



CASH *flow* PLANNING

THE NUTS AND BOLTS OF BUDGETING

Oh no! The dreaded “B” word: budget! Many people are scared to death of the very idea of a budget. It drums up images of living on bread and water and a dull, dreary, no-frills way of life. That’s not what we’re talking about!

The truth is, the budget is your key to success! Like Dave says, money makes a fantastic servant, but it is a horrible master. And if you don’t tell your money where to go and what to do, it will definitely master you the rest of your life. In *Cash Flow Planning*, you’ll learn how to make your money work for you and how to put together a household budget that really works!



▶ Video 1: The Truth About Budgeting

WISDOM

"Be diligent to know the state of your flocks, and attend to your herds."

—Old Testament

BUDGETING BASICS

Money is Active.

You must do a written Cash Flow plan every month.

You must also keep your checking account Balanced.

Overdrafts are a sign of Crisis Living and sloppy, lazy money habits.

Use Duplicate checks if necessary.

If not managed and made to behave, the ATM card and the Debit card are certain to become budget busters.

REASONS WE DON'T DO A CASH FLOW PLAN

Most people hate the word “budget” for four reasons:

1. It has a Straitjacket connotation.
2. It has been used to Abuse them.
3. They’ve never had a budget that Worked.
4. Paralysis from Fear of what they will find.

Cash flow plans do not work when you:

1. Leave things Out.
2. Overcomplicate your plan.
3. Don’t actually Do it.
4. Don’t actually Live on it.

 [Video 2: Why Bother?](#)

REASONS WE SHOULD DO A CASH FLOW PLAN

A written plan removes the “management by Crisis” from your finances.

Managed money goes Farther.

A written plan, if actually lived and agreed on, will remove many of the Money Fights from your marriage.

WISDOM

“People don’t plan to fail, they fail to plan.”

—Anonymous

“To accomplish great things, we must dream as well as act.”

—Anatole France

KEY POINT

Budgeting is not a method by which you make other people behave. Budgeting is a method by which you make money behave.

Most adults are pretty good at budgeting—when they bother to do it on purpose. Some basics include:

- Keeping up with your receipts and writing them in your account register.
- Using your bank’s online tools to keep a close eye on your spending.



Remember the Four Walls

No matter how tight your budget gets, never lose sight of these four priorities:

1. FOOD
2. SHELTER
3. CLOTHING
4. TRANSPORTATION



WISDOM

*"You were born to win,
but to be the winner
you were born to be,
you must plan to win
and prepare to win.
Then, and only then,
can you legitimately
expect to win."*

—Zig Ziglar

*"The safest way to
double your money is
to fold it over and put it
in your pocket."*

—Kin Hubbard

*"Plans are only good
intentions unless they
immediately
degenerate into hard
work."*

—Peter Drucker

A written plan, if actually lived and agreed on, will remove much of the Guilt, Shame and Fear that may now be a part of buying necessities such as food or clothing.

A written plan, if actually lived and agreed on, will remove many of the Overdrafts from your life, consequently removing a lot of Stress.

A written plan, if actually lived and agreed on, will show if you are Overspending in a certain area.

The easiest and most powerful method is a Zero-based plan using the Envelope system.

 [Video 3: Building a Better Budget](#)

FINANCIAL MANAGEMENT FORMS

Welcome to the wonderful world of cash flow management! By filling out just a few forms, your new financial plan will start to unfold right in front of you. You'll immediately identify problem areas and learn how to close the valve of wasteful spending, because you'll know exactly where all of your dollars are going!

It will probably take a little while to complete the forms the first time. After that initial startup, however, you'll get better and better until budgeting becomes second nature.

Complete the whole set of forms to get started. Then, you'll only need to do the Monthly Cash Flow Plan (Form 5), Allocated Spending Plan (Form 7) or the Irregular Income Plan (Form 8) once a month. Dave will teach you which form best fits your specific situation. This should only take about 30 minutes a month once you get in the habit.

You'll also want to update the whole set of forms once a year or whenever you experience a dramatic positive or negative financial event (such as receiving a large inheritance or paying for a major house repair).

Use the examples on the following pages as a guide. You can download all the forms in a printable PDF format from the website, and you can even use the online budgeting tool as a replacement for the Monthly Cash Flow Plan (Form 5).

Are you ready? It's time to make those dollars dance! Go for it!

01

MAJOR COMPONENTS
OF A HEALTHY FINANCIAL PLAN

	<i>Action Needed</i>	<i>Action Date</i>
Written Cash Flow Plan	<u>Complete first Budget</u>	<u>NOW!</u>
Will and/or Estate Plan	<u>Make an appt. with lawyer</u>	<u>June 6</u>
Debt Reduction Plan	<u>Begin debt snowball</u>	<u>July 1</u>
Tax Reduction Plan	<u>NA</u>	<u>NA</u>
Emergency Funding	<u>On hold until Baby Step 3</u>	<u>NA</u>
Retirement Funding	<u>On hold until Baby Step 4</u>	<u>NA</u>
College Funding	<u>On hold until Baby Step 5</u>	<u>NA</u>
Charitable Giving	<u>Start tithing</u>	<u>June 15</u>
Teach My Children	<u>Get Financial Peace Jr.</u>	<u>August</u>
Life Insurance	<u>Done</u>	<u>NA</u>
Health Insurance	<u>Done</u>	<u>NA</u>
Disability Insurance	<u>Check company options</u>	<u>This week</u>
Auto Insurance	<u>Check current policy details</u>	<u>July 1</u>
Homeowner's Insurance	<u>Check replacement cost</u>	<u>This week</u>

I (We) Joe & Suzie Public, (a) responsible adult(s), do hereby promise to take the above stated actions by the above stated dates to financially secure the well-being of my (our) family and myself (ourselves).

Signed: Joe Q. Public Date: June 2

Signed: Suzie Q. Public Date: June 2

02

CONSUMER EQUITY SHEET

Item/Describe	Value	-	Debt	=	Equity
Real Estate _____	<u>\$180,000</u>		<u>\$149,000</u>		<u>\$31,000</u>
Real Estate _____	_____		_____		_____
Car _____	<u>\$2,500</u>		_____		<u>\$2,500</u>
Car _____	<u>\$3,000</u>		_____		<u>\$3,000</u>
Cash On Hand	_____		_____		_____
Checking Account	_____		_____		_____
Checking Account	_____		_____		_____
Savings Account	<u>\$1,600</u>		_____		<u>\$1,600</u>
Money Market Account	_____		_____		_____
Mutual Funds	_____		_____		_____
Retirement Plan 1	<u>\$400</u>		_____		<u>\$400</u>
Retirement Plan 2	<u>\$8,000</u>		_____		<u>\$8,000</u>
Cash Value (Insurance)	_____		_____		_____
Household Items	<u>\$30,000</u>		_____		<u>\$30,000</u>
Jewelry	_____		_____		_____
Antiques	_____		_____		_____
Boat	_____		_____		_____
Unsecured Debt (Negative)	_____		_____		_____
Credit Card Debt (Negative)	_____		_____		_____
Other _____	_____		_____		_____
Other _____	_____		_____		_____
Other _____	_____		_____		_____
TOTAL	<u>\$225,500</u>		<u>\$149,000</u>		<u>\$76,500</u>

03

INCOME SOURCES

Source	Amount	Period/Describe
Salary 1	<u>\$2,716</u>	<u>1st of Month</u>
Salary 2	<u>\$945</u>	<u>1st & 15th - \$472⁵⁰</u>
Salary 3	_____	_____
Bonus	_____	_____
Self-Employment	_____	_____
Interest Income	_____	_____
Dividend Income	_____	_____
Royalty Income	_____	_____
Rents	_____	_____
Notes	_____	_____
Alimony	_____	_____
Child Support	_____	_____
AFDC	_____	_____
Unemployment	_____	_____
Social Security	_____	_____
Pension	_____	_____
Annuity	_____	_____
Disability Income	_____	_____
Cash Gifts	_____	_____
Trust Fund	_____	_____
Other_____	_____	_____
Other_____	_____	_____
Other_____	_____	_____
TOTAL	<u>\$3,661</u>	

04

LUMP SUM PAYMENT PLANNING

Payments you make on a non-monthly basis, such as insurance premiums and taxes, can be budget busters if you do not plan for them every month. Therefore, you must annualize the cost and convert these to monthly budget items. That way, you can save the money each month and will not be caught off-guard when your bi-monthly, quarterly, semi-annual or annual bills come due. Simply divide the annual cost by 12 to determine the monthly amount you should save for each item.

<i>Item Needed</i>	<i>Annual Amount</i>		<i>Monthly Amount</i>
Real Estate Taxes	_____	/ 12 =	_____
Homeowner's Insurance	_____	/ 12 =	_____
Home Repairs	_____	/ 12 =	_____
Replace Furniture	_____	/ 12 =	_____
Medical Bills	_____	/ 12 =	_____
Health Insurance	_____	/ 12 =	_____
Life Insurance	_____	/ 12 =	_____
Disability Insurance	_____	/ 12 =	_____
Car Insurance	_____	/ 12 =	_____
Car Repair/Tags	_____	/ 12 =	_____
Replace Car	_____	/ 12 =	_____
Clothing	_____	/ 12 =	_____
Tuition	_____	/ 12 =	_____
Bank Note	_____	/ 12 =	_____
IRS (Self-Employed)	_____	/ 12 =	_____
Vacation	_____	/ 12 =	_____
Gifts (including Christmas)	_____ \$1,200 _____	/ 12 =	_____ \$100 _____
Other: _____	_____	/ 12 =	_____

MONTHLY CASH FLOW PLAN

Every single dollar of your income should be allocated to some category on this form. When you're done, your total income minus expenses should equal zero. If it doesn't, then you need to adjust some categories (such as debt reduction, giving or saving) so that it does equal zero. Use some common sense here too. Do not leave things like clothes, car repairs or home improvements off this list. If you don't plan for these things, you're only setting yourself up for failure later.

Yes, this budget form is long. It's really long. We do that so that we can list practically every expense imaginable on this form to prevent you from forgetting something. Don't expect to put something on every line item. Just use the ones that are relevant to your specific situation.

Every main category on this form has subcategories. Fill in the monthly expense for each subcategory, and then write down the grand total for that category. Later, as you actually pay the bills and work through the month, use the "Actually Spent" column to record what you really spent in each area. If there is a substantial difference between what you budgeted and what you spent, then you'll need to readjust the budget to make up for the difference. If one category continually comes up over or short for two or three months, you'll need to adjust the budgeted amount accordingly.

Notes:

- An asterisk (*) beside an item indicates an area for which you should use a cash envelope system.
- The emergency fund should get all the savings until you've completed your full emergency fund of three to six months of expenses (Baby Step 3).
- Don't forget to include your annualized items from the Lump Sum Payment Planning sheet (Form 4), including your Christmas gift planning.

05

MONTHLY CASH
FLOW PLAN

Budgeted Item	Sub Total	TOTAL	Actually Spent	% of Take Home Pay
CHARITABLE GIFTS		<u>\$366</u>	_____	<u>10%</u>
SAVING				
Emergency Fund	<u>\$224</u>		_____	
Retirement Fund	_____		_____	
College Fund	_____	<u>\$224</u>	_____	<u>6%</u>
HOUSING				
First Mortgage	<u>\$915</u>		_____	
Second Mortgage	_____		_____	
Real Estate Taxes	_____		_____	
Homeowner's Ins.	_____		_____	
Repairs or Mn. Fee	_____		_____	
Replace Furniture	<u>\$50</u>		_____	
Other _____	_____	<u>\$965</u>	_____	<u>27%</u>
UTILITIES				
Electricity	<u>\$100</u>		_____	
Water	<u>\$55</u>		_____	
Gas	<u>\$75</u>		_____	
Phone	<u>\$45</u>		_____	
Trash	_____		_____	
Cable	<u>\$21</u>	<u>\$296</u>	_____	<u>8%</u>
*FOOD				
*Grocery	<u>\$360</u>		_____	
*Restaurants	<u>\$50</u>	<u>\$410</u>	_____	<u>12%</u>
TRANSPORTATION				
Car Payment	_____		_____	
Car Payment	_____		_____	
*Gas and Oil	<u>\$150</u>		_____	
*Repairs and Tires	_____		_____	
Car Insurance	<u>\$80</u>		_____	
License and Taxes	_____		_____	
Car Replacement	_____	<u>\$230</u>	_____	<u>5%</u>
PAGE 1 TOTAL		<u>\$2,491</u>	_____	

05

MONTHLY CASH FLOW PLAN (CONTINUED)

Budgeted Item	Sub Total	TOTAL	Actually Spent	% of Take Home Pay
*CLOTHING				
*Children	<u>\$100</u>		_____	
*Adults	_____		_____	
*Cleaning/Laundry	_____	<u>\$100</u>	_____	<u>3%</u>
MEDICAL/HEALTH				
Disability Insurance	<u>\$300</u>		_____	
Health Insurance	<u>\$50</u>		_____	
Doctor Bills	<u>\$20</u>		_____	
Dentist	_____		_____	
Optometrist	_____		_____	
Medications	_____	<u>\$370</u>	_____	<u>10%</u>
PERSONAL				
Life Insurance	<u>\$65</u>		_____	
Child Care	_____		_____	
*Baby Sitter	_____		_____	
*Toiletries	_____		_____	
*Cosmetics	_____		_____	
*Hair Care	<u>\$60</u>		_____	
Education/Adult	_____		_____	
School Tuition	_____		_____	
School Supplies	_____		_____	
Child Support	_____		_____	
Alimony	_____		_____	
Subscriptions	_____		_____	
Organization Dues	<u>\$25</u>		_____	
Gifts (incl. Christmas)	_____		_____	
Miscellaneous	<u>\$50</u>		_____	
*Blow Money	<u>\$100</u>	<u>\$300</u>	_____	<u>8%</u>
PAGE 2 TOTAL		<u>\$710</u>		

05

MONTHLY CASH FLOW PLAN (CONTINUED)

Budgeted Item	Sub Total	TOTAL	Actually Spent	% of Take Home Pay
RECREATION				
*Entertainment	<u>\$50</u>		_____	
Vacation	<u>\$25</u>	<u>\$75</u>	_____	<u>2%</u>
DEBTS (Hopefully \$0!)				
Visa 1	<u>\$100</u>		_____	
Visa 2	_____		_____	
Master Card 1	<u>\$75</u>		_____	
Master Card 2	_____		_____	
American Express	<u>\$50</u>		_____	
Discover Card	_____		_____	
Gas Card 1	_____		_____	
Gas Card 2	_____		_____	
Dept. Store Card 1	_____		_____	
Dept. Store Card 2	_____		_____	
Finance Co. 1	_____		_____	
Finance Co. 2	_____		_____	
Credit Line	_____		_____	
Student Loan 1	<u>\$100</u>		_____	
Student Loan 2	_____		_____	
Other _____	_____		_____	
Other _____	_____		_____	
Other _____	_____		_____	
Other _____	_____	<u>\$325</u>	_____	<u>9%</u>
PAGE 3 TOTAL		<u>\$400</u>	_____	
PAGE 2 TOTAL		<u>\$770</u>	_____	
PAGE 1 TOTAL		<u>\$2,491</u>	_____	
GRAND TOTAL		<u>\$3661</u>	_____	
TOTAL HOUSEHOLD INCOME		<u>\$3661</u>		
		ZERO		

06

RECOMMENDED
PERCENTAGES

How much of your income should be spent on housing, giving, food, etc.? Through experience and research, we recommend the following percentages. However, you should remember that these are only *recommended* percentages. If you have an unusually high or low income, then these numbers could change dramatically. For example, if you have a high income, the percentage spent on food will be much lower than someone with a low income.

If you find that you spend much more in one category than we recommend, however, it may be necessary to adjust your lifestyle in that area in order to enjoy more freedom and flexibility across the board.

<i>Item</i>	<i>Actual %</i>	<i>Recommended %</i>
CHARITABLE GIFTS	<u>10%</u>	10-15%
SAVING	<u>6%</u>	5-10%
HOUSING	<u>21%</u>	25-35%
UTILITIES	<u>8%</u>	5-10%
FOOD	<u>12%</u>	5-15%
TRANSPORTATION	<u>5%</u>	10-15%
CLOTHING	<u>3%</u>	2-7%
MEDICAL/HEALTH	<u>10%</u>	5-10%
PERSONAL	<u>8%</u>	5-10%
RECREATION	<u>2%</u>	5-10%
DEBTS	<u>9%</u>	5-10%

ALLOCATED SPENDING PLAN

This form goes into deeper detail than the Monthly Cash Flow Plan (Form 5). Here, you will allocate—or spend—all of your money from each individual pay period.

There are four columns on this form, representing the four weeks in a given month. You will use one column for each week you get paid. If you are married and your spouse earns an income, you will both use this same form. For weeks in which you both receive a paycheck, add those two incomes together and use a single column.

Now, go down the list and allocate each expense to a specific payday, using your bills' due dates as a guide. For example, if your phone bill is due on the 22nd and you get paid on the 15th and 30th, then you know that you would probably pay that bill from your income on the 15th. The point is to anticipate your upcoming expenses and income and plan accordingly.

Beside each line item, you'll see two blanks separated by a slash (/). Put the expense to the left of the slash and the remaining income from that pay period to the right of the slash. As you work your way down the column, the income remaining should diminish until you reach a perfect zero at the bottom of the list. If you have money left over at the end of the column, go back and adjust an area, such as savings or giving, so that you spend every single dollar.

NOTES:

1. If you have an irregular income, such as self-employment or commissions, you should use the Irregular Income Planning sheet (Form 8) instead of the Allocated Spending Plan (Form 7).
2. If you know that you have an impulse spending problem, you may want to allocate more money to the “Blow” category. That way, you are at least setting up some spending boundaries.
3. An asterisk (*) beside an item indicates an area for which you should use a cash envelope system.

07

ALLOCATED SPENDING
PLAN

PAY PERIOD:	<u>1 / 1</u>	<u>1 / 8</u>	<u>1 / 15</u>	<u>1 / 22</u>
ITEM:				
INCOME	<u>\$3,188</u>	<u>0</u>	<u>\$472</u>	<u>0</u>
CHARITABLE	<u>366 / 2822</u>	<u> / </u>	<u> / </u>	<u> / </u>
SAVING				
Emergency Fund	<u>224 / 2598</u>	<u> / </u>	<u> / </u>	<u> / </u>
Retirement Fund	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
College Fund	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
HOUSING				
First Mortgage	<u>915 / 1683</u>	<u> / </u>	<u> / </u>	<u> / </u>
Second Mortgage	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Real Estate Taxes	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Homeowner's Ins.	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Repairs or Mn. Fees	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Replace Furniture	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Other: _____	<u> / </u>	<u> / </u>	<u>50 / 422</u>	<u> / </u>
UTILITIES				
Electricity	<u>100 / 1583</u>	<u> / </u>	<u> / </u>	<u> / </u>
Water	<u> / </u>	<u> / </u>	<u>55 / 361</u>	<u> / </u>
Gas	<u> / </u>	<u> / </u>	<u>75 / 292</u>	<u> / </u>
Phone	<u>45 / 1538</u>	<u> / </u>	<u> / </u>	<u> / </u>
Trash	<u> / </u>	<u> / </u>	<u> / </u>	<u> / </u>
Cable	<u>21 / 1517</u>	<u> / </u>	<u> / </u>	<u> / </u>
*FOOD				
*Grocery	<u>200 / 1317</u>	<u> / </u>	<u>160 / 132</u>	<u> / </u>
*Restaurants	<u>25 / 1292</u>	<u> / </u>	<u>25 / 101</u>	<u> / </u>

07

ALLOCATED SPENDING PLAN (CONTINUED)

TRANSPORTATION

Car Payment	___ / ___	___ / ___	___ / ___	___ / ___
Car Payment	___ / ___	___ / ___	___ / ___	___ / ___
* Gas and Oil	<u>75 / 1217</u>	___ / ___	<u>75 / 32</u>	___ / ___
* Repairs and Tires	___ / ___	___ / ___	___ / ___	___ / ___
Car Insurance	<u>80 / 1131</u>	___ / ___	___ / ___	___ / ___
License and Taxes	___ / ___	___ / ___	___ / ___	___ / ___
Car Replacement	___ / ___	___ / ___	___ / ___	___ / ___

*CLOTHING

* Children	___ / ___	___ / ___	___ / ___	___ / ___
* Adults	<u>100 / 1031</u>	___ / ___	___ / ___	___ / ___
* Cleaning/Laundry	___ / ___	___ / ___	___ / ___	___ / ___

MEDICAL/HEALTH

Disability Insurance	___ / ___	___ / ___	___ / ___	___ / ___
Health Insurance	<u>300 / 731</u>	___ / ___	___ / ___	___ / ___
Doctor	<u>50 / 681</u>	___ / ___	___ / ___	___ / ___
Dentist	___ / ___	___ / ___	<u>20 / 12</u>	___ / ___
Optometrist	___ / ___	___ / ___	___ / ___	___ / ___
Medications	___ / ___	___ / ___	___ / ___	___ / ___

PERSONAL

Life Insurance	<u>65 / 622</u>	___ / ___	___ / ___	___ / ___
Child Care	___ / ___	___ / ___	___ / ___	___ / ___
* Baby Sitter	___ / ___	___ / ___	___ / ___	___ / ___
* Toiletries	___ / ___	___ / ___	___ / ___	___ / ___
* Cosmetics	___ / ___	___ / ___	___ / ___	___ / ___
* Hair Care	___ / ___	___ / ___	___ / ___	___ / ___
Education/Adult	<u>60 / 562</u>	___ / ___	___ / ___	___ / ___
School Tuition	___ / ___	___ / ___	___ / ___	___ / ___
School Supplies	___ / ___	___ / ___	___ / ___	___ / ___
Child Support	___ / ___	___ / ___	___ / ___	___ / ___

07

ALLOCATED SPENDING PLAN (CONTINUED)

Alimony	___ / ___	___ / ___	___ / ___	___ / ___
Subscriptions	___ / ___	___ / ___	___ / ___	___ / ___
Organization Dues	<u>25 / 531</u>	___ / ___	___ / ___	___ / ___
Gifts (incl. Christmas)	___ / ___	___ / ___	___ / ___	___ / ___
Miscellaneous	<u>50 / 481</u>	___ / ___	___ / ___	___ / ___
*BLOW \$\$	<u>100 / 381</u>	___ / ___	___ / ___	___ / ___
RECREATION				
* Entertainment	<u>50 / 331</u>	___ / ___	___ / ___	___ / ___
Vacation	<u>25 / 312</u>	___ / ___	___ / ___	___ / ___
DEBTS (Hopefully \$0!)				
Visa 1	<u>100 / 212</u>	___ / ___	___ / ___	___ / ___
Visa 2	___ / ___	___ / ___	___ / ___	___ / ___
MasterCard 1	<u>75 / 131</u>	___ / ___	___ / ___	___ / ___
MasterCard 2	___ / ___	___ / ___	___ / ___	___ / ___
American Express	<u>50 / 81</u>	___ / ___	___ / ___	___ / ___
Discover Card	___ / ___	___ / ___	___ / ___	___ / ___
Gas Card 1	___ / ___	___ / ___	___ / ___	___ / ___
Gas Card 2	___ / ___	___ / ___	___ / ___	___ / ___
Dept. Store Card 1	___ / ___	___ / ___	___ / ___	___ / ___
Dept. Store Card 2	___ / ___	___ / ___	___ / ___	___ / ___
Finance Co. 1	___ / ___	___ / ___	___ / ___	___ / ___
Finance Co. 2	___ / ___	___ / ___	___ / ___	___ / ___
Credit Line	___ / ___	___ / ___	___ / ___	___ / ___
Student Loan 1	___ / ___	___ / ___	___ / ___	___ / ___
Student Loan 2	___ / ___	___ / ___	___ / ___	___ / ___
Other _____	___ / ___	___ / ___	___ / ___	___ / ___
Other _____	<u>81 / 0</u>	___ / ___	<u>12 / 0</u>	___ / ___

08

IRREGULAR
INCOME PLANNING

Many people have an “irregular” income, which simply means that their compensation fluctuates from month to month. This is especially common for the self-employed, as well as commission-based salespeople. While this makes it more difficult to predict your income, you are still responsible for doing a monthly budget!

The Monthly Cash Flow Plan (Form 5) should remain a crucial part of your plan, as it lays out exactly how much money you need to bring home each month to survive and prosper. However, instead of doing the Allocated Spending Plan (Form 7), you will use this Irregular Income Planning sheet.

On this form, simply look at the individual items from your Monthly Cash Flow Plan sheet and prioritize them by importance. Ask yourself, “If I only have enough money to pay one thing, what would that be?” Put that at the top of your list. Then, ask yourself, “If I only have enough money to pay one more thing, what would that be?” That’s number two. Keep this up all the way down the list.

With your list in place, you’re ready to get paid. If you get a \$1,500 paycheck, you will spend that \$1,500 right down the list until it is gone, recording the cumulative amount spent in the “Cumulative Amount” column. At that point, you’re finished spending, no matter what remains unpaid on the list. That’s why the most important things are at the top of the list, right?

Be prepared to stand your ground. Things usually have a way of seeming important when they are only urgent. For example, a once-in-a-lifetime opportunity to see your favorite band perform live may seem important, but in reality, it is only urgent, meaning that it is time-sensitive. Urgency alone should not move an item to the top of this list!

<i>Item</i>	<i>Amount</i>	<i>Cumulative Amount</i>
JC Penney	\$150	\$150
Sears	\$250	\$400
Visa	\$500	\$900
Vacation - part	\$200	\$1100
Christmas	\$400	\$1500

09

BREAKDOWN OF SAVINGS

After you have fully funded your emergency fund, you can start to save for other items, such as furniture, car replacement, home maintenance or a vacation. This sheet will remind you that every dollar in your savings account is already committed to something. For example, it's a bad idea to take money away from car repairs to pay for an impulse Hawaiian vacation, even if you pay cash for it. What would you do if the car broke down the week you got back home? However, it can be okay to re-assign the dollars to another category, as long as you do it on purpose and it doesn't put you in a pinch in another category. Keep up with your breakdown of savings every month, one quarter at a time.

Item	Balance By Month		
	<u>October</u>	<u>November</u>	<u>December</u>
Emergency Fund (1) \$1,000	_____	_____	_____
Emergency Fund (2) 3-6 months	_____	_____	_____
Retirement Fund	_____	_____	_____
College Fund	_____	_____	_____
Real Estate Taxes	_____	_____	_____
Homeowner's Insurance	_____	_____	_____
Repairs or Mn. Fee	_____	_____	_____
Replace Furniture	_____	_____	_____
Car Insurance	_____	_____	_____
Car Replacement	<u>\$600</u>	<u>\$700</u>	<u>\$800</u>
Disability Insurance	_____	_____	_____
Health Insurance	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>
Doctor	_____	_____	_____
Dentist	_____	_____	_____
Optometrist	_____	_____	_____
Life Insurance	_____	_____	_____
School Tuition	_____	_____	_____
School Supplies	_____	_____	_____
Gifts (incl. Christmas)	<u>\$500</u>	<u>\$650</u>	<u>\$800</u>
Vacation	_____	_____	_____
Other _____	_____	_____	_____
Other _____	_____	_____	_____
TOTAL	<u>\$1,600</u>	<u>\$1,850</u>	<u>\$2,100</u>

 [Go online to take your quiz for Cash Flow Planning!](#)

NEXT STEPS

Something get your attention in this lesson? Write it down!

ANSWER KEY

<i>Active</i>	<i>Do</i>
<i>Cash Flow</i>	<i>Live</i>
<i>Balanced</i>	<i>Crisis</i>
<i>Crisis Living</i>	<i>Farther</i>
<i>Duplicate</i>	<i>Money Fights</i>
<i>ATM</i>	<i>Guilt</i>
<i>Debit</i>	<i>Shame</i>
<i>Straitjacket</i>	<i>Fear</i>
<i>Abuse</i>	<i>Overdrafts</i>
<i>Worked</i>	<i>Stress</i>
<i>Fear</i>	<i>Overspending</i>
<i>Leave</i>	<i>Zero</i>
<i>Out</i>	<i>Envelope</i>
<i>Overcomplicate</i>	

KEY POINTS

1. Spend every dollar on paper, on purpose, before the month begins.
2. Try the envelope system for the next three months.
3. Give your budget 90 days to really start working.

QUESTIONS FOR REFLECTION

1. What are the benefits of a written cash flow plan?

2. How can a written budget impact a marriage or empower a single person?

3. Does budgeting come naturally to you? Would you consider yourself a Nerd or a Free Spirit?

4. How can the Four Walls (food, shelter, clothing, transportation) help you prioritize your spending?

5. What is your reaction to the concept of a cash envelope system? What are the pros and cons in your opinion?

6. Why is it important to set aside a little “blow money” every month?

PERSONAL APPLICATION

After viewing *Cash Flow Planning*, be sure to complete these action items before moving on to the next lesson.

- Complete your first monthly zero-based budget using the Monthly Cash Flow Plan form in the back of this workbook or in the online resources.

- Complete these additional forms in the back of this workbook or in the online resources:
 - Major Components of a Healthy Financial Plan
 - Consumer Equity Sheet
 - Income Sources
 - Lump Sum Payment Planning

SUCCESS STORY

When we first started Dave's plan, I could not have known how it would change our lives!

We started our Total Money Makeover two and a half years ago. We paid off \$16,000 in debt (mainly car loans and credit cards) and saved \$20,000 for our emergency fund in less than one year! Each month, we would find more ways to save money, and each month it got easier to live within our new budget.

At first, it was me pushing my husband, but once we got down to just our mortgage, my husband came home with the “crazy” idea of paying the house off quickly! We've knocked \$35,000 off our mortgage since then, and we're still going strong!

Dave's plan changed our lives, and I recommend it every chance I get!

—Laura

