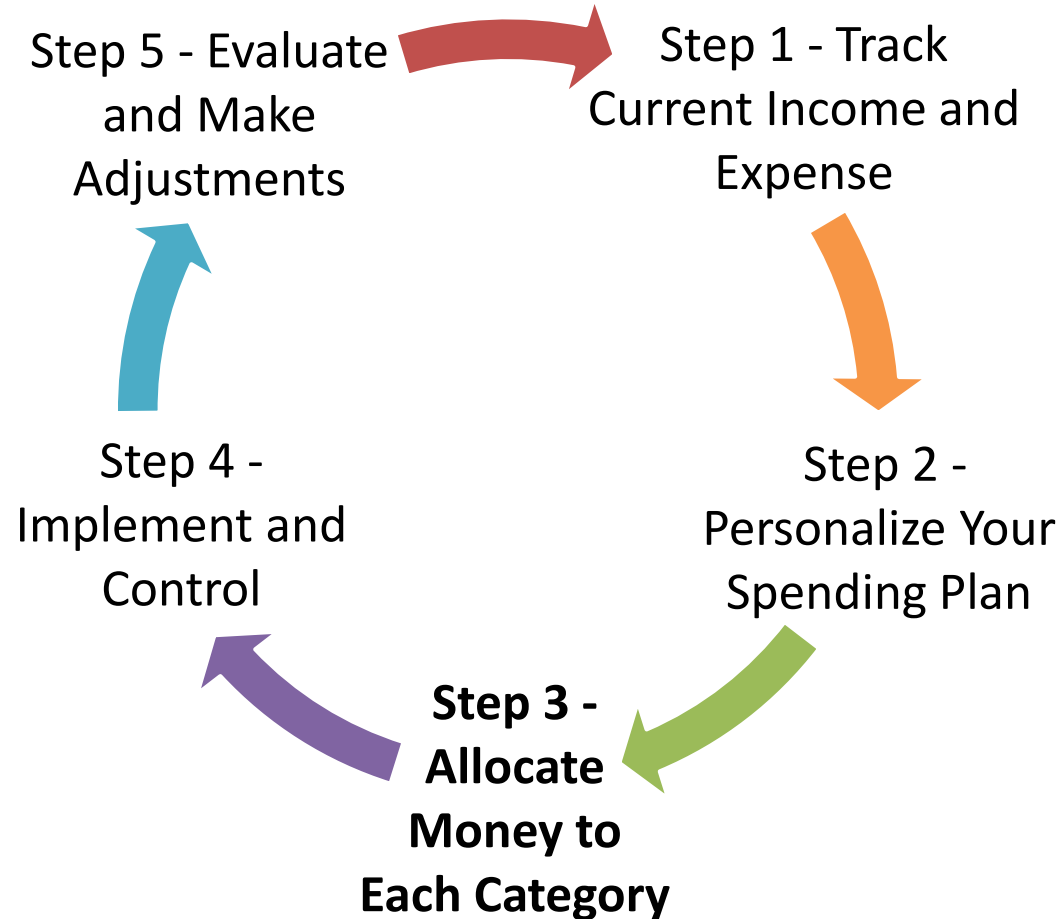
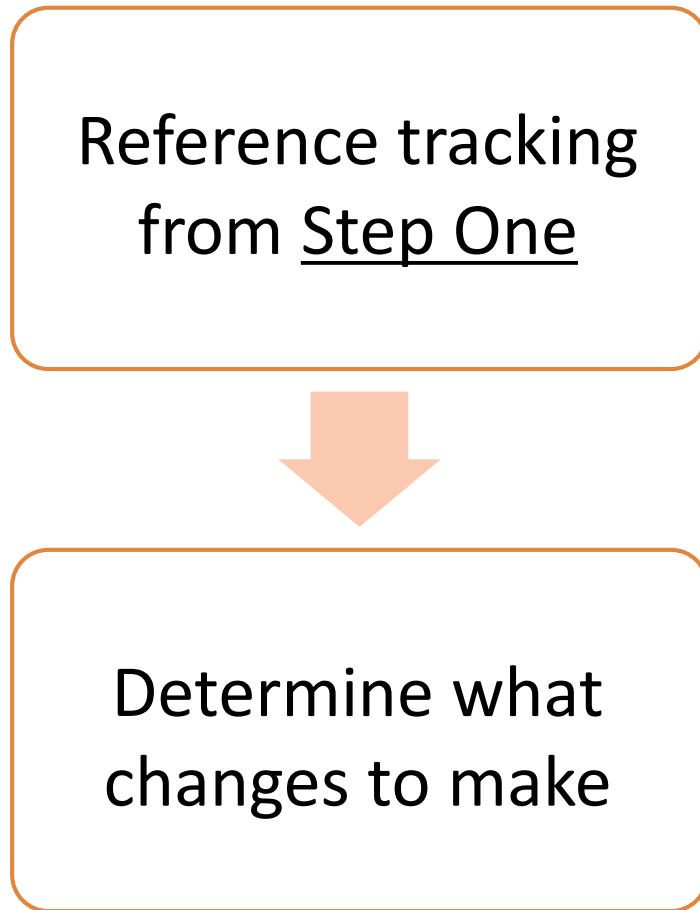
How will you develop a spending plan?

What is the intended time period for your spending plan?

What categories will your spending plan include?



Allocate Money to Each Category





The Brown Family Step Three: Allocate Money to Each Category

Financial Advisor Information

- Indicated a * next to expenses that are either contractual or they are unwilling to decrease
- Remember goals
- Consider trade-offs
- Must have a net gain or a zero balance

Income and Expense Statement for:		John and Tia Brown
Time Period:		January
	Amount	Planned Amount for February
Income		
<i>Earned Income</i>		
Wages or salary before deductions	5500.00	
Total Income	\$5,500.00	\$
Expenses		
<i>Deductions Often Taken from Paychecks</i>		
*Contribution to a retirement program (401k, 403b)	385.00	
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Personal care (shampoo, haircuts, cosmetics, laundry, etc.)	150.00	
<i>Entertainment</i>		
Movies, books, and other entertainment	200.00	
Total Expenses	\$5,401.30	\$
Net Gain or Net Loss (Income less Expenses)	\$98.70	\$



The Brown Family

Step Three: Allocate Money to Each Category



Your Job

- Develop a spending plan for the family
- Explain each change made
- Re-write goals into SMART goals using their new spending plan

Income and Expense Statement for:		John and Tia Brown
Time Period:		January
	Amount	Planned Amount for February
Income		
Earned Income		
Wages or salary before deductions	5500.00	
Total Income	\$5,500.00	\$
Expenses		
Deductions Often Taken from Paychecks		
*Contribution to a retirement program (401k, 403b)	385.00	
*Federal income tax	1,100.00	
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Housing Costs		
*Housing payment (rent or mortgage)	800.00	
*Utilities (gas, electricity, water, garbage)	100.00	
Transportation Costs		
*Automobile payment	200.00	
*Fuel (gasoline/diesel)	100.00	
*Automobile repairs and maintenance	50.00	
*Public transportation fees	50.00	
*Automobile license and registration (yearly fee)	20.00	
Food Costs		
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Clothing	250.00	
Personal care (shampoo, haircuts, cosmetics, laundry, etc.)	150.00	
Entertainment		
Movies, books, and other entertainment	200.00	
Total Expenses	\$5,401.30	\$
Net Gain or Net Loss (Income less Expenses)	\$98.70	\$

SMART GOALS

S

SPECIFIC: State exactly what is to be done with the money.

M

MEASURABLE: Write the exact dollar amount.

A

ATTAINABLE: Create a step-by-step plan outlining exactly how the goal can be reached.

R

REALISTIC: List the next best thing you will NOT be able to do/buy instead (opportunity cost).

T

TIME-BOUND: Specifically state the date the goal will be reached.

The Brown Family

Step Four: Implement and Control



Your Job



- Recommend a control system for John and Tia

What is the intended time period for your spending plan?

- Usually concurrent with pay period

What time period would you choose for your spending plan?



What categories will your spending plan include?

- Reference tracking from the Income and Expense Statement
- Do any categories need added, changed, or removed?

When allocating money consider:



Contractual	Non-contractual
Required to pay expense for a specific amount of time - not easy to reduce or eliminate	Easy to reduce or eliminate
Rent, Internet, Cell phone	Food, entertainment

Net Gain or Net Loss?



Net Gain?

- Add more money to savings or another expense

Net Loss?

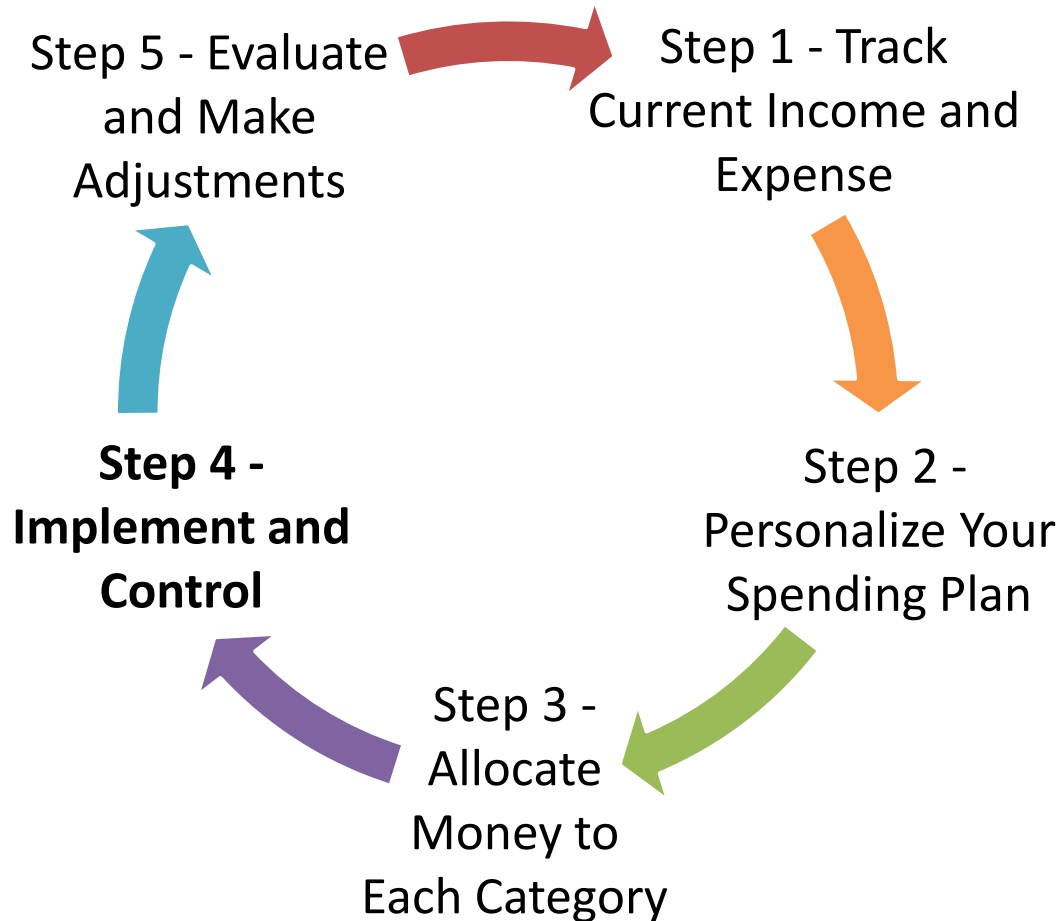
- Increase income
- Decrease expenses
- Both

Spending Plan for:		
Time Period:		
	Planned Amount	Actual Amount
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
Money from savings and investments to help pay expenses during this time period		
Received Income from Government Programs		
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Expenses		
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Medical Costs Not Covered by Insurance		
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Pet Care		
Entertainment		
Gifts and Charitable Contributions		
Credit Costs		
Student loan, credit card, other loan payments		
Total Expenses	\$	\$
Net Gain or Net Loss (Income less Expenses)	\$	\$

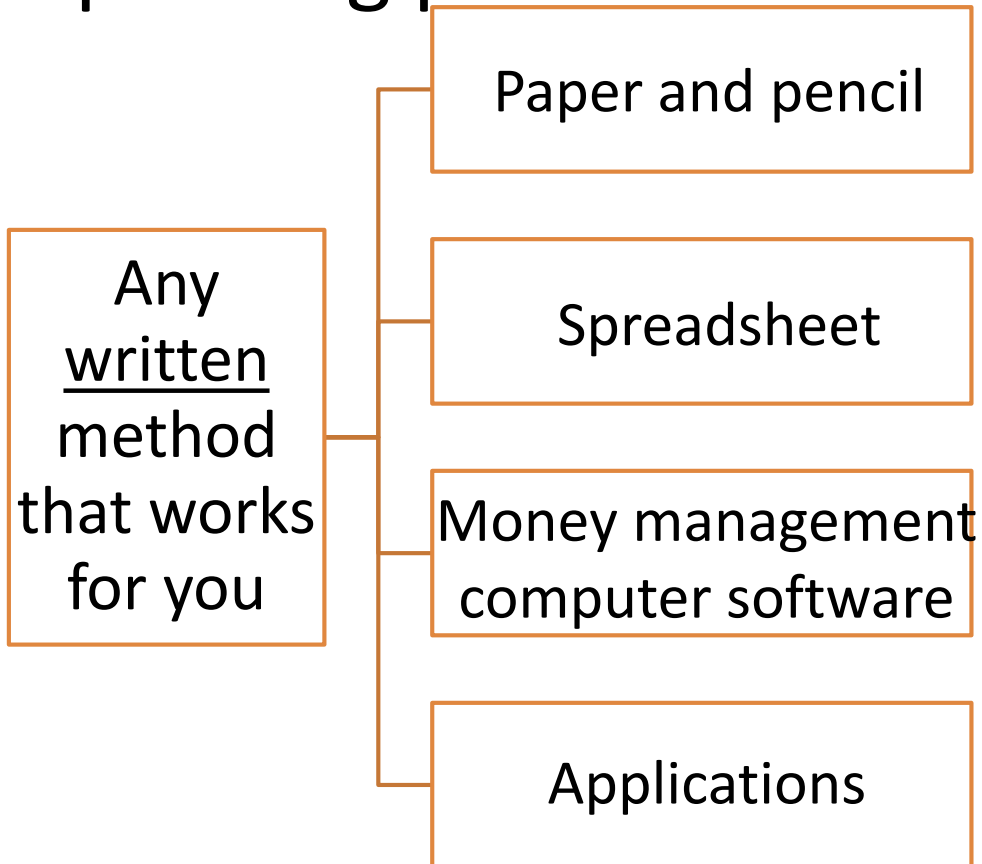
Implement and Control

Make your planned
spending decisions

Use a control system
to stay on track

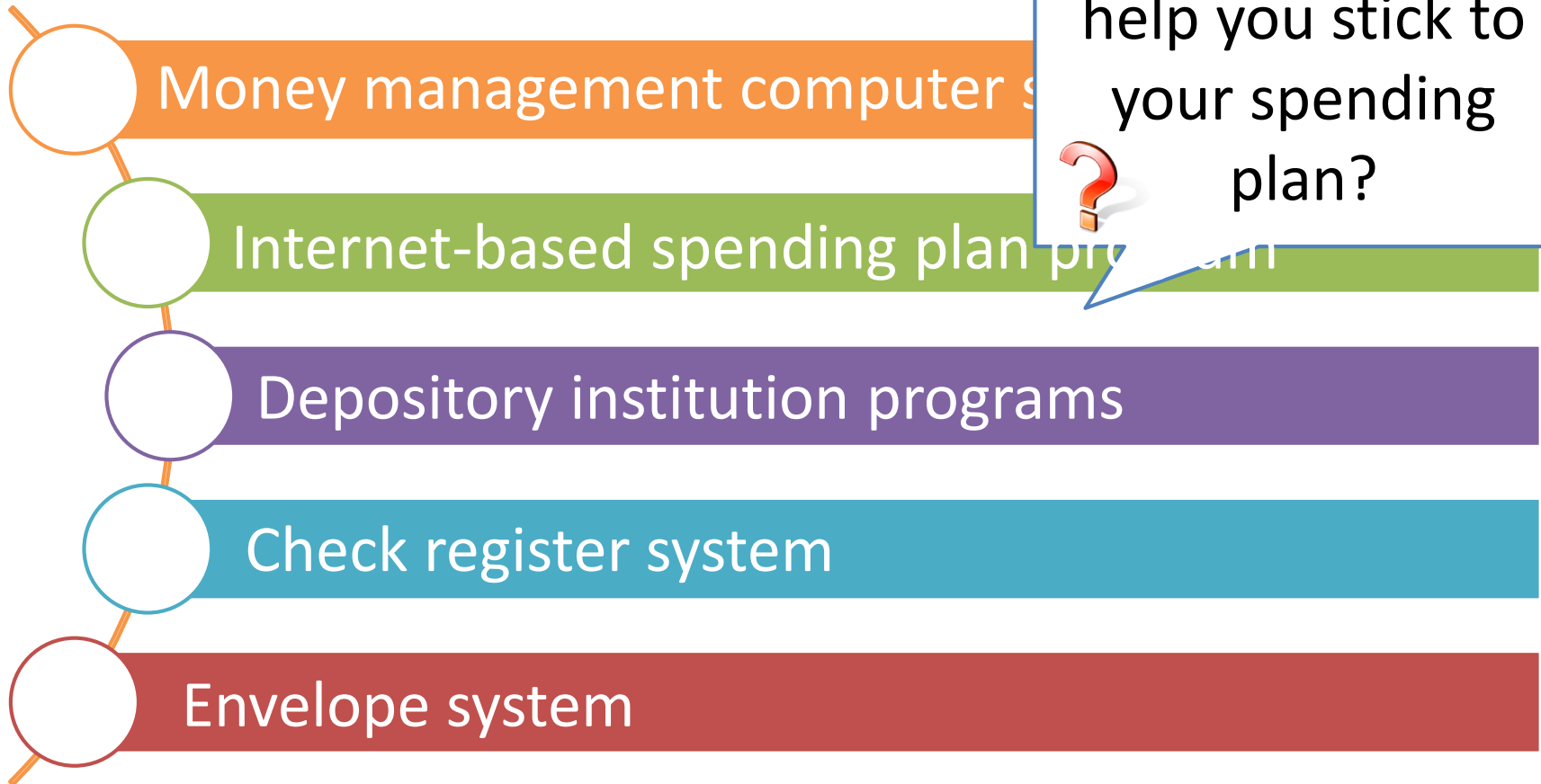


How will you implement your spending plan?



Spending Plan for:		
Time Period:		
	Planned Amount	Actual Amount
Income		
Earned Income		
Wages or salary before deductions		
Unearned Income		
Money from savings and investments to help pay expenses during this time period		
Received Income from Government Programs		
Total Income	\$	\$
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Deductions Often Taken from Paychecks		
Contributions to retirement programs (401k, 403b, pension, IRA)		
Federal income tax and state income tax		
Social Security and Medicare		
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments		
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Health, automobile, home or renters, life		
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Family Member Care		
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Medical Costs Not Covered by Insurance		
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Pet Care		
Entertainment		
Gifts and Charitable Contributions		
Credit Costs		
Student loan, credit card, other loan payments		
Total Expenses	\$	\$
Net Gain or Net Loss (Income less Expenses)	\$	\$

Control Systems



SMART GOALS

S

SPECIFIC: State exactly what is to be done with the money.

M

MEASURABLE: Write the exact dollar amount.

A

ATTAINABLE: Create a step-by-step plan outlining exactly how the goal can be reached.

R

REALISTIC: List the next best thing you will NOT be able to do/buy instead (opportunity cost).

T

TIME-BOUND: Specifically state the date the goal will be reached.

The Brown Family

Step Five: Evaluate and Make Adjustments



Financial Advisor Information

- John and Tia realized that if they dine out at restaurants less often they will need to increase their monthly grocery expense

Your Job

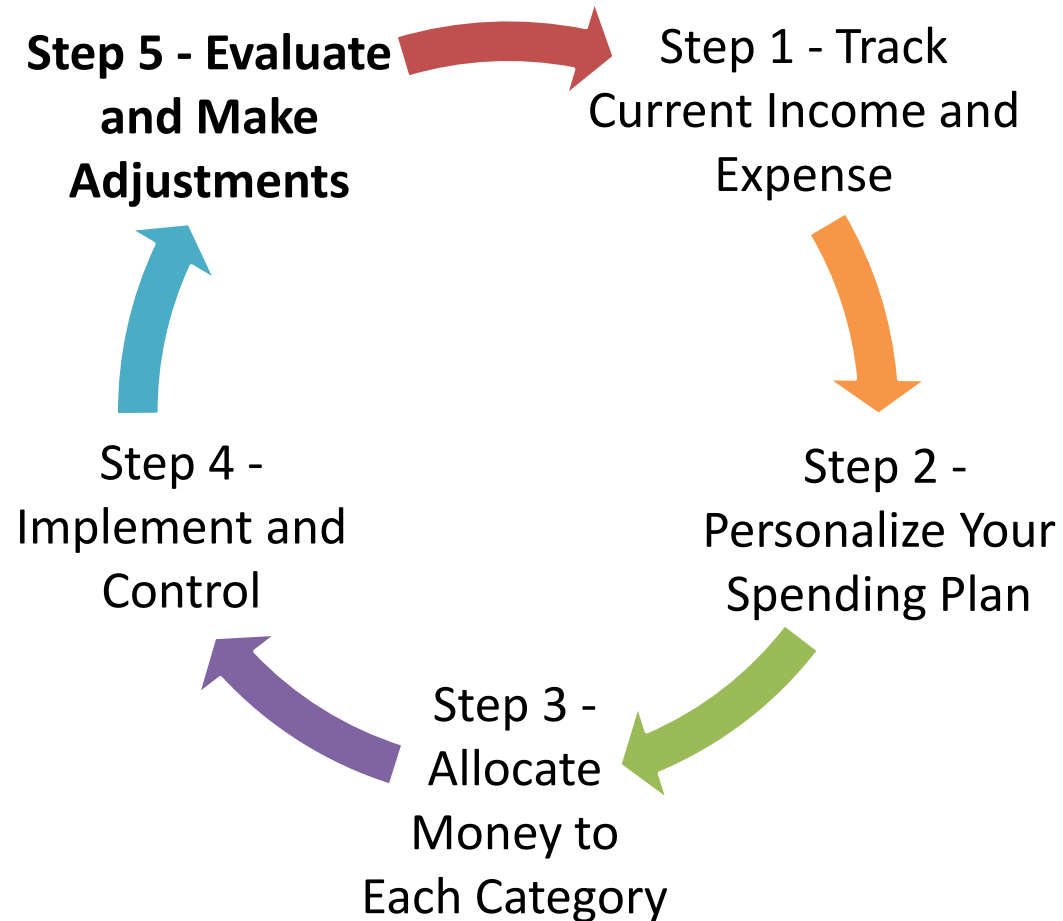
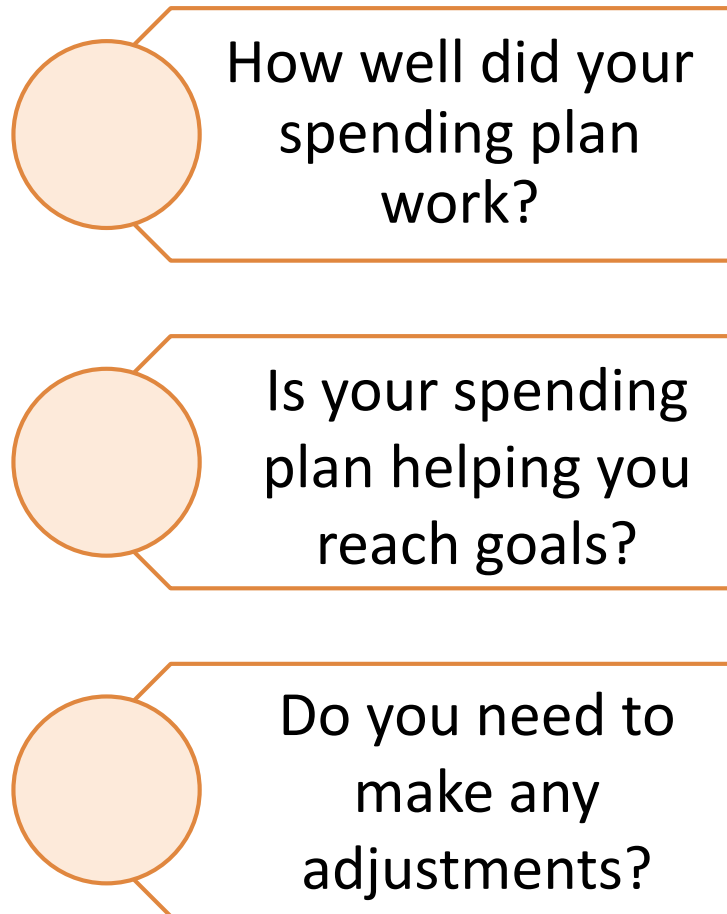


- Increase their grocery budget by \$20.00
- How has developing a spending plan helped the Brown family?

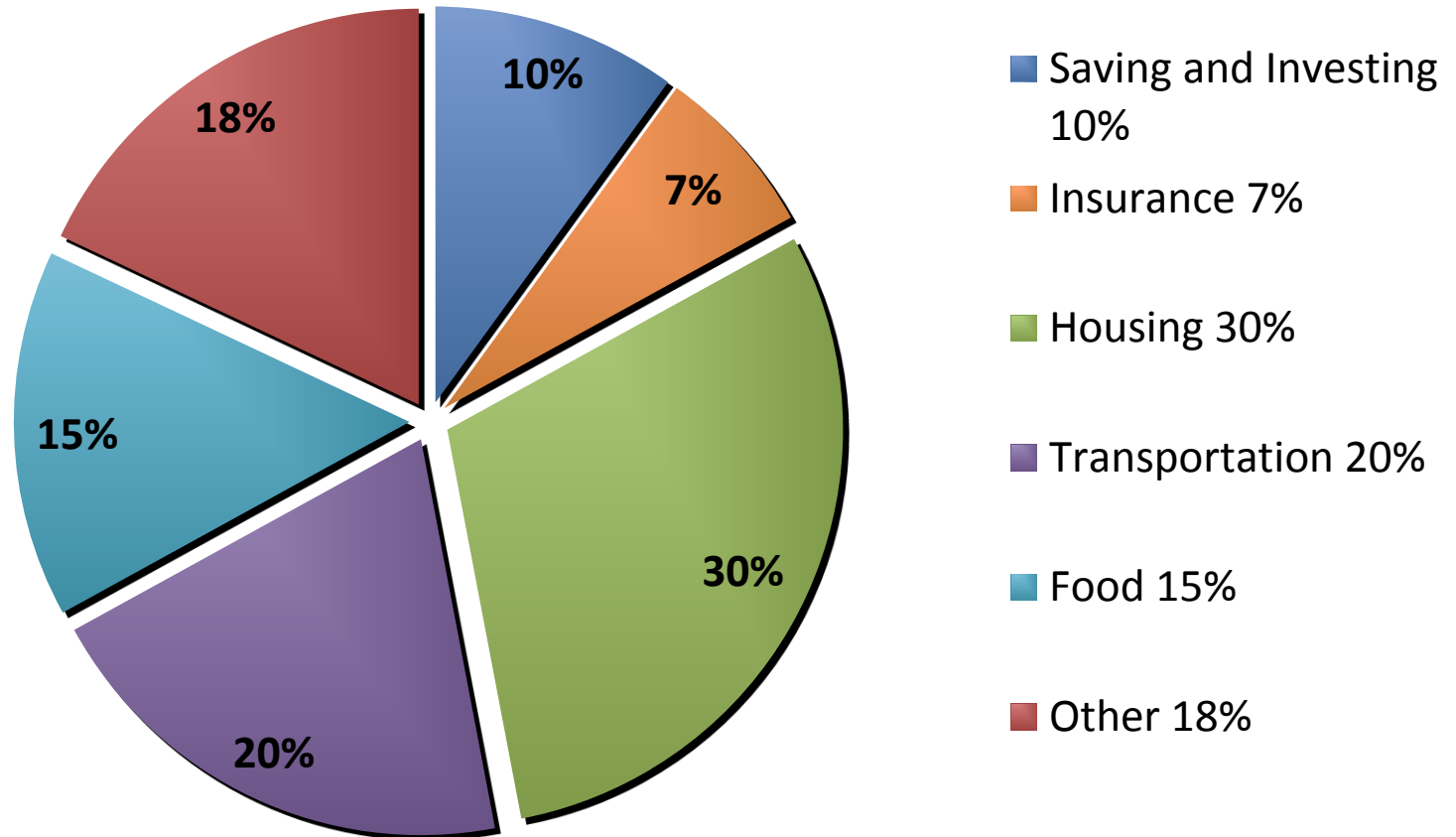
How could creating a spending plan help you now and in the future?



Evaluate and Make Adjustments



Spending Plan Guide



What variables may cause these percentages to be different?

Summary

- A spending plan is an important financial planning tool
 - Helps achieve goals
- Make your spending plan work for you
- Make sure to control, evaluate, and adjust your spending plan

