

# MIND YOUR FINANCES

2600  
1950,00  
760,00  
840,00  
3670,00  
5600,00  
340,00  
150,0

**BUDGETING & ORGANIZING YOUR FINANCES**

Participant Guide





THE ACHE FOR HOME LIVES IN ALL OF US, THE SAFE PLACE WHERE WE CAN GO AS WE ARE AND NOT BE QUESTIONED. -MAYA ANGELOU

State the reasons why you would like to own your home. Example: To have more privacy.

## Introduction

# DESIGNING YOUR SPENDING PLAN

A workable budget begins with a clear understanding of what you spend and where you spend it. To create a workable budget you must first design a spending plan.

A spending plan will allow you to develop an understanding of how you spend your money.

The Designing Your Spending Plan workbook will help you:

- Create realistic daily and category-based spending plans that track your current spending.
- Identify poor spending habits.

## Developing a Spending Plan

A solid spending plan requires time and effort. When developing a spending plan you must use a three-step process of tracking, reviewing, and taking action.

1. Tracking: Keep a record of what you spend.
2. Reviewing: Analyze the information you have written and decide what to do.
3. Taking Action: Do something about what you have written down.

Tracking is the first and most important step. Carry a small, pocket-notebook around or use your Smartphone to record your purchases. You should also record bills you pay. Do not rely on your memory – write everything down.

Steps two and three (reviewing & taking action) will be successful only if you accurately record your spending in step 1. When you review your spending, try to assign your purchases into different categories that match those listed on your budget worksheet. For example, gas, insurance and repairs could be categorized under “transportation.”

Taking Action is the third and final step. Having the information is not enough; you must take action with that information and change your habits. By analyzing each spending category, you can create strategies to reduce and eliminate unnecessary spending.

## SPENDING PATTERNS

Are you thrifty or have you been accused of spending money carelessly? Or are you somewhere in between? We all have different spending patterns. By taking time to analyze your personal spending habits, you'll be more able to come up with a financial improvement plan.

Let's look at two common spending patterns.

- Habitual Spending

Habitual spending occurs when you spend out of habit. You buy the same item daily, weekly, or monthly. Daily items may include a cup of coffee and the newspaper. Weekly items may be eating out with friends or a regular trip to the salon for a manicure or pedicure. An example of a monthly item is your cable bill.

Most people enjoy the comfort that a predictable routine brings, which is why breaking habitual spending habits can be very difficult. Habitual spending can also inspire boredom. Why not shake up your routine and try something new? Cut the cable TV and push yourself to go to the library regularly for free movies, download apps on your Smartphone or use your computer to watch movies for free. You can also frequent free cultural events.

- Impulsive Spending

Impulsive spending occurs when you purchase an item that you do not need, without much forethought. It is the goal of marketers and advertisers to get you to purchase impulsively, as often as possible. Grocery stores create eye-catching displays that attract you to the items that are on "sale." Impulsive spending makes us feel good. It is best to place a 24-hour rule on all impulsive buying. Chances are, if you make yourself wait, you will no longer want the item the next morning.



## LAST PURCHASE

Tell us about your last purchase:

**What was the last item you bought prior to coming to today's session?**

Item \_\_\_\_\_ Habit or Impulse? \_\_\_\_\_

**Why did you buy this item?**

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**What was the last item you bought that was approximately \$10?**

Item \_\_\_\_\_ Habit or Impulse? \_\_\_\_\_

**Why did you buy this item?**

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**What was the last item you bought that was about \$100 in price?**

Item \_\_\_\_\_ Habit or Impulse? \_\_\_\_\_

**Why did you buy this item?**

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**What was the last item you bought that was about \$1,000 in price?**

Item \_\_\_\_\_ Habit or Impulse? \_\_\_\_\_

**Why did you buy this item?**

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## STEP ONE: DAILY TRACKING OF ALL EXPENSES

Record your daily purchases in a table like the one below.

Today's Date \_\_\_\_\_

### Purchases

DESCRIPTION	AMOUNT
Coffee, 7-Eleven	\$1.59



If you are spending more money than you make, consider giving yourself a daily budget. Do not leave home with more than you can afford to spend that day.





## STEP THREE: USING YOUR BUDGET WORKSHEET

Your daily and category spending plans roll up into the budget worksheet. Use the category totals to fill in your monthly budget.

Without spending data, it will be very difficult to create an accurate budget.

Add up your spending for the first month and put the total in the Monthly Budget column.

Take a look at the below example for Transportation:

Category Name: TRANSPORTATION

Month: JUNE

### Category Entries

DETAIL	AMOUNT
Car Payment	\$250.00
Auto Insurance	\$75.00
Gas/Fuel Costs	\$120.00
Parking/Tolls	\$5.00
Vehicle Maintenance	\$0.00

Category total: \$450.00

## EXPENSES:

### Fixed vs. Variable

There are two main types of expenses to understand as you create your budget. They are **fixed** and **variable** expenses.

- **Fixed expenses** do not change from month to month—they remain the same year-round. Your rent or mortgage payment is considered a fixed expense. A car payment is also a fixed expense.
- **Variable expenses** occur on a regular basis, but the amount you pay varies. Examples of variable expenses include your gas, electric, and phone bills. You can also think of food costs and gasoline for your car as variable expenses because they vary monthly

### Which are fixed and which are variable?

Monthly total	Fixed	Variable
Food		
Car insurance		
Cell phone		
Electricity		
Cable TV		
Health		
Clothing		
Childcare		

### Needs vs. Wants

In addition to being either fixed or variable, every expense in your budget is either a **need** or a **want**.

- **Needs** can be fixed or variable expenses, but what they have in common is that you **NEED** to have these things, such as a roof over your head or electricity.
- **Wants** are expenses that you'd like to have but could live without, such as a new outfit or a nice dinner in a restaurant. You **WANT** them but don't necessarily need them. This type of spending makes us feel good or provides us a way to reward ourselves, but be careful: Too many wants can ruin a budget!

## Needs vs. Wants

The list below provides examples of how money can be spent

Place a check mark next to each comment either as a Need or as a Want. \*

	Need	Want
Groceries		
Weekly manicure		
New shoes for work		
Monthly bus pass to get to work		
Movies and dinner with your spouse*		
A night out playing Bingo		
Clothing		
Cable TV		

\* Not all wants are bad. In fact, taking the special person in your life out every once in a while may be the right thing to do. You can always keep costs down by going to an early showing and having dinner at a favorite inexpensive restaurant.





## BUDGETING AND ORGANIZING YOUR FINANCES

### The Budget Worksheet

**The Budget Worksheet:** The Monthly Expenses section is divided into six major categories with sub-categories under each. The six major expense categories are:

- Rent/Mortgage
- Transportation
- Utilities
- Food & Clothing
- Health & Personal
- Secured & Unsecured Debts.

**At Home Activity:** Fill in your expenses on your budget worksheet.

## WHY IS BUDGETING IMPORTANT?

Living life without a budget is like going somewhere without a MAP. You may never reach where you want to go without it.

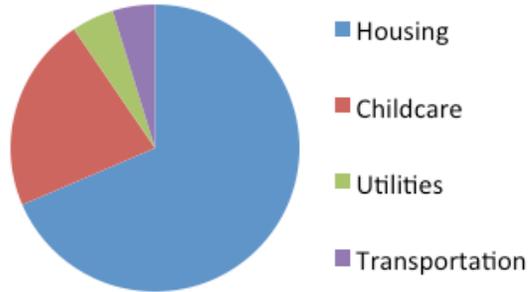
### **Personal budgets can help you in four major areas:**

- I 1. As a money management tool: By keeping a personal budget, you'll know how much you are spending and where you are spending it.
2. As a way to gain control over your finances: Sticking to a personal budget puts you in charge of your money. By tracking what you spend, you will make better financial choices for yourself.
3. As a way to get organized & de-stress: Personal budgeting allows you to better organize bills, receipts, payments, and any other financial statements you may receive. You'll worry less about bills once you start keeping track of when they are due, which ones you've paid, and which still need to be paid.
4. As a communication tool: Your budget will provide a way for you and your family to talk through financial issues. By learning where and how money is being spent, your family can discuss ways to achieve smarter spending and saving.

**MOST IMPORTANTLY, a BUDGET will help you SET and TRACK GOALS!**

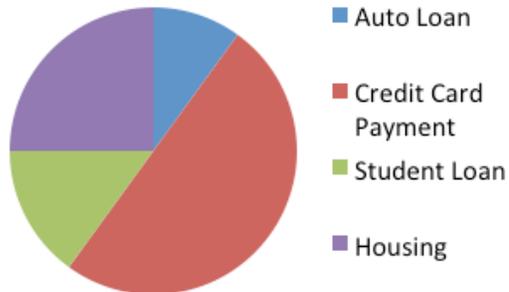
## LET'S TAKE A LOOK AT SOME SICK BUDGETS.

### Tanya's Budget



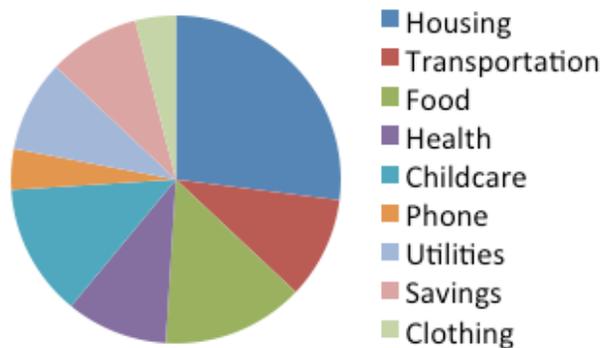
Tanya is spending too much on \_\_\_\_\_

### Bob's Budget



Bob is spending too much on \_\_\_\_\_

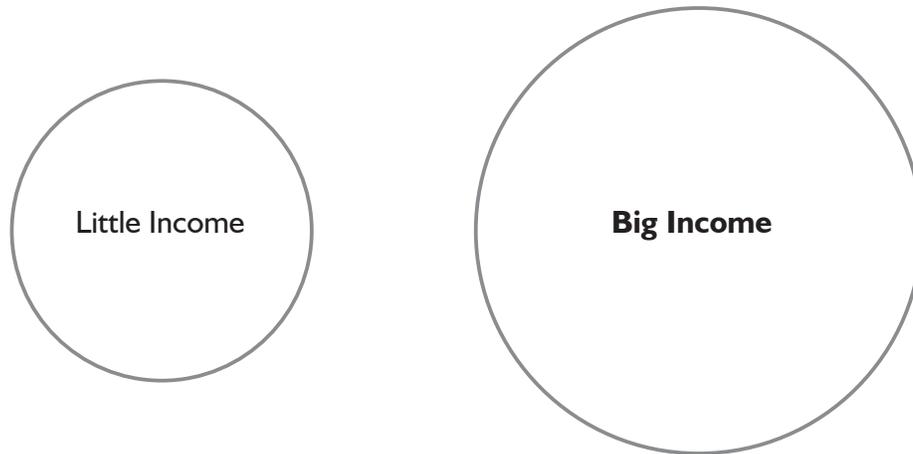
### EXAMPLE OF A Healthy Budget



## BUILDING A BUDGET

The first step to starting your budget is understanding the major components that make up a budget. A budget includes income (money coming in) and expenses (money going out).

### Income (or the **SIZE** of your pie)



**Income** is the money that is available each month to pay bills, buy groceries, etc. Your main source of income is almost always your paycheck from your job(s), but other income can include child support payments, alimony, or government funds such as Social Security or Disability payments.

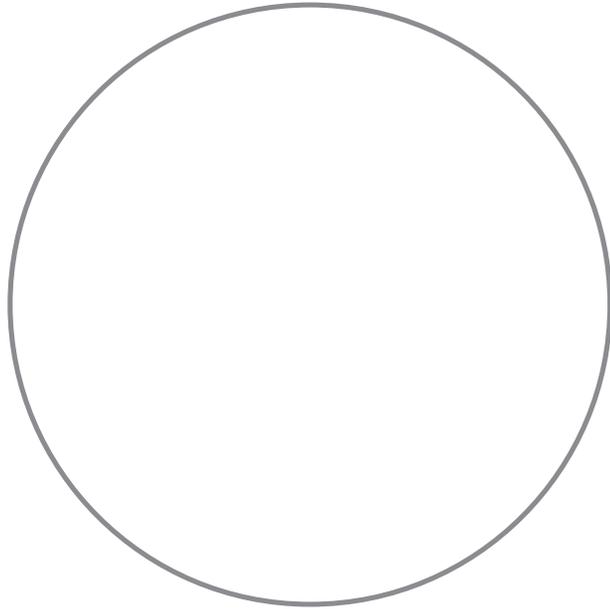
**Activity:** Fill in your income on your budget worksheet.

## THE BUDGET PIE: WHAT DOES YOUR PIE LOOK LIKE?

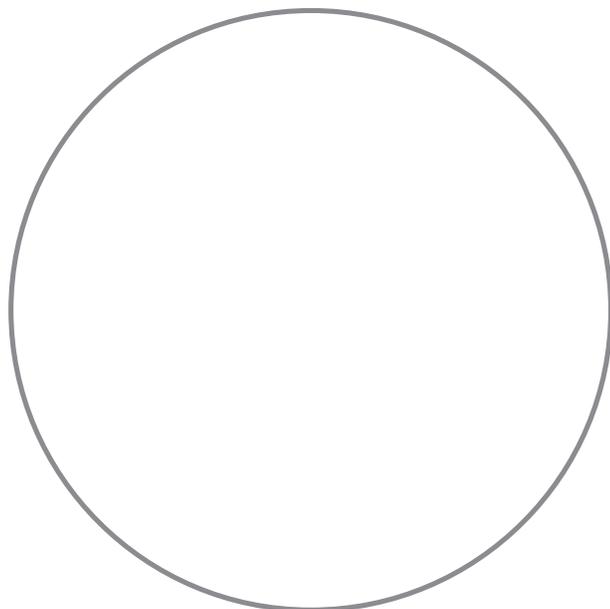
Using the following categories, map what your budget looks like. You may add other categories that are not listed here.

1. Food
2. Housing
3. Water & Electric
4. Transportation
5. Childcare
6. Debt

Draw Your Current Budget



Draw Your Ideal Budget Here



Once you have written down your monthly expenses, the next step is to take a look and see what areas of your budget can be reduced.

You need to ask yourself questions such as:

- Do I need to spend too much on cable or satellite?
- If I do a bundle package with cable, Internet and cell phone could I save some money?
- How much can I save by using coupons for my groceries? -Am I spending too much money eating out?

Take a serious and realistic look at your budget and be willing to make reductions if that is what is needed. The bottom line is that if you want to reach a financial goal, some sacrifices will have to be made. Unfortunately, our generation wants instant gratification and waiting is not an option we like to consider. Our parents and grandparents did not spend what they did not have. This is a pattern that more of us should adopt if we want to reach our financial goals.

Once you identify those areas that need reduction, let's see if we can come up with ways to save.

**Small Group Activity:** Divide into groups of two. Each group brainstorm ways (5 minutes) to cut costs in each of the six major categories. Present your list to the class.

Example: Utilities Cost Savings List

- Turn the air conditioning up by 5 degrees. Leave it off at night.
- Make sure all appliances are unplugged while not in use.
- Dry clothing outside on hot days (instead of using a dryer)
- Turn off faucet while brushing teeth.
- Put a brick in the back of toilet to consume less water.-Only run the dishwasher full

## 5 Tips for Eating Well on a Budget

Just a few tips on how to decrease your spending on good food



### Vegetarian Foods

Eat more vegetarian foods. Meat can be expensive while legumes, beans, rice and veggies are less so and can be a great source of satisfying protein.



### Buy in Bulk

Buy in bulk when possible. Items such as rice stay good for a long time and cost less when bought in bulk.



### Eat More Fiber

More fiber, less refined sugar. Refined sugars and hydrogenated oils increase our appetite and therefore our spending on food. Fruits, veggies and nuts however are packed with fiber therefore filling us up and ultimately decreasing our spending on more food!



### Pack your Lunch

Pack your lunch. Always cheaper and healthier than a restaurant!



### Water Bottle

Carry a water bottle everywhere. This prevents you from buying water, soda, juice, etc.

MORE INFORMATION: [THEPUREBAR.COM](http://THEPUREBAR.COM)

## MONTHLY CASH FLOW

The last section in the budget worksheet is the monthly cash flow. For each month, you add up your total income and expenses. Then calculate the difference. The difference will be your Disposable Income. Your Disposable Income should be positive. If it is positive, you can then decide to enter the amount into your savings, pay more on certain bills, or reward yourself for a budgeting job well done.

### Trim the fat in your budget!

The following graphic shows how you can examine your monthly bills to find ways to save. Use it now—and in your future Habitat home—to keep your budget healthy.

### Monthly bills

In this step, write down on a piece of paper or in a spreadsheet each of your monthly bills. Include bills that you pay every six or twelve months, too, like life and auto insurance. And next to each bill, write down how much you pay each month. If the expense varies from month to month, just guess at an average for now. Note that we are not including utilities, which we'll get to in step 2.

Next, go down the list, evaluate each bill and ask these three questions:

1

2

3

Can you  
**reduce**  
the expenses?

Can you  
**get rid**  
of this service?

Can you  
**get the service**  
for less  
from another provider?

As you go down your list of monthly bills, keep track of how much money you are saving. It may be only \$5, \$10, or \$20 per item, but it can add up to a significant sum once you complete step 1. And reducing these costs generally does not require any sacrifice in how we live our lives.

- Telephone service
- Cell phone service
- Life insurance
- Health insurance
- (even if provided through your employer)
- Cable
- Internet service
- Mortgage/Rent
- Home equity credit line
- Homeowner's insurance
- Auto insurance
- Car loan payments
- Gasoline
- Credit cards
- Credit monitoring
- Club/gym memberships
- Magazine subscriptions
- School loans

## BREAKING SPENDING HABITS

Not all spending habits are bad. The ones that you should aim to break, however, are those based on “wants” instead of “needs.” By denying yourself momentary pleasures, you’ll be able to work toward longer term financial security. Understanding how to save \$5-\$10 a day can result in thousands of dollars saved each year.

Like with any habit, the hardest part is getting started. The good news is that it only takes a few days to start a new habit (one that doesn’t cost money). So, if you are used to buying a soda at the vending machine every day at work, consider switching to ice water. It’s healthier and could save you hundreds of dollars a year. Challenge yourself to break old habits and create new healthier ones.

Other habits you should consider breaking are paying for certain services that you could do yourself (or go without). These include paying to cut your grass, having a pedicure/manicure, having your home cleaned or your car washed. Think about your grandparents. Would they have paid for these services? Chances are they would not. Past generations were great savers and very frugal, compared to more recent ones. Go retro, simplify and save!

### Spending Habits Activity

Complete the following activity by writing down three spending habits you’d like to break. Estimate the cost/month. Also, list ways you can help yourself kick the habit.

SPENDING HABIT	COST/MONTH	COST/ANNUALLY
1.		
2.		
3.		

WAYS TO KICK MY SPENDING HABIT

## THE FRUGAL KITCHEN

### PUDDING PIE

#### Crust

- 2 cups graham cracker crumbs
- 3 Tbsp. sugar
- 1 stick margarine, melted

Mix all ingredients together and press into a 9-inch pie plate. Bake at 350 degrees for 10 minutes. Cool.

#### Filling

- 1 box of pudding
- Milk

Fill with favorite pudding filling.

