



The Power of Paycheck Planning

CREDIT.ORG

The Power of Paycheck Planning

Table of Contents

About Credit.org	3
Our Services	4
Introduction	5
First Steps	6
What is a Budget?	7
Track Your Spending	8
Comparing Your Spending to National Averages	12
Build Your Emergency Savings Fund	15
Creating Your Budget	17
Categorizing Expenses	18
Debt Repayment	20
Setting Goals	21
My Financial Goals	22
Goal Strategies	23
Sample Monthly Budget	26
Adding it All Up	28
What Your Spending Should Look Like.....	30
Balancing That Budget	31
Budget Busters	32
Increasing Income & Reducing Expenses	34
Shopping with Coupons	38
Shopping Smarter	42
Serious Spending Issues	43
Your Credit Report	45
Getting Your Report	47
Budgeting Apps	49



About Credit.org



Credit.org is a Nonprofit Consumer Credit Counseling Agency Formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling.



Legal Disclaimer: Liability claims regarding damage caused by the use of any information provided will be rejected. Information presented is to the best knowledge of the author and editors correct; however, if the reader intends to make use of any of the information presented in this publication, please verify information selected. No information provided here, or materials referenced, is intended to constitute legal or tax advice. You should not rely on our statements (or materials referenced) for legal or tax advice and should always confirm such information with your lawyers or tax professionals, who should be responsible for taking whatever steps are necessary to check all information and personally ensuring that the advice these professionals provide is based on accurate and complete information and research from any available sources.

Copyright © 2023 by Credit.org. This publication is copyrighted. All rights reserved.
No part of this book may be used or reproduced in any manner whatsoever without prior permission of credit.org.

Our Services

Financial Education Programs

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Debt Management Programs

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Credit Report Review

Our certified counselors work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Housing Counseling

We are a HUD-approved housing counseling agency. We provide homebuyer education seminars, mortgage counseling, foreclosure prevention assistance, landlord/ tenant counseling, post-homebuyer education, and reverse mortgage counseling (please call ahead for reverse mortgage appointments).

Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.



Introduction

Surveys show that only 12% of high school seniors learn about money management in school. Most of us can't remember learning about finances and how to handle our money while we were students, because chances are we didn't.

Historically, it has been up to parents to teach their children the skills needed to make smart choices, pay off debt and build savings.

Unfortunately, most of us end up learning these lessons the hard way after we've moved out on our own. We fall into every trap at least once before we learn to avoid them.

The Power of Paycheck Planning is a lesson in basic budgeting, that many of us feel we may already know, but could use a refresher in. We find that many of our clients like to return to this seminar periodically to brush up on their budgeting skills.



First Steps

When it's time to get started living on a budget, you should make the commitment and jump right in.

Every day you delay your start, it will get harder. The time to stop overspending and get control of your finances is right now.

Before you even construct a budget or get started tracking your spending, there are some things you should do first:

- **Stop incurring new debt.**

Borrowing money for consumer spending is no way to make your budget work. You've got to put away those credit cards to live successfully on a spending plan.

If you're a client enrolled in a Debt Management Plan (DMP), you've already surrendered your credit cards as you work to become debt free. But even if you aren't a DMP client, you should set the cards aside if you want your budget to succeed.

- **Live on a cash basis.**

Get used to buying with cash; there is a place for credit cards in your financial life, but for now, don't use them while you're getting used to living on a budget.

- **Get a handle on your situation.**

Sit down with your monthly bills, statements, checkbook register, and everything you have relating to your household finances. Look at your regular bills, when are they due each month? What do your utilities typically cost in a month? What do you spend every week at the grocery store?

We're going to advise you to thoroughly track your spending as you begin your budget, but it's helpful to have some idea of your household spending at the outset.

- **Relax.**

Take it one day at a time. You're not going to build the perfect budget right out of the gate. It will take some adjusting to get things right. So even if you bust your budget one week or break down and indulge in a spending spree at the mall, don't give up. If you fall off the horse, get back on and keep riding.



What is a Budget?

A spending plan (budget) is a plan to figure out where your money goes before you get it. Knowing where your money is going is the first key to financial security, and keeping a budget, which includes tracking your spending. This is the only way to really know where your money is going.

WHERE TO BEGIN WHEN CREATING YOUR BUDGET

There are two things everyone needs to know before you begin to budget:

1. How much you earn.
2. How much you spend.

Most people can tell you to the penny what they earn in a month. Our paychecks tend to look the same week after week.

However, very few can say with any certainty what they spend. In order to create a budget, one must do the work necessary to have a thorough knowledge of one's spending habits. Without a solid understanding of what one spends, no budget can hope to be accurate enough to be useful. We believe many budgets fail because not enough effort is put into tracking one's spending as part of the budgeting process.

You'll find budgeting sheets on the next few pages that will help you add up your living expenses and see where you stand. You'll need that information to make adjustments to your spending that will allow you to stay within your income.



Track Your Spending

We recommend that you track all of your spending for at least 90 days. It takes some work, but it's a good habit to get into and it's easier as you do it more and more. There are a variety of methods you can use to track your spending:

- Use the forms provided in this book
- Use a day planner or calendar
- Carry a small notebook
- Keep your receipts in a separate envelope for each day
- Use a smartphone app or software

Use whatever method works for you; the main objective is to track where your money is going. But remember, tracking will only work if you include every single expense. Every time you drop 75¢ in a vending machine, you have to make note of it.

This process may be tedious at first, and it may even get annoying, but stick with it. After a couple of weeks of tracking, our experience is that it gets much easier and becomes part of your routine. Eventually you'll be recording your spending automatically, like recording checks in your register or brushing your teeth every morning.

Here's a guarantee: if you track your spending faithfully, there will be some surprises. You'll learn that you are spending money in ways you never realized. Once you are armed with this information, you can construct a new, more effective budget.

DAILY TRACKING SHEETS

Use the tracking sheets on the following 3 pages to record all of your expenses each month. Use the daily tracking sheets on pages 10-11, then summarize the month on the page 9 form. Make copies of these pages as needed.



TRACKING SHEET FOR MONTHLY EXPENSES

Use this sheet to summarize your monthly expenses. Make copies of this page as needed.

Net Income		Income	Income	Income	Income	
Net Income		Per Week:				
Housing	Monthly Expense	Budget	Week 1	Week 2	Week 3	Week 4
	Mortgage/Rent					
	2nd Mortgage					
	Property Taxes/12					
	Homeowner's Insurance					
	Gas & Electric					
	Water/Sewer/Garbage					
	HOA Dues					
	Cell phone					
Food	Food: Dining Out					
	Groceries					
Insurance	Insurance					
Medical	Medical					
Auto	Car Payment					
	2nd Car Payment					
	Auto Insurance					
	DMV Registration/12					
	Gas/Oil					
	Repairs					
Family	Childcare					
	Alimony					
Taxes	Taxes					
Personal	Misc. (Cable TV/Streaming)					
	Personal (Cosmetics, clothes)					
	Entertainment					
	Gifts/Contributions					
Savings	Savings					
Totals	Total Expense					
	Total Income					
	Total Surplus					
	Total Deficit					



TRACKING SHEET FOR MONTHLY EXPENSES

Monthly tracking sheet

Date	Mortgage/ Rent	Property Taxes	Insurance	HOA	Gas/ Electric	Telephone /Cell	Water/ Sewer/ Trash	Groceries	Car Payment	2nd Car Payment
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
Total										



TRACKING SHEET FOR MONTHLY EXPENSES

Monthly tracking sheet

Date	DMV Registration	Auto Insurance	Gas/Oil	Day Care	Child Support	Taxes	Medical	Cable TV	Savings	Misc
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
Total										



Comparing Your Spending To National Averages

It's hard to say what is "normal" when it comes to spending. Looking at national averages, we can get some idea of what a typical household spends on various budget items.

Bear in mind that these figures are a few years old (as recent as government-provided statistics get) and that a "Household" equals 2.5 people. That may affect your budget numbers if your household is larger.

Food

We often find the trickiest expense to track is food spending. It takes more effort to track groceries, dining out, and other food spending than any other category of expenses.

Based on USDA figures, the average two-person household spends \$180 per week on food. Individual examples vary widely, of course; so, while \$90 per person is the national average, you could get by spending less; \$75 per week per person might be a worthy goal.

NOTE: Don't be tempted to create a budget using these national averages without tracking your own spending thoroughly. Odds are you have no idea what you're spending right now, so it will do you no good to guess what your food spending is and plug in \$75 as your weekly expense.

Once you do track your spending, then you can compare it to these averages. Based on what we learn from the USDA, if you find that you are spending more than \$90 per week per person on food, you're spending more than you have to, and you should be able to cut back and save some money.



Comparing Your Spending To National Averages

Housing

The average household spends \$24,298 per year on housing. This includes all utilities, household supplies, furnishings, and public services as well as the rent or house payment.

Breaking things down further, we see that the average annual expenditure on shelter is \$14,508, or \$1,209 per month. Utilities and public services average \$6,888 per year, or \$574 per month. The remaining \$2,902 per year spent by households covers housekeeping supplies, home furnishings, and other home operations.

As usual, don't just rely on these numbers for your own budget without thoroughly tracking your own expenses. If you find you are spending more than this for your own household expenses, you should look for ways to cut that spending.

Transportation

The average household has two cars, and spends \$12,295 per year on transportation. Car payments make up \$4,496, or roughly \$150 per month for each of the household's two cars. Gasoline costs the average household \$3,120 per year, or \$260 per month, though this figure is rocketing up with each passing year. Other expenses amount to \$4,679 per year. This may seem like a potential area to cut expenses, but we urge you not to cut back on necessary maintenance and regular oil changes. Putting off responsible maintenance sets you up for a bigger car repair bill down the road.



Comparing Your Spending To National Averages

Healthcare

The average household spends \$5,850 on health care per year, or \$487 per month.

Entertainment

A typical household spends \$3,458 per year on entertainment, or \$288 per month. This is an area where most of us could effectively cut back on our spending. You may not even notice a difference in your lifestyle if you make the right kind of spending cuts (renting movies instead of buying them, for example).

Clothing

Apparel expenses amount to \$1,945 for the typical household, or \$162 per month.

These averages can be a helpful guide to tell you whether your spending is way out of line, but they are not absolute. Your circumstances may vary from national averages, so you don't have to put too much stock in USDA statistics.



Building Your Emergency Savings Fund

Your first savings goal is crucial; build an emergency savings fund. Before you start setting aside money for any other purpose, strive to build a fund equal to at least three months' income. When that savings fund is in place, then you can think about other long-term savings goals to work toward.

And 3 months' income might not be enough. One of the primary purposes of the emergency savings fund is to replace income in the event of a future job loss. If you're going through a period of unemployment or reduced income, you know how important an emergency savings fund can be. Historically, we suggest saving 90 days' worth of funds, which will give you 3 months to search for a new job while living off of your savings. However, the median term of unemployment is currently 22 weeks*, so the average worker should plan for 5.5 months of unemployment while they search for a new job.

This means the wisest course of action for the typical consumer is to set aside six months' income in an emergency savings fund. People who are highly employable or are confident they can find new sources of income could get by with three months' income in their fund, but that's the absolute minimum.

How can the typical consumer set aside six months of income?

Set aside small amounts. If money is tight, set aside whatever you can, no matter how small. Develop the habit of saving, and increase the amount you save later when your financial situation improves.

Aggressive budget cuts. Temporarily cut out optional activities like dining out, vacations, movies, etc. Once you've built up some emergency savings, you can go back to living a more comfortable lifestyle.

Choose your savings vehicle wisely. Get a savings account that you can access in the event of an emergency, but nothing that is too convenient, so the money doesn't get spent on other things. Don't put savings in a risky investment; if you have a steady paycheck; see if your employer can take a regular deduction from your paycheck and put it straight into savings.



Building Your Emergency Savings Fund

Pay off credit card debts. Every credit card swipe puts you further into the financial negative. Work to pay down debts and save money on fees and interest.

Delay retirement savings. This is a last resort only, but if you have no emergency savings, you might consider not contributing to retirement for a few months while you put every extra cent you can toward savings. When your fund is established, resume your contributions to your retirement accounts.

Save extra cash. Any money that comes in that doesn't conform to your current budget—a new job with higher pay, a pay raise, a tax refund, a financial gift—should be put into savings. Don't treat unexpected income as a windfall that can be used frivolously.



Creating Your Budget

Three things you need to know before creating a budget:

Your budget should be developed based on three things: your income, your expenses, and your goals.

You've already seen the importance of tracking your expenses before creating a budget. The important thing to remember about assessing your income is that you must include every source of income you have, not just your primary job and its accompanying paycheck.

Use this chart to track all of your sources of income:

Monthly Income	Gross	Net
Source:		
Job		
Spouse's Job		
Part-Time Job		
Rental, Room & Board Received		
Commissions, Bonuses		
Tax Refund (annual amt divided by 12)		
Investment Income		
Government Benefits		
Unemployment Insurance		
Child Support/Alimony		
Support from Family/Friends		
Personal Loans Collected		
Garage/Yard Sales		
Other		
Total Monthly Income:		



Categorizing Expenses

After determining your total income, you need to calculate your expenses when creating a new budget.

We've shown you techniques for tracking your daily spending over the course of a month. Then you should break it into a few categories before making any decisions about future spending.

The two most important categories of expenses are **needs** and wants.

NECESSARY EXPENSES

Your necessary expenses are your **needs**. Some things are essential for your life, and there's simply no way to cut them out of your budget.

Many (but not all) of your utility bills are **needs**. Water, electricity, and gas are needs. Your rent or house payment is your most important need; that's the first bill you should pay every month.

DISCRETIONARY EXPENSES

These are your **wants**. Subscriptions, cable TV, designer shoes, and other discretionary expenses are fine things to want, but you could get by without them while working through a budget crisis.

Generally, we spend too much on **wants**. Sometimes we get confused and trick ourselves into thinking that they're really **needs**.

Some items can blur the line between want and need. Consider clothing. You definitely need to buy clothes, but maybe you don't need expensive suits. However, if you work in a job that requires you to dress your best, then yes, those nice clothes are a need.

The rule to bear in mind is this: **Anything that is necessary for you to earn a living is a need.**



Categorizing Expenses

When breaking down your spending, you'll have to be diligent about separating the necessary expenses from the discretionary. Even things you don't want to live without may end up on the discretionary column. That's okay; you're probably going to have to cut back on discretionary spending, but you won't have to cut everything. Spend some time ranking your wants, so when it comes time to trim something off of your budget, you won't cut the things you want most.

Ignore Television Commercials

All advertising is designed to persuade you that you need things that you really just want.

You may see the ads for a \$60,000 SUV or luxury car and think you need all the features these vehicles offer. You don't. You probably don't need anything fancier than a moderately priced used car.

Not All Needs Are Alike

We've just conceded that a car is a need for most people. But don't take that as a license to go overboard. You may need a car to get to work and pick up the kids from school. A station wagon or minivan would fit the bill. You don't need a sporty convertible or massive SUV.

The same is true for food. You need to eat, but you don't need to go out to a restaurant every week. You don't need a \$5.00 cup of coffee every morning on the way to work.

Look at your phone bill.

Can you cut back to a cheaper data plan, or lose unlimited texting?



Debt Repayment

After you divide your necessary from your discretionary expenses, you aren't done categorizing your spending. You should also separate out your monthly debt payments.

This usually takes the form of credit card bills, though auto loan repayments and personal loans would also count.

You may have borrowed money for wants or needs, but now your focus should be to pay off all of your debts. This will factor in your budgeting strategy.

Of course, we've already told you to stop incurring new debt and to live on a cash basis. This is essential to wiping out your debts.

Take each debt and figure out a monthly payment amount that will allow you to pay off your debts as quickly as possible. For your auto loans, this is your established car payment. For your credit cards, don't just send the minimum monthly payment; if you do, you'll be paying toward that debt for the next 30 years.

Start with a fixed term, say 4 years, as a goal to pay off those debts. Divide the total debt by the number of months in the term. For example, say you owe \$6,000 on a credit card. Over four years, or 48 months, you'd pay \$125 per month to wipe out the debt. If that amount is too large for your budget, you can adjust the payoff term to something longer, like 5 years. Then you'd only have to pay \$100 per month. Whatever you do, though, don't stretch out the payoff term so much that you're just making minimum payments.

And of course, if you can pay more, by all means do so. Make it your goal to get those debts paid off in 2 or 3 years if possible. In just a few years you can be debt free, and your ability to live on a budget and save for your goals will be improved immensely.

After you've determined your income and separated your expenses into the appropriate categories, it's time to turn to your goals.



Setting Goals

The purpose of creating a budget in the first place.

An essential part of achieving financial freedom is setting clear goals and employing some intelligent joint planning. You need to know what your financial goal is, and in what time period you hope to achieve your goal. It's suggested that the whole family be a part of it to make it successful!

A short-term goal should be accomplished within one year. Say you plan to take a vacation that will cost \$1,200 next year. You'll need to save \$100 per month to reach that goal in time.

A mid-range goal takes between 2 and 5 years to accomplish. Saving for a car might be a good mid-range goal.

Long-term goals take over 5 years to achieve. Saving for retirement, college, or to purchase a home are common long-term goals.



My Financial Goals

Write down your financial goals:

[illegible]

Goal Strategies

No one method works for everybody, and there's no way we can include every possible strategy here, but we can offer a few ideas about goal strategies that can help motivate you to succeed.

1. Competition

Some people can't cross the finish line unless there's someone there to race against. If that describes you, then think about applying it to your budgeting goals.

If you have a potential competitor in your household, like a spouse or roommate, maybe your goal can be "to pay off more debt than my husband this month" or "to put more in the emergency fund this week than my wife."

This can make the goal more immediate, and thus more motivational. It will also provide feelings of accomplishment more quickly.

Some competitive types find that the opponents that goad them the most are their creditors. "Bank of America can't get the best of me!" If this helps you get committed to sticking to your budget, that's great. (Just be sure you don't sound adversarial when talking to your creditors on the phone.)

2. Cooperation

This can be as strong as competition for some people. Having families, couples, or friends helping each other toward goals can be important.

You can take a goal like "saving \$300 to pay for a small vacation by July" into even smaller cooperation-based goals, like:

"We'll clip coupons together once a week."

"We'll clean out a closet together every weekend and find something to sell."

"We'll make all our Christmas presents together this year."

"We'll pick out movies from the library instead of going out."



Goal Strategies

Sharing goals can make them less of a burden, and working together can be more important than the goal itself.

Whether you're trying for competition or cooperation as a goal strategy, it can be useful to make goals public. You might put on social media that you're working on paying off your debts (without revealing the exact amounts, of course), and they may motivate you more, since your success or failure will be shared with your friends and family.

3. Attempts

This is a goal strategy often used by salespeople. Instead of focusing on the target, which may be out of your control, you focus on the attempt, which is within your control.

For example, a door-to-door salesperson might change the goal from "Sell 10 vacuum cleaners today" to "knock on 150 doors today and show this vacuum cleaner to at least 20 people."

Sometimes, no matter how good the sales pitch, they might not sell 10 machines. But the salesperson can still make the goal and know that they gave it all.

Similarly, budget goals can be broken down this way. Instead of "I'll spend only \$80 on food this month," you might say "I'll take my lunch to work every day this week."

The idea is to focus on the journey rather than the destination. If thousands of dollars in medical bills that seem too overwhelming, set a smaller goal, like, having an extra \$50 set aside by the end of the month.

Focusing on the details will train you to spend more wisely. People may not think buying generic brand trash bags will matter much against a 10-thousand-dollar mountain of debt, but it can matter against a \$20 weekly goal. Attempts goals teach you to sweat the small stuff.



Goal Strategies

4. Don't be too flexible

You'll often hear, with regard to goals, to "be flexible." That's not necessarily a good idea. To be really effective, objectives should be firm. The problem with leaving "something to fall back on" is that people often fall back on it. It's better to have a solid goal and fail by a smidgen than to get in the habit of letting yourself off the hook.

If you find that the goal is simply too ambitious, scrap it and create a new goal that is more realistic. But don't make it too squishy. Set a firm goal and strive for it.



Sample Monthly Budget

Now that you're more familiar with your income, expenses, and goals, it's time to propose a monthly budget:

Necessary Expenses	Current	Proposed
Housing Rent/Mortgage	1413	1413
Mortgage	1053	1053
Property Tax	120	12
Insurance	N/A	N/A
HOA Dues	0	0
Gas/Electricity	110	110
Water/Sewer/Trash	40	40
Cell	90	90
Food Groceries	453	250
Dining Out	303	150
At Work/School	150	100
Insurance Life	50	60
Health/Dental	50	50
Disability	0	10
Medical Care	290	180
Doctor	200	90
Optometrist/Lenses	0	0
Dental	0	0
Prescriptions	90	90
Counseling/Therapy	0	0
Transportation	910	955
Car Payment 1	325	325
Car Payment 2	275	275
Insurance	90	90
Gas/Oil	200	225
Repairs	0	20

Necessary Expenses	Current	Proposed
DMV/Smog	20	20
Tolls/Parking	0	0
Public Transportation	0	0
Child Care	175	175
Daycare/Sitting	0	0
Child Support/Alimony	175	175
Miscellaneous	80	50
Banking Fees	15	0
Laundry	0	0
Union Dues	0	0
Other	65	50
Income Taxes	75	150
Prior Year	75	75
Estimated Tax Payment	0	75
Savings	500	1000
Emergency	0	500
Goals	500	500
Total Expenses	\$4456	\$4683



Sample Monthly Budget (Cont.)

Discretionary Expenses	Current	Proposed
Personal	230	110
Beauty/Barber	40	15
Clothing/Jewelry	150	75
Cosmetics	40	20
Manicure/Other	0	0
Entertainment	620	160
Streaming Services	90	60
Movie/Video	0	0
Dining Out	305	100
Sport/Hobbies/Clubs	0	0
Vacations/Travel	150	0
Books/Magazines	50	0
Music/App Subscription	25	0

Discretionary Expenses	Current	Proposed
Miscellaneous	411	151
Pet Care/Vet	0	0
Gifts	120	60
Warranties/Service Plans	26	26
Postage & Shipping	0	0
Cigarettes/Alcohol	60	0
Donations/Tithing	125	125
Internet Access	80	40
Other	0	100
Total Discretionary Expenses	1261	521
Debt Payments		
Creditor Name:	Monthly Payments	
	\$80	
	\$120	
	\$240	
Total Debt Payments:	\$540	



Adding It All Up

Making sure you have a workable budget

Now it's time to put everything together and see whether your budget will work. Remember, your short, mid and long term goals should be included with your expenses on your budget.

First, determine your total monthly expenses:	
Total Necessary Expenses	
Total Discretionary Expenses	
Total Debt Payments	
Total Monthly Expenses	
Now let's see if your budget balances:	
Total Monthly Net Income	
Minus Total monthly Expenses	
Balance (+/-)	

Now, if your expenses exceed your income, you will have to work to find solutions if you are going to avoid falling deeper into debt. Credit counseling can help if you have high debt payments that are upsetting your budget. You may also tighten your belt in some areas to balance your finances.



Adding It All Up

Whatever you do, don't cut into the 10% you should be saving; you need to save up to three – six months' income to get through an emergency before you can start saving for anything else. If necessary, you can look at ways to cut your spending and increase your earnings to make ends meet. For now, you should reasonable, attainable goals; you can also push a goal's deadline back and give yourself more time to save money.

Re-evaluate your budget periodically, especially when your income or needs change. A budget is simply a guideline, a tool to help you save to buy the things you want. With smart money management and clearly defined goals, consumers can come to rely on credit cards less and less.

We're entitled to have the things we want; we just have to be prepared to budget intelligently and save to get them.



What Does Your Spending Look Like?

Below is a range that you can use to create your own budget. Please make sure to adjust your numbers to total 100%.

Spending Guide	% of Monthly Budget	What to Include
Housing	35% - 45%	Housing costs, mortgage, rent, property taxes, insurance, and utilities, can fluctuate based on location (urban, suburban, or rural). If expenses exceed 35-45% of income, consider alternative arrangements to allocate funds for essential budget items.
Monthly Installments	10% - 20%	Installments, credit card payments, personal & student loans, any other debt payments. If you are paying more than 20% of your income in unsecured loans, you may be in serious financial jeopardy.
Utilities	8% - 15%	Gas, electricity, water, trash, sewer and telephone (regular & cell). If you spend too much on utilities some actions you can take are consider switching phone providers, update to energy efficient appliances, utilized programmable thermostats, etc..
Food	10% - 20%	All food items, dining out, and pet food. On average, Americans spend 15% of their incomes on food. It's 5 times more expensive to dine out than to prepare meals yourself.
Auto & Transport	15% - 25%	Purchase or installment payments, gas & electric power, repairs, insurance, parking and public transportation. If you are exceeding the recommended 25% of your income for a vehicle, consider trading in for a more affordable option.
Medical	8% - 15%	Medical insurance premiums, prescriptions, doctor and dentist bills. Medical bills don't come along every month; however, consumers should save funds within the 8-15% range monthly for emergencies.
Clothing	3% - 5%	All clothing purchases, shoes & alterations. There are a number of options when it comes to clothing, keep an eye out for sales year round and shop at discount department stores versus luxury department stores.
Personal & Misc.	5% - 10%	Miscellaneous expenses, subscriptions, admissions, hobbies, postage, tobacco, cosmetics, haircuts, and cable. Chances are you spend far more than 10% in this category. Most of these are "wants" and not "needs" and can be greatly reduced.
Savings & Invest.	5% - 10%	It's crucial that you set aside this 10% of your earnings for your goals. You should not consider investing until you have significant savings (\$10,000 or more) in the bank.



Balancing That Budget

Money Saving Tips to help meet your goals.

Many of us will find that, given our current spending habits we aren't on the path to financial freedom. Preparing a budget was only half the battle. Now we have to stick to it.

Now is not the time to give up on tracking your spending; in fact, it's more important now than ever. Spend another 30-60 days tracking your spending with your new budget – see how well you've stuck to it, and where your budget has leaks.

We all have leaks in our budget, and tracking our spending at this point will help us identify and plug them. If you find your budget left out some essential needs, then you have to find room for them in your spending plan. If you find you're spending a lot of money that you didn't intend to, then you have to plug the leak.

The first thing to do when reducing unnecessary spending is to know the difference between a want and a need.

- Always ask yourself this question before you make a purchase:
“How did I get by so long without it?”

The answer to that question will tell you how much you really need the item.

- Be wary of advertising. Ads deliberately blur the line between want vs. need. We must become sophisticated enough to know the difference.
- Not all needs are alike. Think ahead. You probably need a car, and if you're planning to start a family, it will affect what kind of car you should get. Don't throw away money on that convertible today when you'll really need that minivan in a few years. Likewise, you may need a certain power tool for a project you're working on. But if you aren't likely to use that tool again, then it would be cheaper to rent it.

You should include your entire family in any budgeting process. If your children see how tough it is to make ends meet, they'll learn a valuable life lesson, and maybe even demand less of you financially. Put your kids on an allowance while you're at it; it will save you money on impulse purchases and teach them the value of earning money.



Budget Busters

We want to reiterate an essential lesson; continue tracking your spending after you create your new budget. Go back and re-read the previous page about budget leaks; you have to be constantly on the lookout for leaks so you can plug them quickly.

There are some budget busters that cause leaky budgets for all of us. Among the most common are food, entertainment and retail shopping.

Entertainment

People often spend more than they plan to on entertainment because of the impulsive nature of it. It's unlikely that you can predict every time the gang from work will invite you out for an evening of fun, so it's hard to have the money set aside. But that's what you have to do.

Think of creating a discretionary entertainment fund. Set aside money for entertainment without a specific plan for every dollar. The idea is to have enough to handle whatever unpredictable entertainment expense should pop up. Of course, you have to have some discipline, and when the fund for this month is spent, it's spent—you'll have to tell the gang at work that you can't join them this time. Maybe next month.

Another thing to consider is free entertainment. Read your local paper and look for free concerts and events. You may be surprised how often these kinds of events are offered.

Finally, there are the movies. They're the number-one entertainment outlet for Americans, and we spend a bundle on them. You can spend less on the cinema, though:

- Plan ahead. If you like the movies, make sure you set aside money in your budget to attend them. Don't let a trip to the movie theatre be an impulsive spending spree.



Budget Busters

- Beware of the snack bar. Just as when you go to the grocery store, don't go to the movies on an empty stomach. Theater owners make most of their money selling you sodas and popcorn, not selling you movie tickets. Not that this is a big revelation: Items at the snack bar are famously overpriced, and if you've ever been to the movies, you already know it.
- Discounts. See matinee shows and use coupons where you can.
- Find a reviewer you trust. Don't gamble your hard-earned money on going to a movie that might stink. Find a reviewer that you tend to agree with to help steer you away from the turkeys. Ask your friends and family as well.

Food

If you go over budget on food spending, chances are it's because you dine out too often. It is five times more expensive to dine out than it is to prepare meals for yourself. So, the first step to removing this budget buster is to cut back on going out to eat.

Later in this book, we'll offer some tips on reducing expenses when grocery shopping.

Retail Shopping

Many of the same strategies you use with grocery shopping can help you when you're looking for clothing and household supplies.

Here's an important fact. The most common type of overspending is paying too much for things. Not buying too much stuff, or even buying what you don't need. You're likely to simply pay too much.

Avoid this by comparison shopping and keeping an eye out for sales and promotions.

And another thing: if shopping is a form of entertainment for you, find a cheaper hobby. There's nothing wrong with window-shopping, but if spending money is your idea of a good time, you're going to have trouble making your budget work.



Increasing Income & Reducing Expenses

Increasing Income:

- If you are getting a tax refund each year, consider increasing the number of exemptions you are claiming on your W-4 form at work. This will give you more take-home-pay but be sure not to end up with end-of-year tax debt.
- Could you or your family member obtain part-time jobs to increase income? Work overtime or extra shift a few times a month?
- Can your house be sold for a profit? Be sure to consider any tax consequences from the sale of your property, the cost of new housing, and your family's stability and moving costs before deciding.
- Can merchandise or real estate be sold for a profit?
- Could you have a garage sale with all the unwanted treasures you have?
- Could you sell an auto and get by with one car, even temporarily?
- Can you borrow against cash values in insurance policies?
- Does your mortgage escrow account have a surplus? Call and ask.

Reducing Expenses for you and your home:

- Get a home energy audit every couple of years with your power company to find ways to cut costs.
- Check with your utility company for rebates whenever you install energy-saving equipment.
- Turn down your home thermostat by two degrees and save 24 kilowatt hours a month.
- Lower your hot water thermostat 10 degrees, but no lower than 120 degrees, you'll get the hot water and save 25 kilowatt hours a month.
- Fix leaky faucets—one drip per second is 20 kilowatts a month.
- Invest in weather stripping for drafty windows or doors.
- Close your fireplace damper when not in use.
- Is less-expensive housing possible? (consider all expenses of moving)



Increasing Income & Reducing Expenses

- Consider generic prescription drugs; ask your doctor if a true equivalent is available. Shop for prescriptions by calling and asking for prices. Also look into Wal-Mart/Sam's Club \$4 generic prescription drug program.
- Hang clothes out to dry. Wear clothes that do not require dry cleaning.
- Shop at garage sales for children's clothes. Shop the essential "white" sales. Shop on eBay.
- Personal care: find out where discount stores, beauty colleges, low-cost dry cleaning in your area. Use Dryel to dry clean at home.
- Can a relative or friend provide low-cost day care? You could form a "daycare pool" with other working parents to share daycare duties.
- Can you remove club membership dues and cut back on cost for newspapers, magazines & cable TV?
- It's suggested that you explain the situation with your children and get them to help with your efforts to economize. They can be a big help.

Reducing expenses for your phone:

- Review your telephone service costs. You can reduce them.
- Cancel all the extra charges, caller ID, voicemail, call forwarding, and three-way calling.
- If you've still got a land line and a cell phone, it's probably time to drop that landline and remove that monthly bill.

Reduce expenses for your transportation:

- Review insurance coverage (accidental death, collision on an old car). Are you over-insured?
- Can you "trade down" your present car for one that has lower monthly payments and will cost less to insure and operate? Also, can you reduce any extra mileage?
- Carpooling will help save costs on gas and maintenance.



Increasing Income & Reducing Expenses

Reducing Expenses when grocery shopping:

- Trim your food bill by as much as 19% simply by shopping at a couple of different stores.
- Don't "crisis cook." Shopping after work for the day's dinner gets expensive. Plan a weekly menu before shopping and watch your grocery bill shrink.
- Don't waste money on prepared foods. Instead, prepare meals ahead of time and freeze them, or double a recipe when cooking, and freeze the second for a hectic day coming up.
- Take the farmer's market approach: Buy produce that's fresh, inexpensive, and in season. With less middlemen involved, you get good buys, and your family gets the freshest food.
- The highest markup items on the shelves are at about chest level. Reach up or kneel to select the cheaper house or generic brands.
- A grocery store's main aisles, like the paths to milk and bread, are usually strewn with high-priced land mines. Avoiding those pricey areas will really help.
- Try to shop when you're alone. Those little helpers can quickly boost your bill.
- Shop early in the day. You get through the store faster with your list and spend less.
- Avoid shopping for food when you're hungry; you'll buy more.
- Don't grocery shop when you're tired, you'll buy more sweets, more high carbohydrates. When you're angry you go for crunch food, the junk food.
- Buy on the markdowns and save as much as 20 percent.
- Read your newspaper's weekly food section for local grocery sales and menu ideas. Sign up for emails from your grocery store to be alerted when sales happen.
- Clip coupons. You'll also find coupons in women's and general-interest magazines.
- Scout coupon swap-boxes, generally found at supermarkets, but also at some public libraries.
- Take advantage of in-store coupon displays and the machines that spew them.



Increasing Income & Reducing Expenses

- Log on to your supermarket's online home page for coupons.
- Call the toll-free numbers on your favorite products' labels and tell the customer-service rep how much you enjoy them. Some reps will offer a cents-off (or even a free) coupon for the product itself; if not, ask.
- Nab a newsie. Does your newspaper vendor just dump the inserts in unsold papers at the end of the day? If so, would he mind tossing a few your way?
- Check out the wealth of national brands coupon-offering services on the Web. They can save you money—even the ones that charge nominal fees.
- Find supermarkets that double—some stores even triple—the face value of manufacturers' coupons.
- Try for triple plays. That's when you use a manufacturer's coupon and a store's own coupon.
- Some retailers guarantee that if the item doesn't ring up at the correct price, you get it for free or at a discount. Pay attention to the details.
- Avoid purchasing nongrocery items, such as painkillers, contact lens solutions, etc., at a grocery store.
- Always get a rain check if a sale item is gone.
- Know when your store marks down goods that expire, like meat and bread. Use them that night or freeze them.
- Check your store for a small section where they discount products that aren't as popular as the manufacturer had hoped. This area can be a gold mine for bargains.
- Request price matching. Find a nearby store that will honor all competitors' ads. You'll save money, time, and gas.
- Beware of "discount store syndrome." Just because you're in a bargain store doesn't mean you're getting the best price on every item.
- Check your receipts. No matter how careful you or the store staff might be, mistakes happen.
- Always send in for the rebate on a purchase, whether it's \$2 or \$50. It all adds up.
- Put your savings to work. Whether it's a trip, a car, or a savings account, have some specific goals for the money you're not spending on food.



Shopping With Coupons

Coupons can be a valuable tool to help consumers save money at the grocery store. But coupon shoppers have to be careful; coupons can be advertising devices designed to get you to purchase high-priced name-brand items that are still more expensive than the brands you normally buy.

Why save coupons?

- Save money.
- Try new products at reduced prices or for free.
- Help yourself; help others, save for another day.
- To establish food and other products for your pantry or for someone else.
- As a source of extra income: you can use the funds for something else you need.
- If you save \$60.00 per week-you save \$240.00/month, or \$2,880.90 per year!
- To use to purchase gifts: for wedding, shower, get well, housewarming, etc.
- Store goods for emergencies.
- Help you prepare your menus: you will use sale items for your plans.

Where do you get your coupons?

- Wednesday and Sunday newspaper-(3x.35=\$1.05) (value: 3x \$80 in coupons= \$240.00-even half that savings is \$120.00).
- Sunday paper, except before holidays
- Grocery store coupons on flyers, mailer coupons, and coupons enclosed in products.
- Magazines
- Product Boxes

You can also find coupons online:

- Rakuten
- Upside



Shopping With Coupons

- Ibotta
- Coupons.com
- RetailMeNot
- Krazy Coupon Lady
- Savings.com

How to cut them out:

- Cut them in sets of three.
- When to cut them: when watching TV, when talking on the phone, at lunchtime, waiting at a doctor/dentist office...
- Have your child help – this teaches them the value of money.

How do you store your coupons?

- In a shoebox or plastic box.
- Use Velcro or expandable containers.
- Newspaper plastic sleeve.
- Envelopes.
- Sandwich bags.

How do you sort your coupons?

- Food and non-food items.
- By category. By dollar amount (amount you will save on the coupon).
- Sort them by product: pet food, cereals, dairy products, etc.
- “Have to buy”
- Sort coupons by aisle.



Shopping With Coupons

How do you shop with coupons?

- Determine what you can spend. Then limit yourself to that amount!
- Make a list from newspaper ads based on sale items.
- Watch for the coupons with of 40 cents or above (even for unadvertised items).
- Shop at stores that double coupons (some stores won't double more than \$1.00)
- Watch for special sales (triple coupons).
- Buy in threes: you are shopping for today, tomorrow, later.
- Get items free or almost free (Mary's rule)
- Buy smaller quantity containers (example: mustard, if you buy 8oz. @ 49 cents w/ 25 cents coupon = item is free. If you buy a 24 oz container @ \$1.50 w/ 25 cents coupon, you pay \$1.00).
- Use selective shopping:
- Use your favorite store.
- If it's a new store, learn the layout.
- Buy all dry goods in one visit.
- Buy all perishables in one visit.
- Don't shop when hungry.
- Write down what you are "paying" to keep a running total.
- Buy early in the day/lunch time/ or in the evening.
- Leave spouse or children at home unless they help!
- Don't visit during shopping; it clouds your mind.
- Keep coupons in a box in your car in case you see an unadvertised special.
- Get rain checks on all items advertised in mailer, newspaper if they are out.
- Buy rebate items separately- you need a receipt to mail in.



Shopping With Coupons

Special tips:

- If someone in your family wants a certain brand, save the container and re-use it with less expensive products.
- Watch for “buy one get free” sales.
- Save your receipts, so you can learn how much you are saving.
- Make goals for what you can do with your coupon savings (if your budget is very tight, this is one way to at least make ends meet!).
- Have a “coupon partner.”
- You can use food stamps with coupons.
- Observe store policies.
- Get to know your cashier & stock person (they will tell you about good buys).

Coupon shopping is a skill you can learn, and it will save you money for other things.



Shopping Smarter

Planning ahead can make all the difference when retail shopping. Use this calendar as a rough guide for when to find seasonal sales or discount items.

January	February	March	April
Watch For: Post holiday clearance sales Pre inventory sales White sales Martin Luther King Jr. Day sales Best buys: Winter clothing Coats Bedding, linens Holiday cards & gift wrap Swimwear	Watch For: President's Day sales Valentine's Day sales Best buys: China, silverware, glassware Rugs & floor coverings Audio & visual equipment Furniture & home furnishings House wares Used Cars Steaks and young turkeys	Watch For: Spring & Easter promos St. Patrick's Day sales Best buys: China & glassware Garden supplies Hardware & paint Rainwear Sunglasses Laundry equipment Fresh fish & spring greens Air Conditioners	Watch For: Spring & Easter promos Best buys: China & glassware Garden supplies Housecleaning supplies Housewares Air conditioners Laundry equipment Fresh fish & spring greens
May	June	July	August
Watch For: Mother's Day sales Memorial Day sales Best buys: Sportswear outdoor furniture Sporting goods Luggage Jewelry Auto accessories Dairy products & strawberries	Watch For: Father's Day sales Bridal & Graduation Best buys: Men's & boy's clothing Tools Linens & bedding Floor coverings Lingerie & hosiery Sleepwear Women's shoes House hunting Asparagus & cheese	Watch For: Independence Day sales Best buys: Swimsuits & beachwear Garden supplies Refrigerator & freezers Sportswear & equipment Fabric Bedding Rugs Furniture Fresh garden vegetables	Watch For: Summer clearance sales Back to school sales Best buys: Appliances Sports equipment Garden furniture August white sales Office & school supplies Fresh vegetables & fruits
September	October	November	December
Watch For: Back to school sales Best buys: Car clearances Fall fashion Housewares China & glassware Children's shoes Auto batteries Radios Hunting gear Eggplant, Squash, Cabbage & Apples	Watch For: Columbus Day sales Best buys: Major appliances Furnaces Furniture Hosiery Rugs & carpets Fall/Winter sportswear Apples, potatoes, pumpkins & onions	Watch For: Thanksgiving & "Black Friday" sales Veteran's Day sales Best buys: Home improvement supplies Shoes Blankets Bulbs, trees & shrubs White goods Christmas gifts & toys	Watch For: Christmas gift & toy promotions Post Christmas sales Best buys: Used cars Women's holiday dresses Resort & cruise wear Coats Children's wear Citrus fruits



Serious Spending Issues

We hear a lot of talk in the media about “compulsive shopping.” The fact is most shopping is impulsive, not compulsive.

Impulsive shopping is when you see something and just suddenly want it. This isn't something you planned or budgeted for.

This includes the gift impulse. People with children, or nieces, nephews, or other new babies in the family often fall prey to this. They may not have any unnecessary items in the house, but they overlook all the gifts they've bought on impulse that are sitting in someone else's toy chest.

Most of us are victims of impulsive shopping from time to time. Compulsive shopping is a different matter entirely.

Compulsive shoppers have a serious problem. They can't stop. They buy things they don't need or really want. Their spending is an attempt to reduce anxiety or depression and is symptomatic of deeper psychological issues.

10 Signs of compulsive shopping

1. Shopping to relieve anger or depression.
2. Spending disrupts normal life.
3. Conflict with loved ones erupts over shopping.
4. Lying to family and friends about shopping.
5. Feelings of elation when shopping.
6. Often taking cash from others and putting their purchases on your own credit card.
7. Shopping feels like doing something forbidden.



Serious Spending Issues

8. Guilt or shame after shopping.
9. Purchases that are never unwrapped or used.
10. Purchasing things on credit for which one wouldn't spend cash.

If you have experienced several of these symptoms, you may need professional help. Seek the services of a licensed therapist or consider joining 12-step group (like Debtors Anonymous). True compulsive shopping is not to be taken lightly; even constructing an effective budget can contribute to the problem by freeing up more money to spend at the mall. Compulsive shoppers should get psychological help.



Your Credit Report

Know what's on it and check it often.

Your credit report has become increasingly essential to many areas of your life. The most important things you do, buying a home, buying a car, getting a new job, going to college – almost always involve someone reviewing your credit.

Your credit report contains information on where you work and live, the credit accounts that have been opened in your name, how you pay your bills, and whether you've been sued, arrested or filed for bankruptcy.

Every consumer should check their credit reports on a regular basis; there may be mistakes on it that can wreak havoc on a person's finances.

The FACT Act of 2003 mandated that the three major national credit-reporting bureaus establish a website, a toll-free number, and a mail address for consumers to ask for a credit report for free every year:

*You may also purchase your score at this website for a small fee.

1. Go to the website, www.annualcreditreport.com. **MAKE SURE** you type the address correctly, or you may end up at an imposter site set up by identity thieves.

- a. Type the exact address of the free report site, **INCLUDING** the www (that is, type www.annualcreditreport.com).*
- b. Verify that you are immediately redirected to the secure page: <https://www.annualcreditreport.com/cra/index.jsp> is the redirect address.
- c. Verify that the security lock is present in your browser.
- d. On the data entry page (the first page you visit after you tell the site what state you live in), verify that a “VeriSign security” symbol is present near the top-right of the page. Click on the certificate to make sure that it is indeed the certificate for www.annualcreditreport.com.



Your Credit Report

2. Call by phone: 877-322-8228.

3. To submit a request by mail, download the Annual Credit Report Request Form located at www.annualcreditreport.com/cra/requestformfinal.pdf and mail it to:

Annual Credit Report Request Service

P.O. Box 105281

Atlanta, GA 30348-5281

(Keep in mind that the location of the form or file name may change.) Do not contact the credit reporting bureau directly, as this is the only method to receive a free credit report.



Getting Your Report

In addition to your free annual credit reports, you are also entitled to a free copy of your credit report if any of the following applies to you:

1. If you've been denied credit, insurance, a loan, or a job because of what your credit report says – You must ask for this credit report within 60 days of learning you've been denied. (You should receive an Adverse Action Notice, which entitles you to a free credit report plus score).
2. If you are unemployed. If you're currently out of work, you can get a credit report for free within 60 days before you start looking for a job. Contact the credit bureaus and let them know you're going to begin job hunting and you'd like a credit report free under the Fair Credit Reporting Act.
3. If you are on public assistance, with proof of public assistance benefits.
4. If you believe yourself to be a victim of identity theft. You can receive your credit report free if you've been a victim of identity theft and have inaccurate information on your credit report. By contacting one of the three credit bureaus and placing a fraud alert, you automatically receive a free credit report from all three credit bureaus.
5. If you receive less favorable terms than originally offered. The common practice of giving less favorable credit terms to higher-risk consumers is known as risk-based pricing. When a lender decides to extend credit to you based on your credit score and/or credit report, they must send you a notice—either a Risk-Based Pricing (RBP) notice or Credit Score Disclosure (CSD) notice—when the credit terms you received are less favorable than those offered to other consumers.

Equifax – www.equifax.com

To request your report call: 800-685-1111

Or write to: P.O. Box 740241, Atlanta, GA 30374-0241

To report fraud, call: 800-525-6285

AND write to: P.O. Box 740241, Atlanta, GA 30374-0241



Getting Your Report

If you are hearing impaired (TDD), call: 800-255-0056 and ask the operator to call 1-800-685-1111.

Experian – www.experian.com

To request your report, call: 800-EXPERIAN (800-397-3742)

Or write to: P.O. Box 2002, Allen, TX 75013

To report fraud, call: 888-Experian (888-397-3742)

AND write to: P.O. Box 9530, Allen, TX 75013

TDD: 1-800-553-7803

TransUnion – www.transunion.com

To request your report, call: 800-888-4213

or write to: P.O. Box 1000, Chester, PA 19022

To report fraud, call 800-680-7289

AND write to: Fraud Victim Assistance Division,
P.O. Box 6790, Fullerton, CA 92634

TDD: 1-877-553-7803



Budgeting Apps

You've got a smartphone—use it!

We mentioned a lot of tracking and budgeting methods earlier, but you may already have a tool in your pocket that can make the task easier.

Whatever kind of smartphone or tablet you have, search their App Store for budgeting and money management apps that can help you track your spending.

You may find there are too many choices online, so look for reviews from people who have tested the apps to find the one that will work best for you. Remember, it doesn't matter how you track spending or create a budget, as long as you do so.

You may not need to purchase a specialized app at all. You could use the phone's Notes app to track spending or use the Calendar app to punch in every-day spending. If tracking every cent seems tedious, that's good; the point is to make you aware of every cent you spend and make you think twice before buying.

As technology improves in point-of-sale machines, you will see more options for things like emailed receipts. Always say yes to this kind of email! It will make it much easier to go back and review your spending, prepare your taxes, etc. If you're wary of spam, create a new free email account just for receipts.

**Look for free financial
calculators online at
www.credit.org**



The Power of Paycheck Planning

Credit.org

1825 Chicago Avenue
Suite 240
Riverside, CA 92507

PO Box 5438
Riverside, CA 92517-5438

1-800-WISE-PLAN (800.947.3752)

www.credit.org

