



Budget Management Class

*El Paso County
Domestic Relations Office
Community Supervision*

Budget Management Class

Overview

- *Setting Financial Goals*
- *Creating a Spending Plan*
- *Tracking Your Daily Spending Habits*
- *Determining Income and Expenses*
- *Tips To Decrease Your Spending*
- *Ways To Increase Your Income*
- *Tools and Considerations That Will Help You Manage Your Spending plan*



Setting Financial Goals



Setting Financial Goals

- ✓ *Financial goals are specific to what you want to do with your money within a certain time period.*
- ✓ *Before you create a spending plan, you should complete the following steps to setting financial goals.*

- 1. Identify and write down your goals.**
- 2. Organize your financial goals.**
- 3. Identify small steps to work toward the goals.**
- 4. Monitor your progress.**



Setting Financial Goals

List your main financial goals, include both short-term (1-3 years) and long-term (3-5 years), and any supporting goals to help you reach them. Make sure each goal is Specific, Measurable, Attainable, Relevant, and Time-bound.

Example Goals

Main Financial Goals	Supporting Goals
Short-term Goal: Catch up on overdue payments in 1 year.	Notify creditors of your financial situation immediately. Pay off smallest balances first each month.
Long-term Goal: Save \$15,000 for a down payment on a townhouse in 5 years.	Ask your employer to have your paycheck direct deposited into your checking and savings accounts. Save \$250 each month (\$3,000 total per year).

Main Financial Goals	Supporting Goals



Creating a Spending Plan



Creating a Spending Plan

- ❖ A **spending plan** is a great way of taking control of your financial situation.
- ❖ A spending plan is **a step-by-step plan** for meeting expenses in a given period of time. There are four steps to follow:
 - ❖ *Keep track of daily spending.*
 - ❖ *Determine your monthly income and expenses*
 - ❖ *Find ways to decrease spending*
 - ❖ *Find ways to increase income.*
- ❖ **Benefits** of following a spending plan:
 - ❖ *Helps reduce the anxiety of not knowing whether you have enough money to pay your bills.*
 - ❖ *Gives you a sense of control over your money, rather than letting money have control over you!*
 - ❖ *Helps you build assets that will improve the quality of life for you and your family.*



*Tracking Your Daily
Spending Habits*

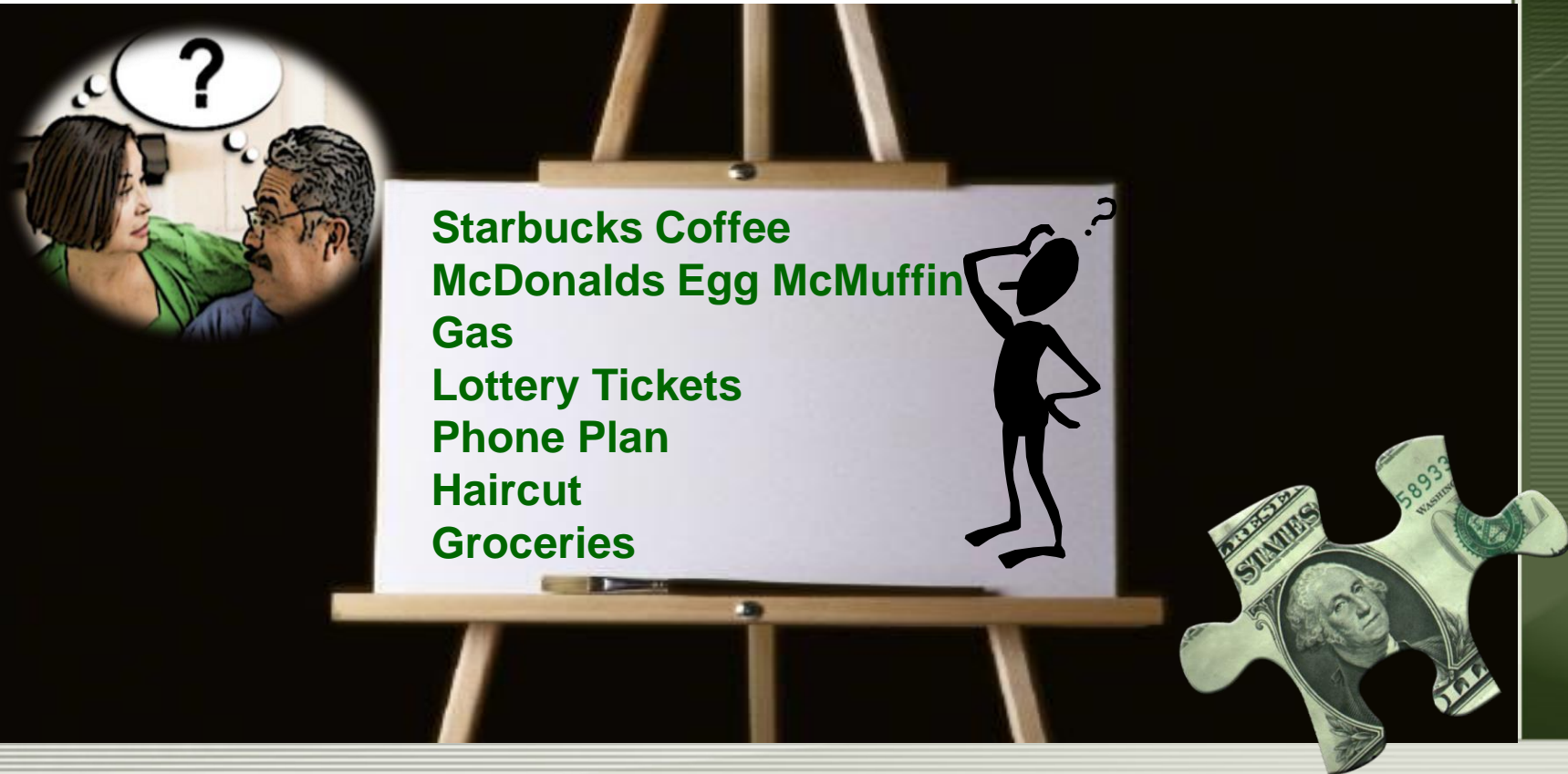


Tracking Your Daily Spending Habits

Do you know where your money goes each month????

💰 By tracking your spending, you'll understand where your money goes.

💰 Use a personal spending diary to track spending.



Tracking Your Daily Spending Habits

Daily Spending Diary

- ❖ If you want to be in control of your money, you must understand where your money goes.
- ❖ Use this diary to track your spending habits over a period of time so that you can see how you are spending your money.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	



Tracking Your Daily Spending Habits

Daily Spending Diary

Mr. Clark		Mrs. Clark	
Day	What did I spend my money on today?	Day	What did I spend my money on today?
Sunday	Breakfast \$10.00	Sunday	Girl Scout Cookies \$7.00
Monday	Coffee \$2.00 Lunch \$10.00 Gas \$45.00	Monday	Lunch \$8.50
Tuesday	Coffee \$2.00 Lunch \$15.00	Tuesday	Purse \$55.00
Wednesday	Coffee \$2.00	Wednesday	Lunch \$11.00 Celebrity Gossip Magazine \$7.00
Thursday	Coffee \$2.00 Lunch \$12.50	Thursday	Pedicure/Manicure \$45.00 Groceries \$220.00
Friday	Coffee \$2.00 Movies \$30.00	Friday	Clothes \$170.00
Saturday	Coffee \$2.00 Power Tool \$115.00	Saturday	Breakfast \$8.00 Shoes \$90.00

What Do You Think?

After reviewing the Clarks daily spending diaries, how would you advise them to cut back or decrease their spending habits?



Tracking Your Daily Spending Habits

Daily Spending Diary

Mr. Clark		Mrs. Clark	
Day	What did I spend my money on today?	Day	What did I spend my money on today?
Sunday	Breakfast \$10.00	Sunday	Girl Scout Cookies \$7.00
Monday	Coffee \$2.00 Lunch \$10.00 Gas \$45.00	Monday	Lunch \$8.50
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Thursday	Coffee \$2.00 Lunch \$12.50	Thursday	Pedicure/Manicure \$45.00 Groceries \$220.00
Friday	Coffee \$2.00 Movies \$30.00	Friday	Clothes \$170.00
Saturday	Coffee \$2.00 Power Tool \$115.00	Saturday	Breakfast \$8.00 Shoes \$90.00



*Determining Income
and Expense*



Determining Income and Expense

Income is money that comes from you.

- ❖ *Wages*
- ❖ *Self-Employment Income*
- ❖ *Public Assistance*
 - ❖ *Food Stamps*
 - ❖ *Temporary Assistance for Needy families (TANF)*
- ❖ *Child Support or Alimony*
- ❖ *Interest, Dividends, or Investment Income*
- ❖ *Social Security or Other Federal Benefits*
- ❖ *Other Sources, like tips.*



An Expense is the money that you use to purchase items for living.

- ❖ *Mortgage*
- ❖ *Child Care*
- ❖ *Groceries*



Determining Income and Expense

Two categories of Income:

- ❖ *Gross Income is your total income without deductions*
- ❖ *Net Income is your gross income minus deductions such as Federal income and Social Security taxes. This is know has your “take home” pay.*

Two categories of Expenses:

❖ *Fixed Expenses –*

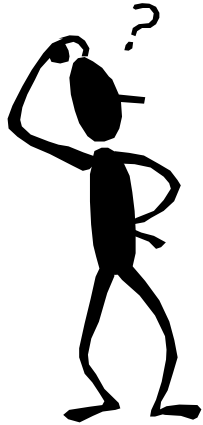
- ❖ *do not change month to month.*
- ❖ *Typically, you have little control over how much you pay.*
- ❖ *Example: rent/mortgage, other examples?*

❖ *Flexible Expenses –*

- ❖ *often change month to month.*
- ❖ *you have may have some degree of control over how much you pay.*
- ❖ *Example: set your air conditioning thermostat higher during the summer to reduce your electricity bill.*



Determining Income and Expense



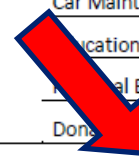
Income		Expenses	
Wages	\$	Fixed Expenses	
Public Assistance	\$	Mortgage/Rent	\$
Child Support/Alimony	\$	Property Taxes/Insurance	\$
Interest/Dividends	\$	Cable/Telephone/Internet	\$
Social Security	\$	Cell Phone	\$
Other	\$	Loan Payment	\$
Other	\$	Car Insurance	\$
		Health Insurance	\$
		Child Care	\$
		Flexible Expenses	
		Savings	\$
		Water	\$
		Electric	\$
		Gas/Oil	\$
		Groceries	\$
		Eating Out	\$
		Transportation/Gas	\$
		Credit Cards	\$
		Day Care/Elder Care	\$
		Car Maintenance	\$
		Education	\$
		Medical Expenses	\$
		Donations	\$
Total Income	\$	Total Expenses	\$

Monthly Income and Expense Worksheet

- ❖ Prepared on a monthly basis
- ❖ Shows how much money is coming in
 - ❖ **Income**
- ❖ Shows how much money is going out
 - ❖ **Expenses**
- ❖ Shows whether you have enough income to pay your expenses!!



VS



*Tips to Decrease
Your Spending*



Tips to Decrease Your Spending

Tips to decrease your spending:

- ❖ *Develop and follow a spending plan.*
- ❖ *Carry small amounts of cash to limit your spending.*
- ❖ *Consider keeping your credit cards in a safe place at home – and perhaps away from your computer to make it harder to make impulsive purchases.*
- ❖ *Use coupons to save money and only shop for the items you really need.*
- ❖ *Use a grocery shopping list to prevent impulsive buying.*
- ❖ *Eat breakfast and drink coffee at home.*
- ❖ *Take your lunch to work instead of eating out.*
- ❖ *Don't be tempted by vending machines.*
- ❖ *Pay your bills/obligations on time to avoid penalties and increased interest rates.*
 - ❖ *For instance, Child Support arrearages accrue interest.*
- ❖ *Check what subscriptions or other services you may be paying for each month – ask yourself: do I still need them or could I get a better deal?*
- ❖ *Shop around for the best deals and sales on larger purchases.*
- ❖ *When shopping, make it a point to only buy items on sale.*
- ❖ *Use direct deposit for all income sources.*



*Ways to Increase
Your Income*



Ways to Increase Your Income

Ways to increase your income:

- ❖ *Decrease expenses...to allow more spendable income.*
- ❖ *Consider getting a part-time job.*
- ❖ *Consider other career/job opportunities.*
- ❖ *Tax Credits (Review IRS current rules/programs: <http://www.irs.gov/Credits-&-Deductions>)*
 - ❖ *Earned Income Tax credit (EITC)*
 - ❖ *Child Tax Credit*
 - ❖ *Credit for Child and Dependent Care Expenses*
 - ❖ *Education Credits*



*Tools and Considerations
That Will Help You Manage
Your Spending Plan*



Tools and Considerations That Will Help You Manage Your Spending Plan



Tools that will help you manage your spending plan:

❖ Monthly Payment Schedule

- ❖ Helps you plan when to pay bills and when you will receive income to pay those bills.
- ❖ Transfer the income sources and amounts from the Income and Expense Worksheet to the Monthly Payment Schedule. Record dates the income is expected and the expenses are due.
- ❖ Monitor daily. Pay bills on time. Mark off as paid.

Monthly Payment Schedule

Month: April

Income	Expenses/Bills	Date Income Received or Expense Due Date	Amount	Date Paid
Wages		3/20	\$ 1,050.00	
Wages		3/27	\$ 700.00	
Wages		4/05	\$ 1,050.00	
Wages		4/13	\$ 700.00	
Wages		4/20	\$ 1,050.00	
Wages		4/27	\$ 700.00	
	Rent			
	Utilities			
	Savings			
	Food			
	Transportation			

❖ Monthly Payment Calendar

- ❖ Helps you carry out your personal spending plan.
- ❖ You transfer your income and expenses to the dates they are due on the calendar.
- ❖ Use one color ink for income and a different color for expenses.
- ❖ Monitor daily. Pay bills on time. Mark off as paid.

Monthly Payment Calendar

April						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	\$1050 paycheck	6	7
8	9	10	11	12	\$700 paycheck	14
15	16	17	18	19	\$1050 paycheck	21
22	23	24	25	26	\$700 paycheck	28
29	30					



Tools and Considerations That Will Help You Manage Your Spending Plan



Tools and considerations that will help you manage your spending plan:

❖ *Expense Envelope System*

- ❖ *Useful if you pay your bills in cash each month.*
- ❖ *Make an envelope for each expense category (i.e. rent, gas, electricity, food)*
- ❖ *Label each envelope with the expense category, the amount, and the due date. As income is received, divide into amounts to cover the expenses.*

❖ *Computer System*

- ❖ *If you have a computer, you can purchase budget software or create a spreadsheet to track income and expenses.*

❖ *Spending Considerations*

- ❖ *Pay off loans/credit cards with the highest interest rate first; then apply that “old” payment to pay off another. Talk to your creditors. They may be willing to reduce payments.*

❖ *When there are more expenses than income*

- ❖ *What payments should you make first if you cannot pay all of your bills?*
 - ❖ *Pay your necessary/required expenses and obligations first, like child support, rent, mortgage, utilities and food.*
 - ❖ *Think about health and safety of your family when prioritizing bills.*
 - ❖ *Seek assistance to help cover expenses from local non-profit organizations, credit counselors, etc.*



Budget Management Class

Review

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