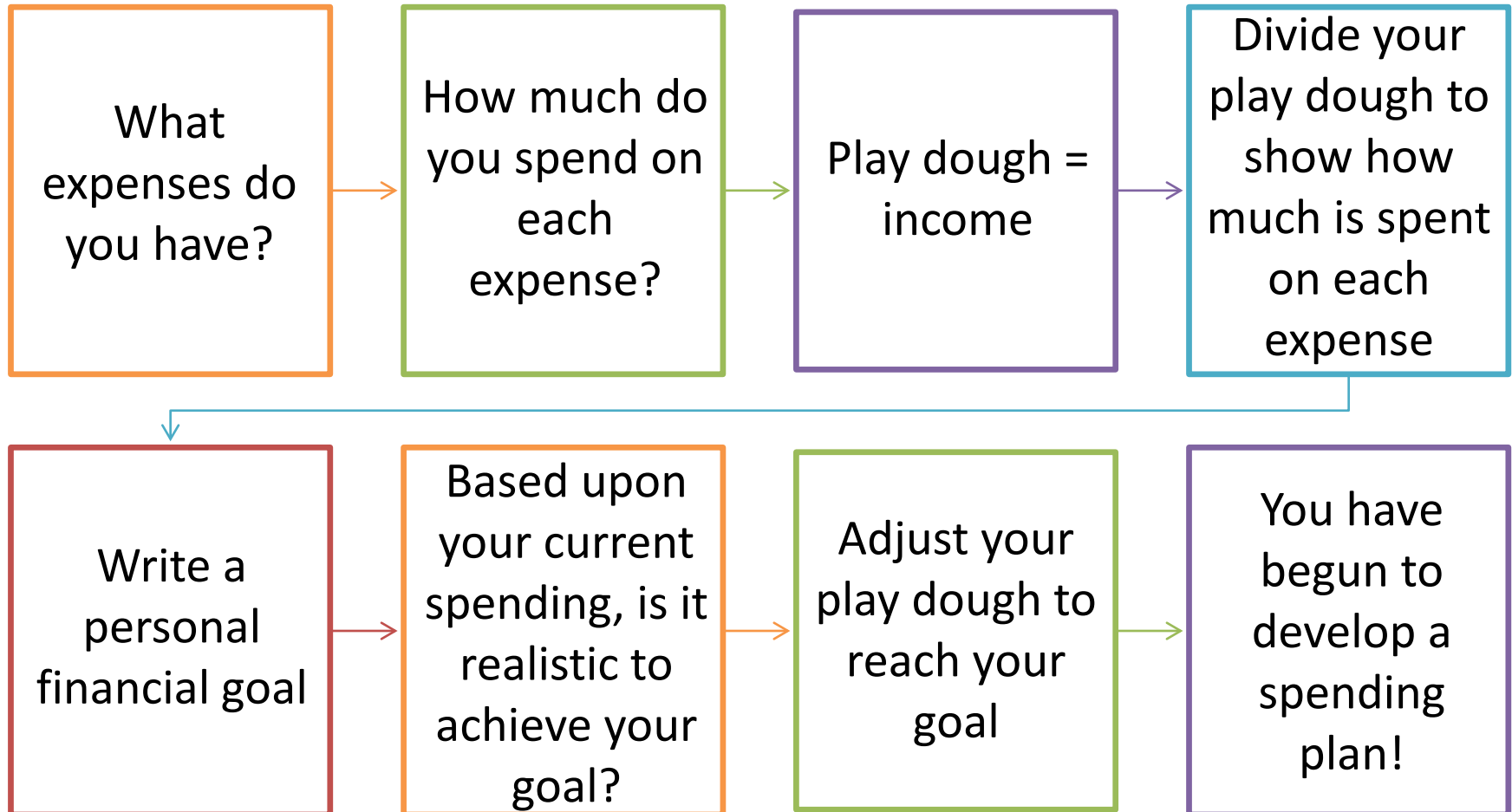


# Spending Plans

Advanced Level

# Where's My Dough?



# 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



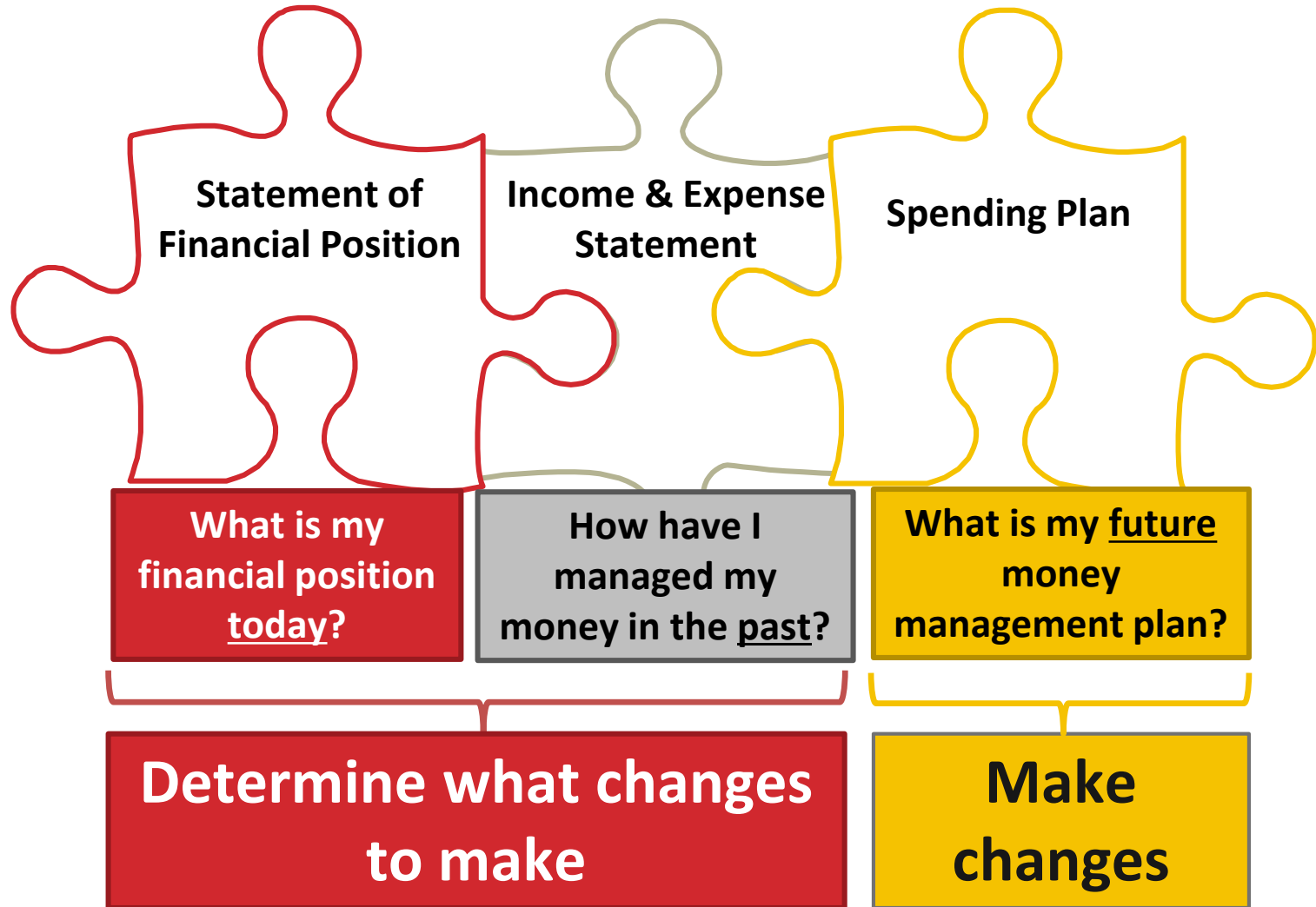
A budget

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

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



# Money Management Tools



# A forward-looking Income and Expense Statement

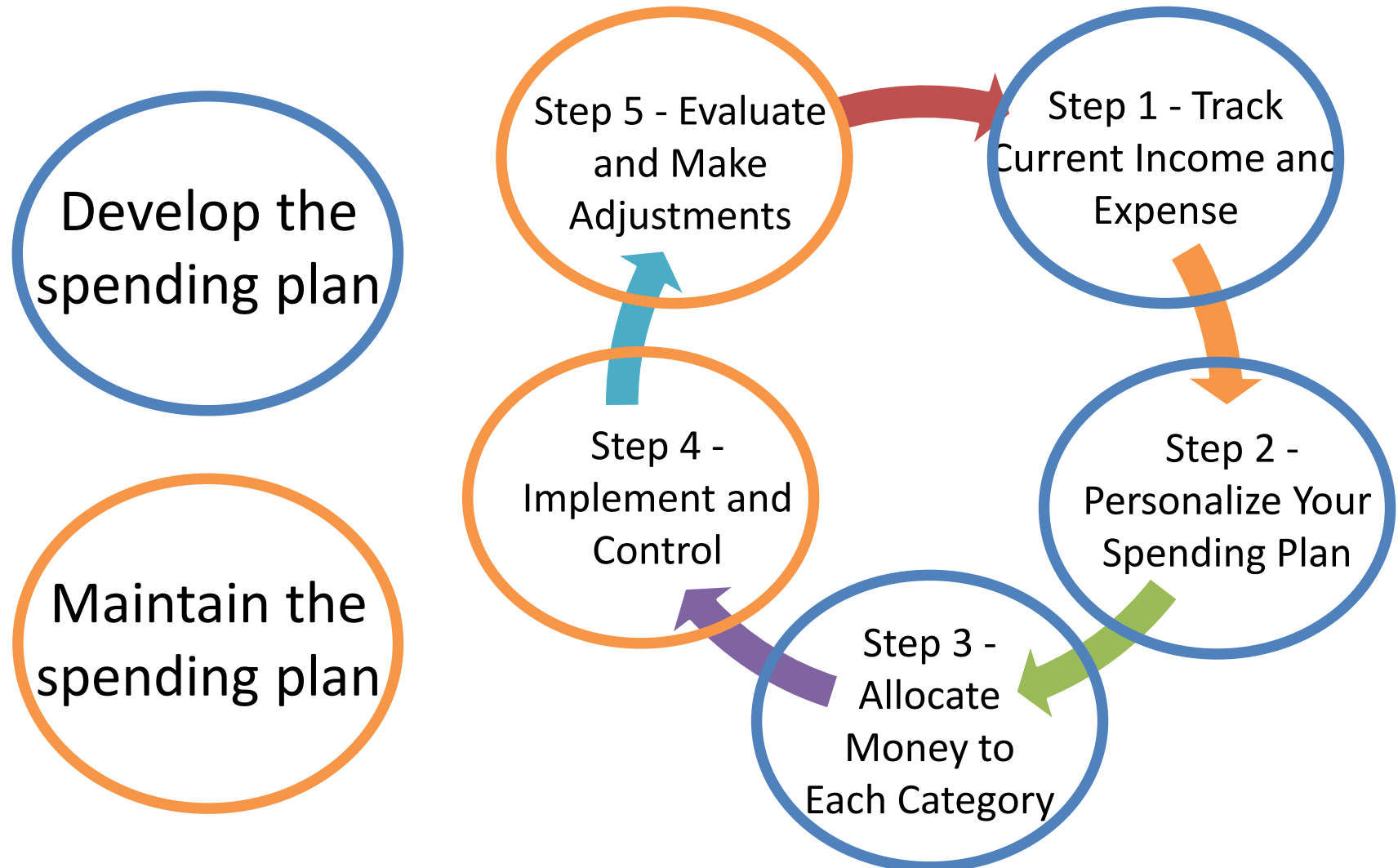
Income and Expense Statement for:	
Time Period:	
	Amount
<b>Income</b>	
<b>Earned Income</b>	
Wages or salary before deductions	
<b>Unearned Income</b>	
Interest earned this time period	
Money from savings and investments to help pay expenses during this time period	
<b>Received Income from Government Programs</b>	
<b>Total Income</b>	\$
<b>Expenses</b>	
<b>Deductions Often Taken from Paychecks</b>	
Contributions to retirement programs (401k, 403b, pension, IRA)	
Federal income tax and state income tax	
Social Security and Medicare	
<b>Saving and Investing (Pay Yourself First)</b>	
Contribution to savings and investments	
<b>Insurance Premiums</b>	
Health, automobile, home or renters, life	
<b>Housing Costs</b>	
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<b>Pet Care</b>	
<b>Entertainment</b>	
<b>Gifts and Charitable Contributions</b>	
<b>Credit Costs</b>	
Student loan, credit card, other loan payments	
<b>Total Expenses</b>	\$
<b>Net Gain or Net Loss (Income less Expenses)</b>	\$



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

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

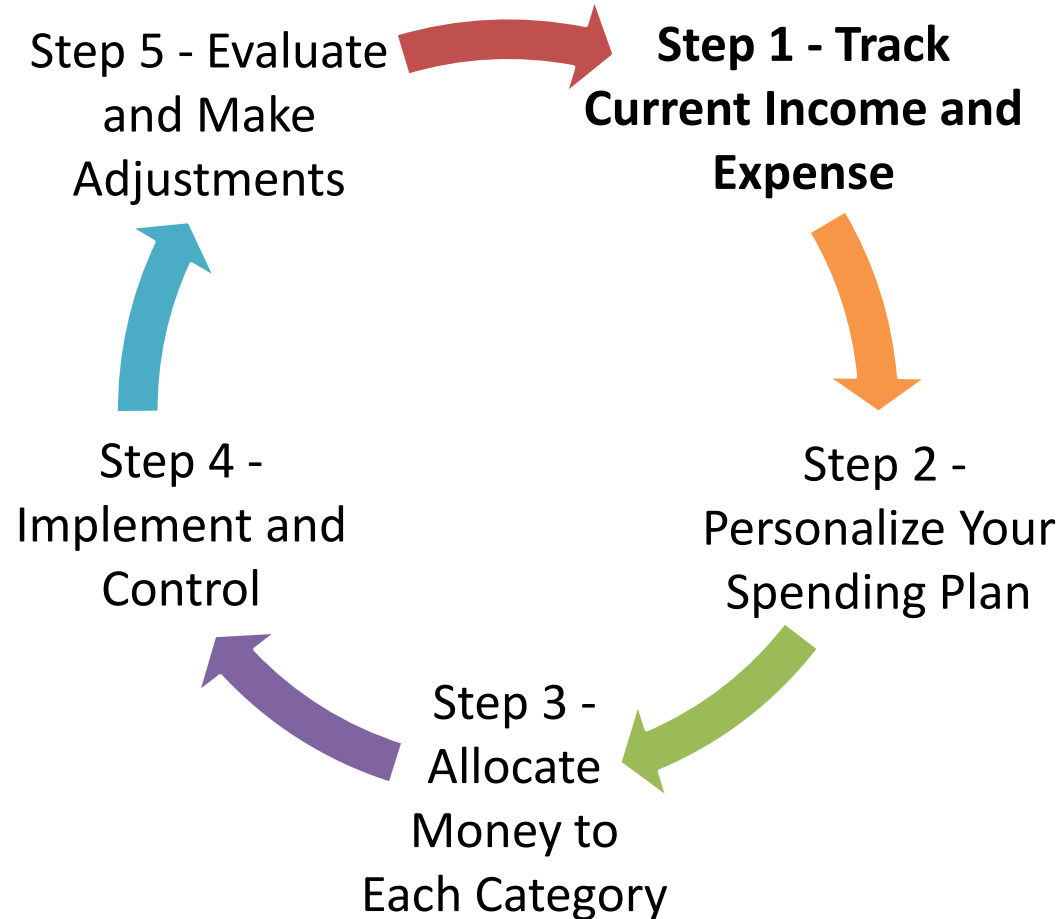
# Spending Plan Development Process



# Track Current Income and Expenses

Completed by developing an Income and Expense Statement

Ensures spending plan is realistic





# 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

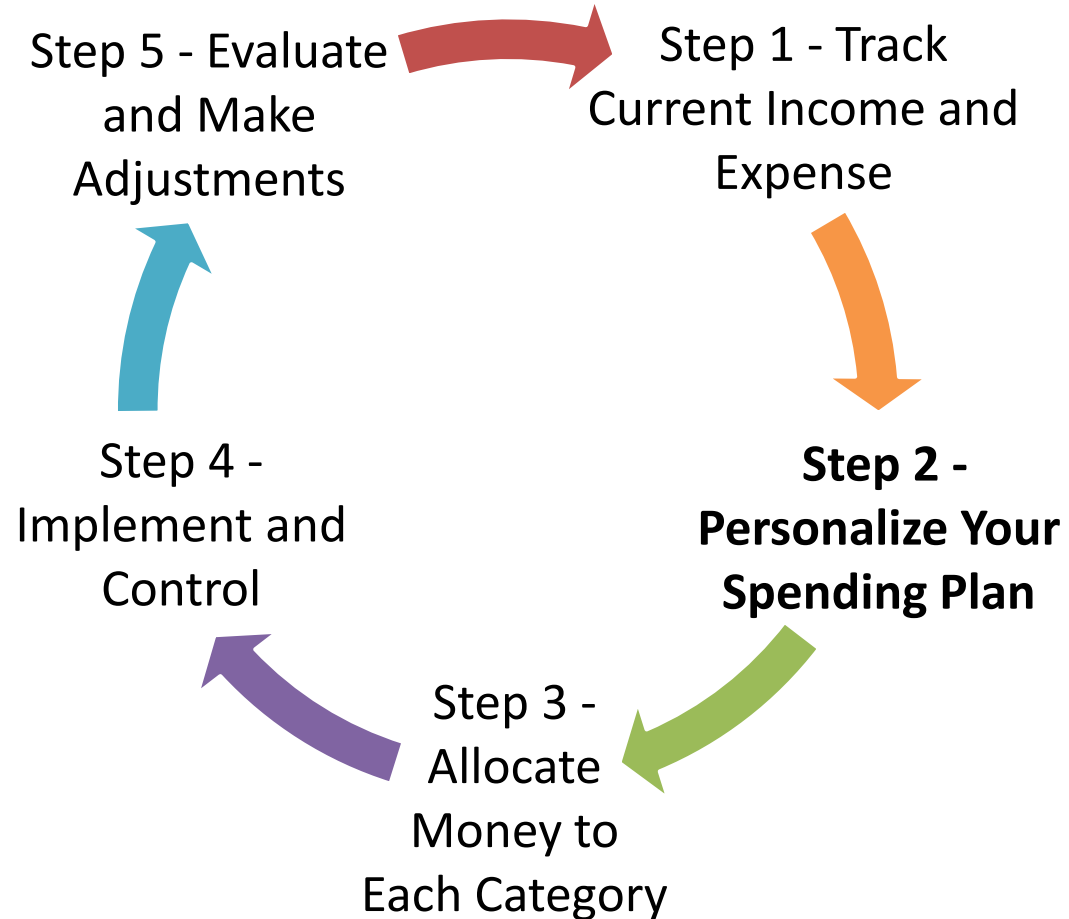
Income and Expense Statement for:		John and Tia Brown
Time Period:		January
		Amount
<b>Income</b>		
<i>Earned Income</i>		
Wages or salary before deductions		5500.00
<b>Total Income</b>		<b>\$5,500.00</b>
<b>Expenses</b>		
<i>Deductions Often Taken from Paychecks</i>		
*Contribution to a retirement 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
<b>Total Expenses</b>		<b>\$5,401.30</b>
<b>Net Gain or Net Loss (Income less Expenses)</b>		<b>\$98.70</b>

# Personalize Your Spending Plan

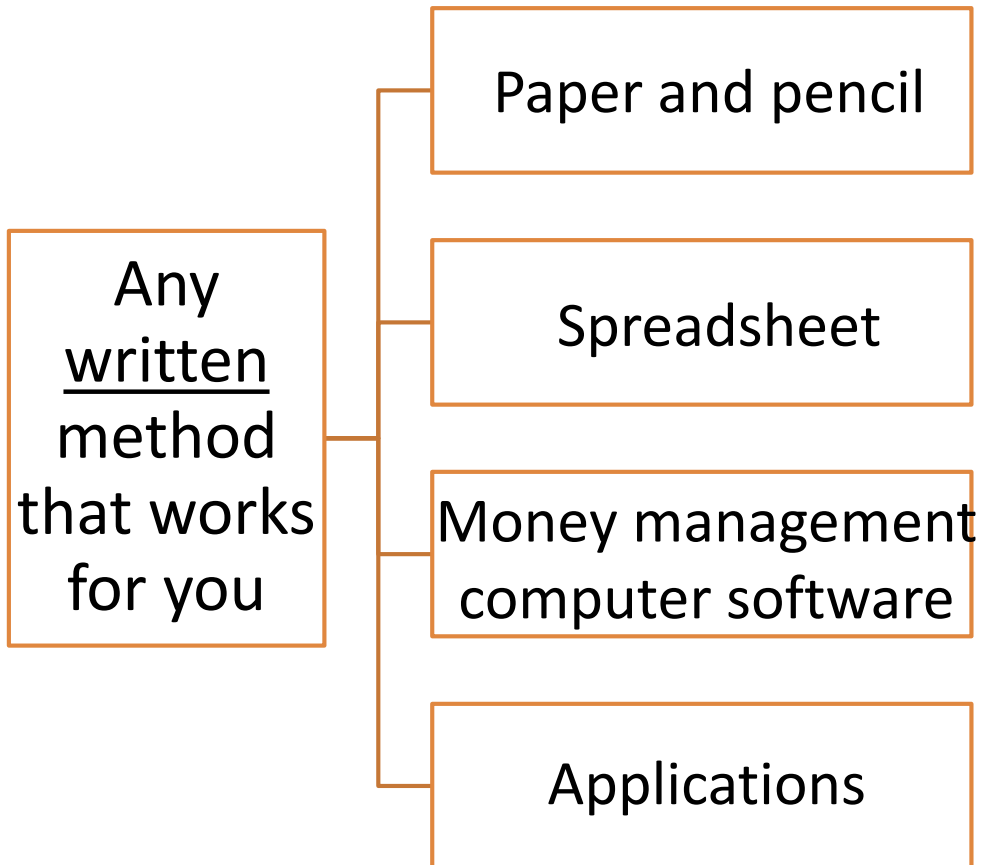
How will you develop a spending plan?

What is the intended time period for your spending plan?

What categories will your spending plan include?




# How will you develop a spending plan?



Spending Plan for:		
Time Period:		
	Planned Amount	Actual Amount
<b>Income</b>		
<b>Earned Income</b>		
Wages or salary before deductions		
<b>Unearned Income</b>		
Money from savings and investments to help pay expenses during this time period		
<b>Received Income from Government Programs</b>		
<b>Total Income</b>	\$	\$
<b>Expenses</b>		
<b>Deductions Often Taken from Paychecks</b>		
Contributions to retirement programs (401k, 403b, pension, IRA)		
Federal income tax and state income tax		
Social Security and Medicare		
<b>Saving and Investing (Pay Yourself First)</b>		
Contribution to savings and investments		
<b>Insurance Premiums</b>		
Health, au		
<b>Housing Costs</b>		
<b>Transportation</b>		
<b>Food Costs</b>		
<b>Family Member</b>		
<b>Communication</b>		
Telephone		
cable/sate		
<b>Medical Costs M</b>		
<b>Clothing and Pe</b>		
<b>Educational Exp</b>		
<b>Pet Care</b>		
<b>Entertainment</b>		
<b>Gifts and Charit</b>		
<b>Credit Costs</b>		
Student lo		
payments		
<b>Total Expenses</b>	\$	\$
<b>Net Gain or Net Loss (Income less Expenses)</b>	\$	\$

How would you develop a spending plan?



## 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?



# The Brown Family

## Step Two: Personalize Your Spending Plan



### Financial Advisor Information

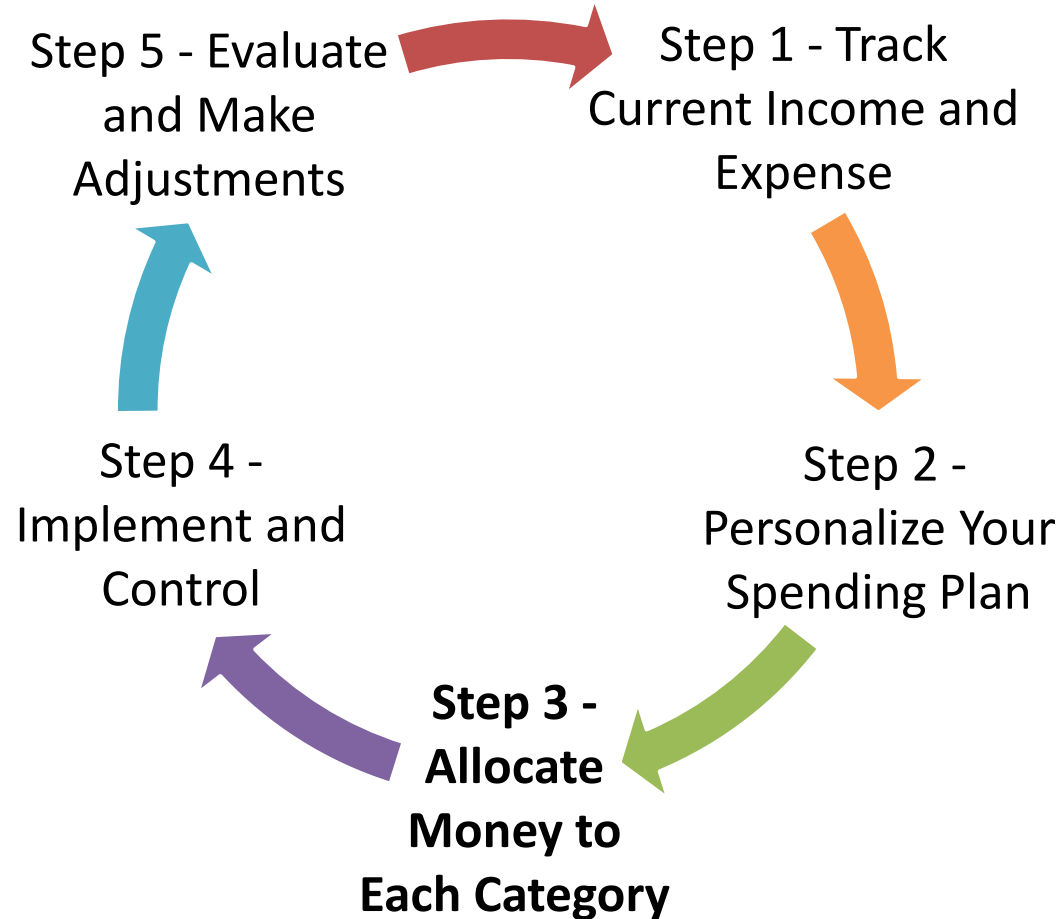
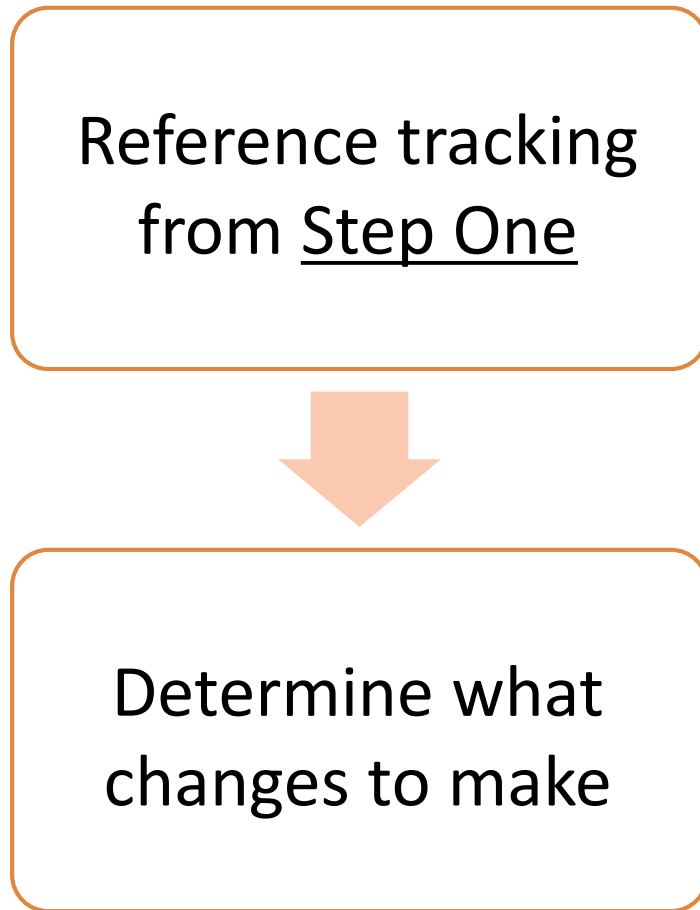
- Requested a spending plan for the month of February
- Requested the same document and categories as the Income and Expense Statement

### 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
<b>Income</b>		
<i>Earned Income</i>		
Wages or salary before deductions	5500.00	
<b>Total Income</b>	<b>\$5,500.00</b>	<b>\$</b>
<b>Expenses</b>		
<i>Deductions Often Taken from Paychecks</i>		
*Contribution to a retirement program (401k, 403b)	385.00	
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<i>Housing Costs</i>		
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<i>Transportation Costs</i>		
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*Medical care	100.00	
<i>Clothing and Personal Care</i>		
Clothing	250.00	
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<i>Entertainment</i>		
Movies, books, and other entertainment	200.00	
<b>Total Expenses</b>	<b>\$5,401.30</b>	<b>\$</b>
<b>Net Gain or Net Loss (Income less Expenses)</b>	<b>\$98.70</b>	<b>\$</b>

# Allocate Money to Each Category



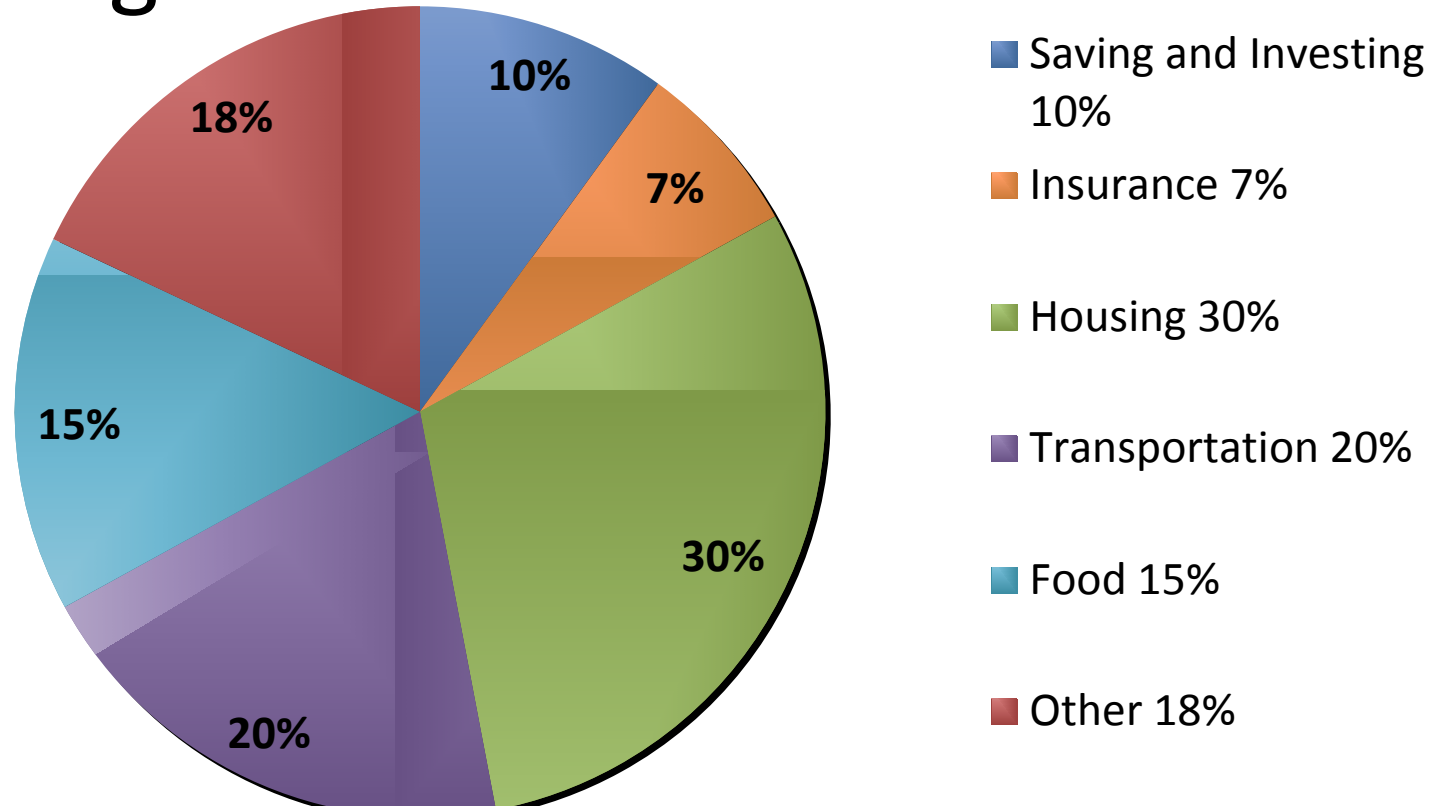
# When allocating money consider:



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



# Spending Plan Guide



What variables may cause these percentages to be different?

# 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
<b>Income</b>		
<b>Earned Income</b>		
Wages or salary before deductions		
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<b>Credit Costs</b>		
Student loan, credit card, other loan payments		
<b>Total Expenses</b>	\$	\$
<b>Net Gain or Net Loss (Income less Expenses)</b>	\$	\$



## 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
<b>Income</b>		
<i>Earned Income</i>		
Wages or salary before deductions	5500.00	
<b>Total Income</b>	<b>\$5,500.00</b>	<b>\$</b>
<b>Expenses</b>		
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# The Brown Family

## Step Three: Allocate Money to Each Category



### Your Job

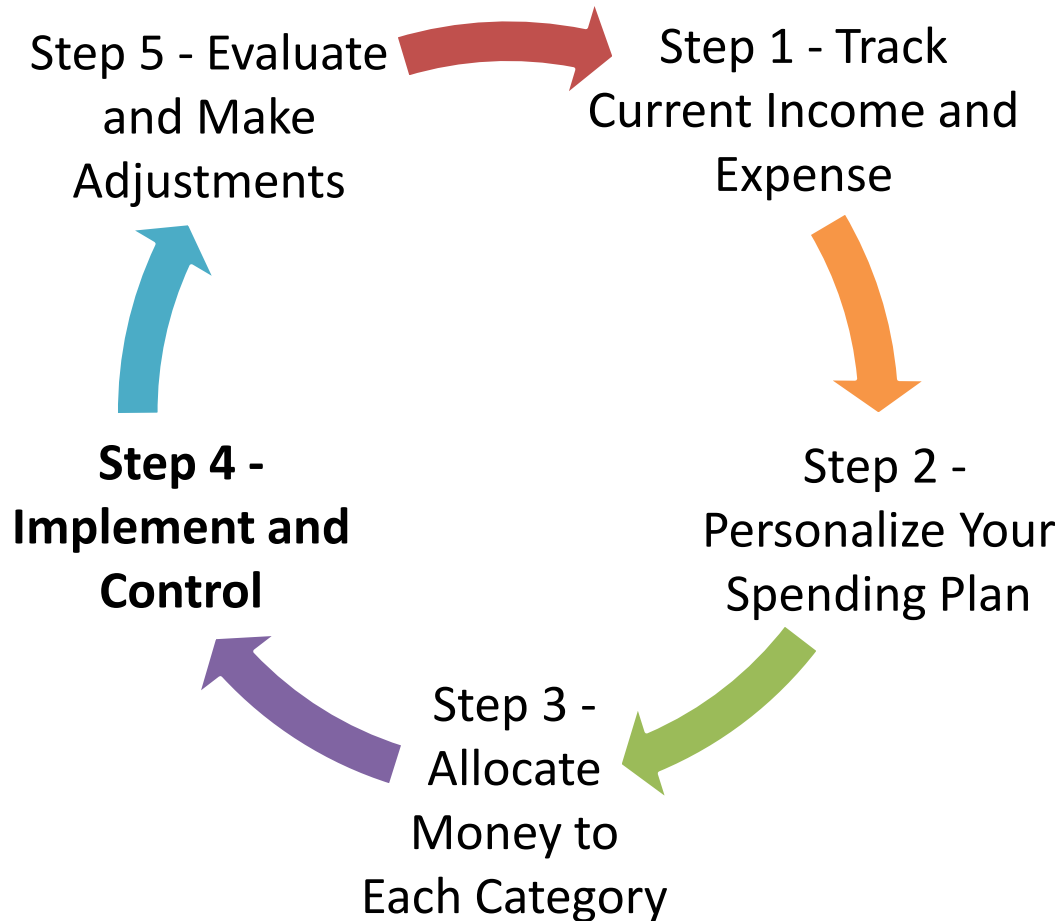
- Develop a spending plan for the family
- Explain each change made
- Re-write goals into SMART goals using their new spending plan

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Time Period:		January
	Amount	Planned Amount for February
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<i>Earned Income</i>		
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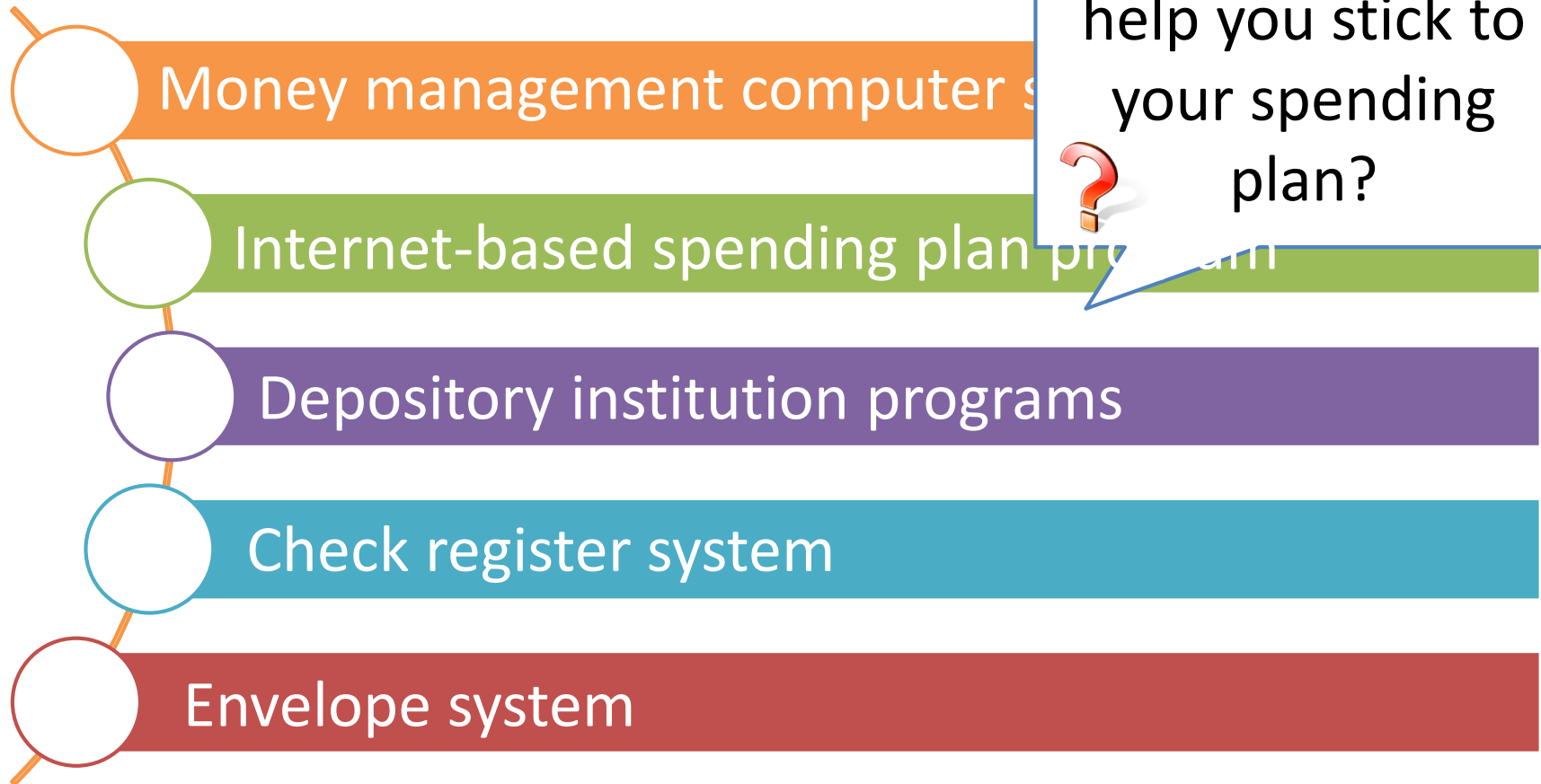
# Implement and Control

Make your planned  
spending decisions

Use a control system  
to stay on track



# Control Systems



# The Brown Family

## Step Four: Implement and Control

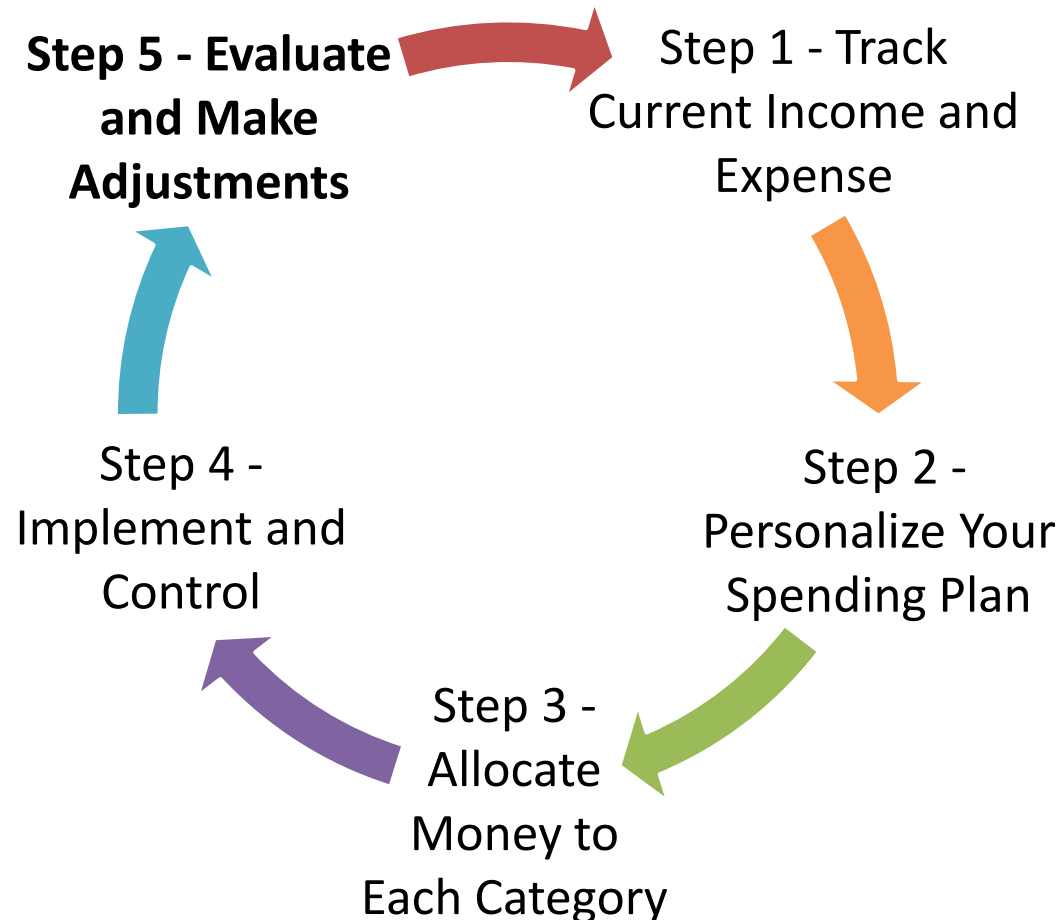
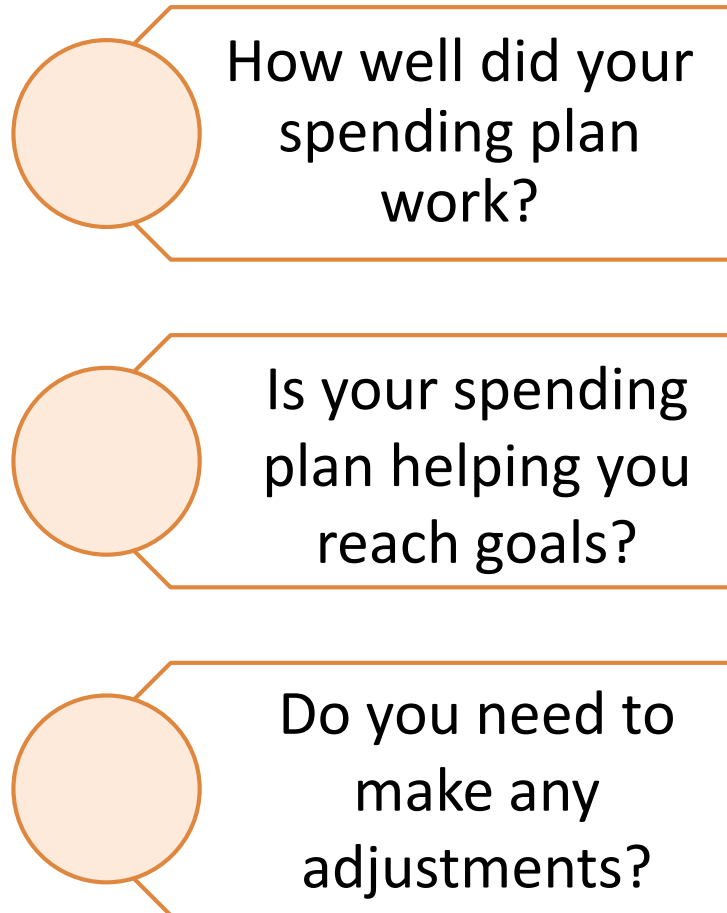


Your Job



Recommend a  
control system  
for John and Tia

# Evaluate and Make Adjustments





# 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?

# 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

