

Money Management 2: Developing Your Budget

Tonight's Agenda:

- Defining Expense Categories
- Creating Your Spending Plan
- Tracking Expenses
- Handling Changes

Types of Expenses:

There are three kind of expenses- Knowing the difference, and what expenses fall into each category for you is an important part of building your spending plan.

- **Fixed**- These expenses occur every month and do not change much.
 - **Examples:** Housing Payment, Auto Payment, Chapter 13 Payment
- **Variable**- These expenses change from month to month.
 - **Examples:** Gasoline, Groceries, Clothing, Entertainment
- **Periodic**- These expenses occur on an irregular basis, rather than monthly.
 - **Examples:** Auto Insurance, Property Taxes, Birthdays/Holidays

Creating Your Spending Plan:

- 1) **Income:** Start by listing all sources of income, you should list the Net Income- Add all of the sources of income together.
 - a. **Gross:** The amount of income before any taxes or deductions are taken out
 - b. **Net:** Considered the "take home" amount. This is the amount of income after all taxes and deductions have been subtracted.
- 2) **Expenses:** Start by listing all fixed expenses, then variable and periodic. Add all of the expenses together.
- 3) **Balance the Budget:** It's important to ensure there is enough income to cover the expenses on a monthly basis. If you find that your budget is in the negative, you will need to find ways to increase income to decrease expenses.

Spending Plan Busters:

- Not planning for periodic expenses
- Impulse buying
- Uncooperative financial partner
- Not having or maintaining an accurate spending plan

Maintaining the Spending Plan:

- Tracking Expenses
 - Using a sheet, write down how much you are spending in each category on a weekly basis. Add these up and compare to the monthly amount that is set aside in the budget.
- The Envelope System
 - Create Envelopes with the allotted amount of money wrote on the front
 - Place cash in each envelope
 - Use the cash for that category of the budget



Time for Change:

- It is normal and expected that your spending plan will change on a regular basis, this is why staying on top of it and maintaining it is best.
 - Consider your utility usage from the winter to the summer- that alone is one area of the budget that can drastically change throughout the year. The budget plan for utilities can be very helpful to maintain your monthly spending plan.

Steps to Bankruptcy Recovery:

- **Create a financial plan/budget.** Keep track of income and expenses and make a payment plan that you stick to every month. Consider your priorities—pay off older bills first, cover basic living expenses, and pay bills regularly.
- **Set up a savings account.** Allot money regularly to your savings account, designating some money for an emergency fund. This prevents emergencies from interfering with your budget. When feasible, use savings for larger purchases to avoid paying interest.
- **Improve your credit.** Review your credit report and clean up any errors. Credit reports are not always accurate and you can dispute wrong information.
- **Make wise purchases.** Live modestly and do not purchase unnecessary, exorbitantly priced items. You can dig yourself into a whole without realizing it by spending beyond your means.
- **Make regular student loan payments.** Paying a student loan monthly and on time helps rebuild your credit. It also establishes good financial habits.
- **Steer clear of repeating the same financial mistakes.** If credit card use led to bankruptcy before, pay off your balance regularly or do not use credit cards. If unexpected health problems dragged you into debt, keep your emergency fund in good shape. Take steps to prevent making the same mistakes.
- **Deal effectively with employment interviews.** Do not let bankruptcy be a black mark during a job interview. Explain how you corrected your mistakes and are now in better shape than others struggling with debt.
- **Take a positive view.** Stay positive about your ability to manage finances wisely. Many financially famous people at one time filed bankruptcy—Donald Trump, Walt Disney, and Henry Ford, to name a few.

Online Resources:

<http://www.greenpath.com/university/resources>

Notes