

# Spending Plan

## Resources

Better Budgeting  
[www.betterbudgeting.com](http://www.betterbudgeting.com)

Consumer Credit  
Counseling Services Inc.  
[www.cccs-inc.org](http://www.cccs-inc.org)

National Endowment for  
Financial Education  
[www.nefe.org](http://www.nefe.org)

National Foundation for  
Credit Counseling  
[www.nfcc.org](http://www.nfcc.org)

Personal Finance  
Budgeting  
[www.personalfinancebudgeting.com](http://www.personalfinancebudgeting.com)

Practical Money Skills  
[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)

## Emergency & Transitional Services

### Spending Plan Guidelines

Creating a spending plan and sticking to it can seem like a difficult task, but remind clients that their plan can be tailored to fit their needs. A spending plan can help clients minimize debt, save for long or short-term financial goals, and manage money efficiently.

There are a few guidelines clients may want to consider regarding how much of their income should be reserved for certain expenses:

- About 30% for housing
- Approximately 20% or less for transportation
- About 10-20% for food
- Less than 10% for insurance

The remaining 20-30% should be allotted for taxes, health care, entertainment, savings, and other payments/expenses. Some would advise that debt should not exceed 15% of a person's spending plan, and that individuals should designate at least 5% to savings or investing.



### Expenses > Income

**Some considerations for increasing income include completing a benefits screening, seeking a new job/career, or pursuing higher education.**

### Expenses

Those dreaded bills that come every month – like rent, mortgage payments, or insurance payments – are known as fixed expenses. Things like groceries, entertainment, and clothing are variable expenses because they are flexible and paid at leisure.

It can be very difficult to differentiate between wants and needs, but clients should determine what expenses fall into what category. By reducing variable expenses and eliminating a few “wants” they may find room in their spending plan for future financial goals.

One easy way to create a spending plan is to calculate income and expenses, and organize them into a monthly spending chart. Expenses should be less than income if clients want to stay out of debt.

Clients may want to keep track of how much they are spending, and on what items, for a few months to see where their money really goes. This will help them reduce their expenses further so they have more money left over each month.

Some clients may find that they have more expenses than income; in this case the goal becomes not only decreasing expenses but increasing income. They may consider getting a benefits screening, seeking a new job/career, or pursuing higher education.

## Emergency & Transitional Services

### Financial Goals

Clients can start on the path toward a financially stable future by setting financial goals. These may be long-term goals, such as purchasing a home, saving for children's college funds, and saving for retirement or these may be short-term goals such as saving for a vacation, paying down debt, or planning for a wedding.

Money toward financial goals should be included in clients' monthly spending plans. Many financial planners advise that you pay yourself first; that is, if clients want to save \$3,000 a year toward their first home then they should pay themselves \$250 a month.

Clients may want to brainstorm their financial goals using the SMART format. Under these guidelines, goals should be: Specific, Measurable, Attainable, Relevant, and Time-specific. Saving for vacation becomes, "I will save \$150 a month from September through July for a summer vacation to Ocean City."



**SMART goals can help clients create a spending plan that works for them.**

### Spending plan Tips

When clients take control of their spending they are being proactive about their financial future. Remind clients to: calculate their monthly income, record estimates for monthly expenses, track their actual spending, and review expenses and revenues at the end of the month.

Reduce variable expenses, such as dining out, and cancel fixed expenses that may be too costly such as specialty television channels, magazine subscriptions, or unlimited text messaging.

Take out a certain amount of cash each week or month, and spend only that amount. Encourage clients to avoid using ATMs outside of their network, and avoid using credit cards.

Use a notebook or a financial software program to monitor spending; track spending for a few months to see where money really goes.

**Encourage clients to accomplish their financial goals by being a wise spender and following a spending plan.**

### Spending plan Tools

For free spending plan worksheets and other resources check out the following websites:

[www.budgetingworksheets.org](http://www.budgetingworksheets.org)

[www.cccs-inc.org](http://www.cccs-inc.org)

[www.nfcc.org](http://www.nfcc.org)

[www.personalfinancebudgeting.com](http://www.personalfinancebudgeting.com)



**If clients find it difficult to save money, they can put their savings goals in their spending plan and pay themselves first.**