



## **Educator Guide**

### **Making Your Money Work: Developing A Spending Plan**

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#### **Objectives for this Lesson:**

- Identify Income and Expenses
- Develop a Spending Plan
- Determine Ways to Save

#### **Resources for this Lesson:**

- Educator Guide: *Making Your Money Work: Developing a Spending Plan*
- PowerPoint Presentation: *Making Your Money Work: Developing a Spending Plan*
- Content Guide: *Developing a Spending Plan PDF*
- Work Sheets:
  - *Weekly Spending Log Work Sheet*
  - *Spending Guidelines Handout*

#### **Participant Packets Should Include:**

- PowerPoint Presentation Handout (3 slides per page) - *Making Your Money Work: Developing a Spending Plan*
- All Work Sheets Listed Above



## Key Points

## For Educator: What to Say

## For Learner:

<p><b>Slide #4:</b> <b>Signals of Financial Problems</b></p> <ul style="list-style-type: none"><li>▪ Impatience-You want it NOW.</li><li>▪ Impulse buying.</li><li>▪ Getting into too much debt.</li><li>▪ Not saving money.</li><li>▪ Not knowing the difference between wants and needs.</li></ul>	<p><b>Explain:</b> This list of signals (Slide #4), along with the ideas you shared, may indicate some real money problems down the road.</p> <p><b>Instructor Note:</b> Highlight the points on Slide #4 that were not listed by participants during discussion.</p>	
<p><b>Slide #5:</b> <b>Do You:</b></p> <ul style="list-style-type: none"><li>▪ Dip into savings to pay current bills?</li><li>▪ Pay only the minimum amount due on charge accounts?</li><li>▪ Delay payment of some bills?</li><li>▪ Borrow to pay for items you used to buy with cash?</li><li>▪ Take out new loans to pay old ones or to get lower monthly payments?</li><li>▪ Really know where your money goes?</li></ul>	<p><b>Instructor Note:</b> Ask the participants to silently consider the six questions (Listed on Slide #5) as you read them aloud to the class.</p> <p><b>Question:</b> <i>Do any of these signals sound familiar?</i></p> <p><b>Explain:</b> If these signals sound familiar, you may have some financial problems.</p> <p><b>Teacher Note:</b> Share a personal story of how you have seen these signals in your life at some point. Encourage discussion.</p> <p><b>Explain:</b> Even if you recognize some of these signals as actions you take, you can still change your finances. You may feel this is an impossible task, but it is possible for most people to accomplish.</p>	<p><b>Silent Response:</b> Participants will listen to instructor and determine if these are things they do.</p> <p><b>Discussion:</b> If comfortable sharing, the participants will discuss their signals of money problems.</p>

## Key Points

## For Educator: What to Say

## For Learner:

**Slide #6:**  
**Tips for a Spending Plan**

- Family Discussions
- Family Allowances
- Taking Turns
- Sound Decision Making
- Savings Plan
- Living within Your Income  
*(Slide #6 Continued on Next Page)*

**Explain:** One of the best ways to improve your financial situation is to make a spending or financial plan. Achieving a successful financial management plan requires that you make some difficult decisions. Here are some tips:

- The entire household should have a discussion about its financial goals. Discuss what each person needs to do to help control the family's spending. Include everyone living in the house – grandparents, aunts, uncles and even small children. Start helping them establish skills for managing their money.
- Everyone in the family should have an allowance (even a small amount). It is important. Everyone needs pocket money to buy what he/she wants/needs.
- Agree within the family that all family members will take turns getting what they want, but everyone also must be willing to give up something. More than likely everyone will not get what he/she wants every time.
- Learn and practice sound decision-making and shopping skills to get the most for your money. Examples discussed in the “Stop Spending Leaks” lesson include recognizing trigger locations (such as garage sales and eBay) and surroundings (such as malls and flea markets) that tempt you to spend.
- Pay yourself first. Develop a savings plan and plan to set aside 5% to 10% of your income each month.
- Learn to live within your income and keep your credit use under control, or use no credit.

**Key Points**

**For Educator: What to Say**

**For Learner:**

*(Slide #6 Continued)*

**Instructor Note:** Share a personal story about how you and your family decide to spend money. Encourage discussion.

**Discussion:** Participants share their own experiences of how their families choose to prioritize their spending.

**Slide #7:  
Spending Guidelines**

<b>Housing</b>	<b>31.8 - 35%</b>
<b>Food</b>	<b>15.6-20%</b>
<b>Transportation</b>	<b>17-19%</b>
<b>Clothing and Services</b>	<b>5-7%</b>
<b>Health Care</b>	<b>5-9%</b>
<b>Entertainment</b>	<b>3-6%</b>
<b>Savings</b>	<b>2-10%</b>
<b>All other</b>	<b>7-12%</b>

**Explain:** Use these guidelines (Referring to those listed on Slide #7) when you determine what percentage of your income to spend on various items.

It is important when you are setting your spending guidelines to make sure that the combined percentages equal 100 percent.

Although not written in stone, these guidelines are based on national data and give us some general ideas of what the average household spends.

Every family decides what it spends its money on, and what its financial priorities are.

**Slide #8:  
Spending Guideline Examples**

Example #1: Single Parent, 2 Children  
Household Income = \$3,000/Month

<b>Housing</b>	32% = \$960
<b>Food</b>	15% = \$450
<b>Transportation</b>	18% = \$540
<b>Clothing and Services</b>	5% = \$150
<b>Health Care</b>	10% = \$300
<b>Entertainment</b>	5% = \$150
<b>Savings</b>	5% = \$150
<b>All other</b>	10% = \$300

**Explain:** This slide provides an example of how a single parent family with two children, with a household monthly income of \$3,000, might set their spending guidelines.

**Instructor Note:** Highlight the spending percentages and dollar amounts on Slide #8.

**Key Points****For Educator: What to Say****For Learner:****Slide #9:  
Spending Guidelines**

Example #2: Family of 4

Household Income = \$5,000/Month

<b>Housing</b>	32% = \$1600
<b>Food</b>	15% = \$750
<b>Transportation</b>	18% = \$900
<b>Clothing and Services</b>	5% = \$250
<b>Health Care</b>	10% = \$500
<b>Entertainment</b>	5% = \$250
<b>Savings</b>	5% = \$250
<b>All other</b>	10% = \$500

**Explain:** This slide provides an example of how a family of four, with a household monthly income of \$5,000, might set their spending guidelines.

**Instructor Note:** Highlight the spending percentages and dollar amounts on Slide #9.

**Slide #10:  
Calculating Percentages**

If Housing = \$960/Month

and Take Home Pay = \$3,000/Month

$$\mathbf{\$960/\$3,000 \times 100 = 32\%}$$

**Explain:** This slide gives an example of how to calculate spending percentages.

If you spend \$960 a month on housing and your take-home pay is \$3,000, you are spending 32% of your income on housing.

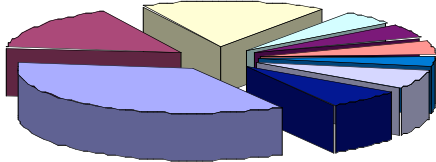
**Instructor Note:** If needed, explain in more detail how to determine spending percentages using the figures on Slide #9 as an example.

**Key Points**

**For Educator: What to Say**

**For Learner:**

**Slide #11:  
A Piece of the Pie**



**Explain:** Think of your paycheck as a pie. If you cut too large of a piece for one creditor, then there will not be enough slices left for everyone else. If you spend more than what you have, you will have to borrow money to makes ends meet.

**Slide #9:  
Income Sources**



**Estimate Your Income Sources**

	Weekly	Twice A Month	Monthly	Other
Wages (take-home)				
Child support				
Unemployment insurance				
TANF				
Pension/retirement				
Social Security				
Interest/dividends				
Alimony				
Other				
TOTAL				

**Total income for the planning period \$ \_\_\_\_\_**

**Transition Statement:** Putting information in writing is a great way to help guide spending. Sometimes seeing it in black and white helps to identify problem spending areas.

**Explain:** Let's begin making a spending plan by filling out the 5 steps in the worksheet.

**Step 1:**

**Explain:** Everyone can't use the same budget or spending plan. Each family has unique needs, wants and resources. Therefore, the money should be managed so that you are able to meet your needs and wants and still get the most from your income.

**Explain:** Add up your total income, including any funds you receive in addition to your earnings. **Do not** include any irregular income, such as overtime or bonuses, when calculating your total income.

**Activity:** *Weekly Spending Log Work Sheet.* Participants will follow along as examples of each step are provided on overheads.

**Key Points**

**For Educator: What to Say**

**For Learner:**

**Slide #10:  
Income Sources Example**



**Estimate Your Income Sources**

	Weekly	Twice A Month	Monthly	Other
Wages (take-home)	\$700 x 4			
Child support				
Unemployment insurance				
TANF				
Pension/retirement				
Social Security				
Interest/dividends				
Alimony				
Other				
<b>MONTHLY TOTAL</b>	\$2,800			

**Total income for the planning period \$ 2,800/Month**

**Explain:** This is an example of a family who makes \$700 per week in take-home wages for a total of \$2,800 each month in income.

**Instructor Note:** Give participants time to fill out this section.

- Ask if there are any questions about this part of the plan.

Participant Questions.


**Slide #11:  
Fixed Expenses and Savings**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Housing												
Rent or mortgage												
Major car sale												
Other												
Protection												
Life insurance												
Health insurance												
Disability insurance												
Car insurance												
Household insurance												
Other												
Contributions												
Religious												
Charitable												
Other												
Taxes												
Licenses												
Regular Savings												
Short term goals												
Long term goals												
Other Major items												

**Step 2**  
**Explain:** Next let's complete step two, which is estimating your fixed expenses and savings. Figure out your total fixed expenses, such as rent or mortgage, insurance premiums or car payments.

**Slide #12**  
**Fixed Expenses & Savings**  
**Example**



Fixed Expenses & Savings	
	January
<b>Housing</b>	
Rent or Mortgage	\$600
Other (Cable TV)	\$25
<b>Transportation</b>	
Car Payment	\$150
<b>Protection</b>	
Life Insurance	\$20
Health Insurance	\$250
Car Insurance	\$60
Household Insurance	\$20
<b>Contributions</b>	
Religious/Donations	\$50
<b>Taxes/Licenses</b>	
Credit Payments	\$100
<b>Regular Savings</b>	
Short term goals	\$40
Long term goals	\$40
Other Major Items	\$20

Total for January:  
**\$1,120**


**Explain:** This is an example of a family who spends \$600 a month on rent, \$25 on cable TV, \$150 for a car payment, \$20 a month for life insurance, \$250 for health insurance, \$60 for car insurance, \$20 for household insurance, \$50 for contributions, \$20 in taxes and licenses, \$100 for credit payments, and \$40 for both short-term and long-term goals, with \$20 for other major items. The monthly total comes to \$1,120.

**Instructor Note:** Give participants time to fill out this section.

- Ask if there are any questions about this part of the plan.

Participant Questions.

**Slide #13:**  
**Emergency Fund**



Emergency Fund	
Accumulate fund to	\$
<b>Yearly Totals :</b>	\$
	(Transfer to Balance Sheet)
Amount for fund Weekly/ Monthly	\$

**Step 3**

**Explain:** The third step in this plan is to provide for a savings/emergency fund that's adequate to meet emergencies and achieve special goals. Ideally your emergency fund will have enough money to cover three to six months worth of expenses.

**Slide #14:  
Emergency Fund Example**



**Emergency Fund**

Accumulate fund to	\$24,000 in 4 Years
<b>Yearly Totals :</b>	\$6,000  (Transfer to Balance Sheet)
Amount for fund Weekly/ Monthly	\$500

**Explain:** This is an example of a family who sets aside \$500 a month in an emergency fund. In a year, this family sets aside \$6,000, with a goal of setting aside \$24,000 in 4 years.

**Instructor Note:** Give participants time to fill out this section.

- Ask if there are any questions about this part of the plan.

Participant Questions.

**Slide #15:  
Flexible Expenses**



**Flexible Expenses**

	Weekly/Monthly Amount		Weekly/Monthly Amount
Food & Beverages		Transportation	
At home		Trains, Buses	
Away from home		Private Car	
		Parking	
		Operations	
Household Costs			
		Gifts	
Operations (Utilities)		Personal Allowances	
Maintenance (Lumpsum)			
Supplies (Cleaning, paper)			
Clothing			
Purchase		Entertainment	
Repair Laundry, Cleaning		Other Expenses	
Personal Care			
Medical/Dental			
Recreation			

**Step 4**

**Explain:** Step four is about estimating those flexible expenses we all have. Estimate how much you need for day-to-day living expenses.

**Slide #16:  
Flexible Expenses Example**



**Flexible Expenses**

	Weekly/Monthly Amount		Weekly/Monthly Amount
<b>Food &amp; Beverages</b>		<b>Transportation</b>	
At home	\$300/Month	Trains, Buses	
Away from home	\$100/Month	Parking	
<b>Household Costs</b>		Operations/Gas	\$70/Month
Operations (utilities)	\$200/Month	<b>Personal Allowances</b>	\$20/Month
Maintenance (upkeep)	\$20/Month	<b>Entertainment/Recreation</b>	\$30/Month
Supplies (Cleaning, paper)	\$50/Month	<b>Personal Care</b>	
<b>Clothing</b>		Hair & Beauty	\$30/Month
Purchase	\$40/Month	Medical/Dental	\$20/Month
Repair, Laundry, Cleaning	\$40/Month		
<b>Child Care</b>	\$400/Month	<b>Other Expenses</b>	\$50/Month

**TOTAL = \$1,060**

**Explain:** This is an example of a family who spends \$400 a month on food, \$270 a month on household costs, \$80 a month on clothing, \$400 a month on child care, \$70 on gas, \$20 on personal allowance, \$30 for entertainment and \$50 for personal care. Other expenses equal \$50 for a monthly total of flexible expenses being \$1,060.

**Instructor Note:** Give participants time to fill out this section.

- Ask if there are any questions about this part of the plan.

Participant Questions.

**Slide #17:  
Comparison**



**Comparison**

	Dates		Dates	
	Actual	Planned	Actual	Planned
Income (total)				
Expenses				
Fixed				
Emergency Fund				
Debt Repayment Flexible Living Expenses				
Total Expenses				
Balance (+ or -)				

**Step 5**

**Explain:** We now total all expenses and compare with our expected income. If the income exceeds expenses, we should plan for more debt payment, savings, etc. If expenses exceed income, we need to rework the plan to reduce the flexible expenses, reschedule debt repayment, etc.

**Slide #18:**  
**Comparison Example**



**Comparison**

	Dates <b>January</b>	
	Actual	Planned
<b>A. TOTAL INCOME</b>		<b>\$2,800</b>
B. Emergency Fund		\$500
C. Fixed Expenses		\$1,120
D. Flexible Expenses		\$1,060
<b>E. TOTAL EXPENSES (B+C+D)</b>		<b>\$2,680</b>
<b>Balance (+ or -)</b>		<b>+\$120</b>

**Explain:** This slide shows the total from each of the work sheets we just completed. The monthly total income was \$2,800. The emergency fund was \$500 and the fixed expenses were \$1,120. The flexible expenses were \$1,060 for a total of \$2,680 in monthly expenses. The balance is a positive \$120.

**Instructor Note:** Give participants time to fill out this section.

- Ask if there any questions about this part of the plan.

**Summary:** While these steps are listed in sequence, it's likely you will arrive at your final estimates by considering them as a group.

You may need to do some adjusting of the amount in each step until you have what you feel is a satisfactory plan.

After going through each step and filling out the Work Sheet, you will have a better idea about where your money is going and how much you have left over or if you will have a negative balance.

Participant Questions.

## Key Points

## For Educator: What to Say

## For Learner:

### Slide #19: Plan for Savings

- Pay Yourself First
- Money Jar

**Explain:** One thing to keep in mind when you are developing your budget is to plan for savings first. You can grow richer each month if you pay yourself first.

#### Two strategies for saving money:

- **Pay Yourself First** - Before paying any bills, determine an amount to pay yourself first-say 5 or 10% of your paycheck. Paying yourself first gives you a systematic way to make your money grow. Regardless of the kind of job you have or your income, this system works.
- **Money Jar** - Empty your change into a money jar each day. At the end of the month, roll the coins and put them into your savings account. You may be able to save up to \$30 a month this way.

**Question:** *Do you have other strategies for saving money?*

**Explain:** Remember, good money management is more than a mathematical formula. Family life is unpredictable, which is why savings are so important. It provides security for your family during those unpredictable times, such as the loss of a job or spouse, a car accident, medical emergencies or a decrease in family income.

**Discussion:** Participants share their own strategies for savings money as instructor writes the suggestions on the board.

**Key Points****For Educator: What to Say****For Learner:****Slide #20:  
Savings Considerations:**

- Life situation changes may change your plan.
- It is about reaching your goals! It is NOT about conforming to rigid rules.
- A plan takes time! You will have to make revisions.
- Review your plan.

**Transition Statement:** As you strive to save, you should keep in mind that it is not an easy task. These savings considerations could be encouraging to you as you work toward your financial goals.

**Explain:**

- Your money management plan always is subject to change if your life situation changes.
- The objective of a good budget is to use your money to help reach your goals, not to force you to conform to rigid rules.
- Don't be discouraged if this budget plan doesn't work right away. You may have to revise it several times until it fits your wants and needs.
- Review it from time to time to be sure it continues to help you use your income in the best way.

**Key Points**

**For Educator: What to Say**

**For Learner:**

<p><b>Slide #21:</b> <b>Summary</b> <b>Evaluated Your Spending Plan:</b></p> <ul style="list-style-type: none"><li>▪ Identified Income and Expenses</li><li>▪ Developed a Spending Plan</li><li>▪ Determined Ways to Save</li></ul>	<p><b>Lesson Summary:</b> Congratulations! You have completed <i>Developing a Spending Plan</i> in this Money Management series of classes.</p> <p>We've covered a lot of information about a spending plan, including identifying your income and expenses, developing a spending plan and determining ways to save money.</p> <p><b>Question:</b> <i>Are there any questions?</i></p>	<p>Participant questions.</p>
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