

Money Management Makes Cents¹

Josephine Turner²

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“A penny saved is a penny earned.”

“You can’t take it with you.”

“Money makes the man.”

“Money is to be spent joyfully, but also to be saved for the future.”

“Money is valued because of what it can do, not as a thing in itself.”

All of these sayings indicate a feeling—a philosophy about money. How do you feel about money? Do you know how your husband or wife feels about it?

You probably have developed your feelings about money from your family’s influence, your own personal experience, and what you have read. The same thing is true of your mate. So, it is very possible that you have come into marriage with my feelings and your feelings. Now you will want to develop an our feeling—if you haven’t already.

How do you develop this feeling? Talk about it. Be honest with each other. Each of you can write down your philosophy about money and try to figure out why you feel this way. Maybe you’ve come from a family where a great deal of emphasis was put on saving for a rainy day. You never really had any of the extras. So, you bring to a marriage a conservative idea about spending money.

Your mate may have come from a family who felt “you can’t take it with you”—where money was spent freely without any thought for that rainy day.

Then, too, you may feel directly opposite from the way you were taught. If you are from a conservative family, you may want to try your wings and spend recklessly. If you came from a “live for today” home, you may have seen this as folly and become ultra-conservative.

The important thing is to know how you feel, how your mate feels, and then come to some understanding of how we feel. This will take time. You will come to your decision after trial and error, discussion, some moments of disagreement, and feelings of success. But in the end, all will be worthwhile because you will have decided together. And, together, you can work to put into practice what you both want.

A Spending Plan

If you look around, you’ll notice some families seem to have a knack for making ends meet. Others, in the same circumstances, are always carrying heavy debts and are often pinched for money. The difference is not the amount of money they have but that some are better managers of their resources—they have learned the value of planning.

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There are several steps in making a plan. First, you need to sit down and decide where you want your money to go. Firm decisions about what is important to the family lead to short-range and long-range goals. These ideas about what is important are known as values. You probably know to a certain extent what your mate's values are. The following exercise will help you clarify each other's values. It may also enable you to discuss your differences and resolve them.

Step1. Discuss Your Values

For the following exercise, each of you should have one blank sheet of paper and one list of possible uses for your money (see below). Cut the list apart and sort the pieces in the order of their importance. Leave one or two empty blanks to add something important that is not listed. Don't peek at each other's list yet! There is no right way or wrong way for these to be arranged. After both of you have arranged your lists, compare them. You will probably have some things in the same order and others not. Talk out the differences. Then compile a joint list with which you both can agree.

SPORTS CAR	EDUCATION FOR SELVES	GOOD CAR OR PICKUP
EAT OUT OCCASIONALLY	ADEQUATE LIFE INSURANCE	LARGE APPLIANCE OR FURNISHINGS`
RENT AND OTHER BILLS PAID ON TIME	STEREO OR COLOR TELEVISION	CHARITABLE OR RELIGIOUS DONATIONS
SAVINGS FOR FUTURE WANTS	FAMILY TRIP	FAMILY OR RELIGIOUS CELEBRATIONS
EDUCATION FOR CHILDREN	STYLISH CLOTHES	GIFTS FOR OTHERS
SPORTS OR OTHER RECREATION	MEDICINE AND DOCTOR	

Step 2. Set Your Goals

After determining your family values, set some goals:

- some for right now—this month
- some for later—6 months or a year
- some for the future—perhaps 5 or 10 years from now.

The more specific you are about your immediate and long-range goals, the better. Remember, this is a cooperative effort. Bring your differences out in the open and discuss them.

Table 1. OUR GOALS

For This Month	For This Year	For Future Years

Step 3. Estimate Your Expenses

One of the biggest jobs in making a spending plan is estimating your expenses. The best way is

to keep a record of what the two of you actually spend for a month or two. You can also consult any other records you have - check stubs, receipts, etc. - to make better estimates.

Table 2. OUR FIXED MONTHLY EXPENSES

Expense Items	Amount
Housing (rent or mortgage payments)	\$
Utilities - Gas	\$
Electricity	\$
Water	\$
Telephone	\$
Others	\$
*Insurance - Life	\$
Accident and health	\$
Auto	\$
Others	\$
*Taxes	\$
Car payments	\$
Installment loans - furnishings and appliances	\$
	\$
	\$
	\$
Allowances (personal)	\$
Others (list)	\$
	\$
	\$
Savings	\$
Total Fixed Expenses	\$

**If deducted from the paycheck, do not list here.*

Every family has some expenses that are more or less *fixed* - expenses that have to be paid in specific amounts at specific times. Some examples of fixed expenses are rent or mortgage payments, utilities, insurance payments, and installment debts. It is also a good idea to decide what you can set aside as savings and consider this as a fixed expense. The method of putting whatever is left over into savings usually results in *not putting anything* into savings.

If certain expenses occur only once or twice a year (such as insurance payments), divide them and

set aside some money each month. Setting aside a certain amount per month is easier than taking out a large amount from one month's income.

You also will have some expenses that are *flexible*. These are expenses that change from week to week or month to month. Estimate how much you plan to spend for food, clothing, transportation, etc., by checking your past spending records. You may want to consider your goals as flexible expenses. Figure how much you will need to set aside monthly to achieve your goals by the set date.

Table 3. OUR FLEXIBLE MONTHLY EXPENSES

Expense Items	Amount
Food	\$
Clothing	\$
Transportation	\$
Contributions	\$
Personal Care	\$
Medical Expenses	\$
Recreation	\$
Household expenses and supplies	\$
Lawn or garden Care	\$
Gifts	\$
Others	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total Flexible Expenses	\$

Step 4. Estimate Your Income

The next step in making a spending plan is to figure how much money will be coming in. When figuring income, include *only* your *take-home* pay.

You really have two incomes. The first is your *gross* income; the amount at which you were hired - the figure you use on your income tax return. It is

not the one to use in making a spending plan, however, because it isn't all yours to spend. Federal, state, and local taxes, social security, and some other deductions come out of your gross income before you get your hands on it. After these deductions are made, what you actually receive on payday is your *net* income. This is the amount you have to spend.

Table 4. OUR ESTIMATED MONTHLY INCOME

Source	Amount
o Wage or salary of husband	\$
o Wage or salary of wife	\$
o Profit from business, farm, or profession	\$
o Interest, dividends, etc.	\$
o Others	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total Monthly Income	\$

Step 5. Compare and Adjust

Now you are ready for the balancing act. Compare your total income with your total planned expenses for the month.

If your income covers your goals and expenses and you are satisfied with the results, fine, if your expenses add up to more than your income, you'll need to look at all parts of the plan again. First, consider your flexible expenses. Decide where you can cut back. Where are you overspending? You may have to decide which things are more important and which ones can wait. Some goals may have to be postponed for awhile.

To reduce expenses, you might:

- Cut out some items altogether - at least for the time being.
- Spend less for certain items.
- Use your own skills instead of paying for services.
- Take your lunch from home instead of buying it.
- Take advantage of free community services for education and recreation (concerts, parks, libraries, recreation centers, art exhibits, etc.).

If you have trimmed your flexible expenses as much as you think you can, check your fixed expenses. Maybe you can make some sizeable reductions here. Reduce utility costs by saving energy. Housing is a big item in a budget.

Perhaps you should consider lower-priced housing or renting out a room. Perhaps it would be better to trade an expensive car for cheaper one until you get caught up with expenses. If, after cutting your expenses as much as possible, your plan still requires more money than you make, you may want to consider ways of increasing your income. If you are both working, you might think about looking for better-paying jobs. In extreme cases, a part-time second job may be the answer. If either of you are not working now, you might consider becoming a dual-income family. Or, you might be able to make some hobby or talent pay off.

Step 6. Set Up Your Plan

Now it's time to make out your actual spending plan or budget. Write down your expected income, how much you plan to save, and how much you plan to set aside for each goal. You may use a form similar to Table 5 or design your own. Every family's budget will have some of the same categories and some categories that are different.

Table 5. OUR SPENDING PLAN													
	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
Total Income													
FIXED EXPENSES													
Housing													
Total Utilities													
*Total insurance													
Taxes													
Car payment													
Installment loans													
Allowance													
Savings													
FLEXIBLE EXPENSES													
Food													
Clothing													
Transportation													
Contributions													
Personal care													
Medical expenses													
Recreation													
Household expenses and													
Gifts													
Total Expenses													
**Amount saved													

**If deducted from paycheck, do not list here.*

***Subtotal Total Expenses from Total Income to get Amount Saved.*

Step 7. Keep Records and Review

After your plan is complete, put it to work. To find out how well it is working, you must keep records. Make up your own forms or use some like the ones shown here. The important thing is to regularly check your actual spending against your spending plan. These records can also be useful at income tax time.

At the end of each month, total your expenses and compare them with your plan. Notice where your actual spending differs from your plan. Ask yourself why.

Do you need to change your plan? If your first plan doesn't work, don't be discouraged. Adjust it and try again.

A budget is not something you make once and never touch again. Instead, you keep adjusting until it works and the results satisfy you. Then, as family situations change - a move to a different community, the arrival of a new baby, or a change in jobs or income - you will find you need to re-examine your plan, set new goals, and plan around them.

Table 6. MONTHLY EXPENSE RECORD

Date	Food	Household	Personal Care	Housing	Transportation	Clothing	Loans	Recreation	Others
Total									

You may request a copy of the Money Management Calendar for keeping expenses by the month.

Table 7. MONTHLY INCOME TAX RECORD										
Date	Paid To	Contributions	* Drugs	Medical/ Dental	Interest Paid	Taxes	Business Expenses	Losses	Child Care	Miscellaneous Deductions
Total										

* A free service provided by many pharmacies is an annual summary of your family's presentation drugs and their cost.

Step 8. Prepare a Net Worth Statement

Every family needs to know what it is worth financially. A net worth statement is a big help in making your financial plan, in making decisions about the use of credit, and in making other major decisions. A net worth statement is a statement of assets (any money, investments, or items of value

belonging to the family), liabilities (debts owed by the family), and the difference between the two. A good time to prepare a net worth statement is when you fill out your income tax forms each year. Such statements, if compared from year to year, will give you some idea of the financial progress that your family is making. Below is a simple form for computing your family's net worth.

Table 12. OUR NET WORTH STATEMENT					
Assets	2006	2007	2008	2009	2010
Cash on hand					
Checking account balance					
Savings account balance					
Market or surrender value of investments					
Cash value of insurance policies					
Market value of real estate					
Market value of personal property					
Market value of automobile					
Profit sharing or pension plans					
Money owed to you					
Other					
Total Assets					
Debts	2006	2007	2008	2009	2010
Unpaid bills					
Payments remaining on car					
Payments remaining on furnishings and					
Payments remaining on loans					
Notes payable					
Unpaid balance and interest on charge accounts					
Other					
Total Debts					
NET WORTH (Assets minus Debts)					

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