

Eight Easy Exercises for Financial Fitness

Plan Your Spending



A spending plan puts you in charge of your money. It will help you reach your financial goals.

These exercises will help you make a spending plan that works for you.



EMPOWERMENT THROUGH EDUCATION

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Eight Easy Exercises for Financial Fitness *Suggested Lesson Plan*

Topic	Planning Your Personal Spending
Objective	To make income stretch until the end of the month to provide for immediate basic needs, be prepared to meet expenses that come up occasionally, and save for short term goals
Estimated Time	2.5 + hours -- Can be divided into two sessions.
Materials Needed	<i>Eight Easy Steps to Financial Fitness</i> , a low income family case study (the next 11 pages of this document); small booklets for tracking expenses; estimates of expenditures for a variety of incomes; pencils; and calculators.
Overview of the Problem	<p>The steps in the budgeting process can be overwhelming if you haven't done them before, if you don't understand how to do them and in what order they should be completed. It is also discouraging if you have used a budget that didn't work!</p> <p>Many budgeting "forms" are intimidating to lower literacy individuals because of the multitude of tiny "spaces" to be completed.</p> <p>The language and approach used in <i>Eight Easy Steps for Financial Fitness</i> are based on the work on Ruby Payne, Philip DeVol and Terri Dreussi in their work on the characteristics of those in poverty. Another valuable resource has been the, research of Kathryn Edin and Laura Lein reported in <i>Making Ends Meet: How Single Mothers Survive Welfare and Low Wage Work</i>.</p> <p>The tool <i>Eight Easy Steps to Financial Fitness</i> is designed with lots of white space, and simple instructions. The section on goal-setting is not the first step as is traditional. Instead, the first steps deals with what has to be "spent" this month in order to pay the rent and other obligations, as well as provide enough money for food and other basic expenses. Even calculating income is left until after expenses are listed. According to Edin and Lein, if income is listed first, then participants, tend to minimize their estimation of their expenses, or leave some out altogether.</p>
The "Hook"	Who has used a budget in the past? How did it work? (Usually it didn't!) Why or why not? How might things be different for you if you were able to make your budget work? The tool that we will share today, <i>Eight Easy Steps to Financial Fitness</i> , will help you plan for a budget that will work for you.

(continued)

<i>The Investigation</i>	After introduction to the tool and a case study, participants will work in small groups to complete the tool for the family in the case study.
<i>Teaching Tips</i>	Working with a case study before using the tool to work on a personal plan seems to be less threatening than working with personal finances. However, some people will want to get right into working on their own plan. Encourage these people to work on their own, while others work in groups. Observe group work, and ask leading questions to help deal with concerns in handling of various budget items or with the budgeting process.
<i>Problem Solution</i>	<p>Groups share issues in completing the plan and discuss ways to deal with these issues. The assignment of preparing a personal budget plan using the <i>Eight Easy Steps</i> is then made. In order to produce a plan that will “work,” it must be based on a record of spending that has been kept for at least a week’s time, preferably longer. If no record was kept, or impossible to keep because of the living situation of the participant (i.e. shelter, treatment center or correctional institute) the Consumer Expenditure Survey at http://stats.bls.gov/cex/home.htm#overview is useful. Sample Monthly Budgets for Various Family Units from <i>Personal Finance</i>, 9th Ed., 2006 by Tom Garman and Raymond E. Forgue is also useful in estimating expenses. This is printed on page 15 of the <i>Master Money Mentor Program Training Manual</i>, Bulletin 928.</p> <p>A follow up session is required to practice “working your budget plan” in order to make the spending plan work with pay days. This will insure that money is set aside to be available to pay bills on or before the due dates, as well as meet other needs. See supporting resources, below.</p> <p>In order to make this activity meaningful and useful, a one-on-one meeting between each participant and the instructor is necessary in order to insure completeness of the personal plan and encourage application and use.</p>
<i>Supporting Resources</i>	<p>There is a lesson on <i>Budget Busters: Occasional Expenses</i> available on-line that covers this step of the budgeting process: http://www.hec.ohio-state.edu/famlife/family/famtap.htm#Budget</p> <p><i>Cost of Food At Home:</i> http://www.cnpp.usda.gov/USDAFoodPlansCostofFood.htm</p> <p>“USDA Food Plans For Different Family Sizes and Incomes.” USDA, <i>Family Food Budgeting – For Good Meals and Good Nutrition</i>, HG 94.</p> <p><i>Counting Your Money Calendar</i>- available from Ohio State University Extension.</p> <p>“Working Your Budget Plan,” <i>Master Money Mentor Program Training Manual</i>, pages 20 – 28. Ohio State University Extension Bulletin 928.</p>

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Exercise 1



Fixed Spending

Write down amounts you spend each month on each of the following:

- Savings (Pay Yourself First) _____
 - Rent/Mortgage _____
 - Utilities
 - Electricity _____
 - Gas/Propane/Oil _____
 - Phone _____
 - Cable/Satellite _____
 - Water _____
 - Trash _____
 - Child Care/Child Support _____
 - Insurance (if paid monthly)
Type: _____

 - Car Payment _____
 - Rent-to-Own _____
 - Other _____
 - Debt Payments _____

- TOTAL (A)** _____



Exercise 2








Flexible Spending



Write down the amount you think you spend each month on each flexible expense.

- Food
 - at home _____
 - away from home _____
 - Household operations (cleaning supplies, paper products, etc.) _____
 - Telephone
 - over-the-limit/long distance _____
 - Transportation
 - gas/bus/taxi _____
 - repairs _____
 - Medications/Medical _____
 - Clothing
 - purchases _____
 - care (laundry/dry cleaning) _____
 - Personal Care _____
 - Allowances for self/children _____
 - Entertainment _____
 - Pets _____
 - Other _____
 - Other _____
- TOTAL (B)** _____



ITEM		Jan.	Feb.	March	Apr.	May
Automobile 	License					
	Inspection					
	Oil Change/Maintenance					
	Insurance (if not monthly)					
Home 	Repairs/Maintenance/Yard					
	Insurance (Home Owner's/Renter's)					
	Furnishings					
Holidays/Birthdays/ Vacation/ Entertainment 	Gifts/Cards					
	Travel					
	Entertaining/Parties					
Medical 	Doctor Visits					
	Dental					
	Prescriptions					
	Vision					
School 	Fees/Tuition					
	Supplies/Books					
	Class Trips/Pictures/etc.					
Dues/Subscription 	Magazines/Papers					
	CDs, Book clubs					
	Memberships/Clubs					
Clothes/Shoes 	Children					
	Adults					
Other						
Other						
Total						

Exercise 4

Set Aside for Emergencies

An emergency fund can reduce stress if something completely unexpected happens:

- your income decreases
- you have an accident or illness
- your car breaks down



What emergencies could happen in your life?

- _____
- _____
- _____

How much money do you need in your emergency fund?

- 1 month's basic expenses _____
- 1 – 3 month's rent plus other basic expenses _____

How much can you set aside each month for emergencies?

(D) _____



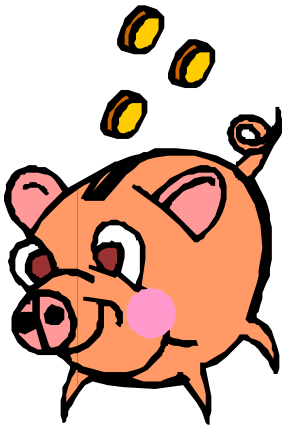
Exercise 5



Set Aside for Things You Want

Think about your financial goals. Be specific and set a date you want to reach each one so you will know how much money you must save each month. Choose goals you can accomplish without being frustrated. You will enjoy a feeling of accomplishment as you reach them.

For example, if in **three to six months** you want to:



- pay off \$300 in credit card debt,
- save \$250 for tuition for a class, or
- buy 3 tickets to an amusement park

and in **6 months to 1 year**, you want to:

- save \$1000 for a down payment on a used car, or
- save \$600 for a vacation with your family,

you might want to make a chart like the one below to start saving for goals. Fill in the chart with your personal financial goals.

Your Personal Financial Goals	Target Date	Number of Months to Date	Total Needed	\$\$ to Save Monthly
1				
2				
3				
4				
5				
Total Monthly Savings Needed (E)				

Exercise 6

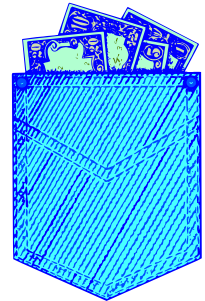
Add Up Take Home Income

(After Taxes)

Income earned each month:

- Wages _____
- Tips _____

Total Earned (a) _____



Other monthly income:

- Child Support _____
- Social Security _____
- Unemployment _____
- Food Stamps _____
- Ohio Works First _____
- Gifts _____
- Alimony _____
- Interest _____
- Other _____

Total Other (b) _____

Total Income F (a + b) _____



Exercise 7

Balance the Bottom Line



Income: (F p. 7) _____

Expenses:

\$ fixed (A p. 1) _____

\$ flexible (B p. 2) _____

\$ occasional (C p. 4) _____

\$ emergencies (D p. 5) _____

\$ goals (E p. 6) _____

Total: _____

Difference: _____

Do your income and expenses match?

Do you need to make changes to make your spending plan work?

Making the Spending Plan Balance

- Increase Income
- Reduce Expenses
- Catch Spending Leaks
- Sign up for the Earned Income
- Credit and/or Child Tax Credit
- Consider Gifts from Family
- Barter for Services



Exercise 8

Take Action

Once you have a beginning plan, you can use it to help you on the road to financial fitness.

To become financially fit, I will start with the following actions:

1. _____
2. _____
3. _____

You may want to use one of the following Ohio State University Extension resources to help you. They are available from your local OSU Extension office.



- Counting Your Money Calendar, HEMG001, \$2.00 (plus T, P & H)
- Budget-in-a-Box Envelope Set, HEMG003, \$2.75 (plus T, P, & H)
- Budget-in-a-Box Tip Sheets, HEMG004, \$4.25 (plus T, P, & H)
- In Over Your Head, Life Saving Strategies for Financial Crisis, Bulletin 891, \$2.25 (plus T, P, & H)

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