

Creating Your Financial Plan

Chapter 3 helps you create a spending and savings plan.

In Chapter 2 you set your goal and estimated how much you need to save each month and for how long to achieve your goal. The next step is creating your budget. In this chapter, you'll learn how to track your income and expenditures and how to use this information to create a financial plan for the future.



What's a Budget?

Budget-a tool for managing your income and expenditures to achieve your goals.

A **budget**, sometimes called a "spending plan", is a tool for managing your income and expenditures to achieve your goals. Budgets identify both expected income, such as earnings from a job, as well as expected expenditures, such as the money that you spend on rent and food. By tracking the money that you expect to "come in" as well as what you expect to "go out," you'll be able to plan for how you will save to achieve your goal.

Creating Your Budget

Creating a budget to achieve your goal takes five steps.

1. First, you need to **understand your current money** habits by tracking how much you currently earn and how much you currently spend each month.
2. **Compare how much you currently save each month with the monthly savings goal** that you determined in Chapter 2.
3. If you currently are not saving enough to meet your goal, you need to **make adjustments to your income and spending habits**.
4. Because maintaining your savings goal will cost you money, you need to **figure out how you will budget your money once you have achieved your goal**.
5. Finally, if you find that you cannot save enough to purchase or maintain your goal, you **may need to adjust that goal** and go through these steps again.

Step 1. What Are Your Money Habits Now?

Before you can determine how much money you can save, you need to know how much you make and how much you spend. Therefore, the best way to begin a budget for the future is to track your current income and spending habits.



Tracking Income

Income—money that you have “coming in,” such as earnings from a job or public assistance.

Earnings—money you earn from working.

Tracking your **income** is easy. Just keep track of all the money that you have “coming in” from sources such as:

- **Take-Home Pay– Earnings** refer to how much money you earn from working. However, if you have a job, you know that the amount that you earn is not the same as the amount that you take home. For example, if you earn \$7.00 per hour and work for 40 hours each week, you are earning \$280 per week. However, of that \$280, you may take home only about \$230. That’s because your employer deducts money from your paycheck for things like taxes and insurance. While your earnings are equal to \$280, your net earnings, or “take-home pay” is equal to \$230. Below is a sample pay stub, followed by an explanation of the deductions that were taken by Elena’s employer.

SAMPLE PAY STUB

EMPLOYEE: ELENA JOHNSON		
SSN: 123-45-6789		
Pay Period: 1/01/04 – 1/15/04		
Income		Deductions
Gross Income:	\$280.00	Federal Withholding: \$ 19.00
		State Withholding: \$ 9.50
		FICA: \$ 21.50
		<hr/>
		Total deductions: \$ 50.00
		Net Income: \$230.00

Federal and State Income Taxes

Social Security and Medicare Taxes

Gross Income minus Total Deductions



Your pay stub contains a lot of information, including:

Social Security Number—A social security number is a unique number given to each individual by the government—no two people have the same social security number. This number is used so that the government can keep track of your taxes. It is also used by banks, credit card companies, and other entities that need to verify who you are. Without a social security number, it will be difficult, if not impossible, to get a job, open a bank account, or get a loan. But, be careful who you give your number to—identity theft is becoming increasingly common and often depends on the perpetrators accessing your social security number. If you don't currently know what your social security number is or don't have a Social Security Card, contact the Social Security Administration in your area directly.

Pay Period—The Pay Period on your pay stub refers to the dates for which you are being paid. Keep in mind that there is often a lag of a week or two in between when you work and when you get paid for that work.



Gross Income—Your gross income is the money that you have earned before any deductions are taken from your paycheck.

Deductions—items that are subtracted from your earnings by your employer.

Deductions—Deductions are those items that your employer subtracts from your gross income. They include:

- **Federal Income Tax**—The federal government costs a lot of money to run. The federal government's expenses range from maintaining the military to building roads. One of the ways the government covers these expenses is through the collection of taxes on personal income. This is called the Federal Income Tax.
- **State Income Tax**—As is true with the federal government, state governments have a lot of expenses. Therefore, in addition to the

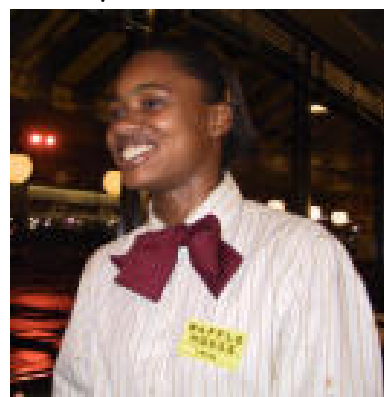


federal income tax, most states collect a separate income tax from their residents.

- **FICA**—FICA stands for the “Federal Insurance Contributions Act.” This tax pays for both Social Security, which includes retirement and disability benefits, and Medicare, which covers health insurance for senior citizens and for the disabled. In total, the FICA tax is equal to 15.3% of each worker’s gross income. This tax is split evenly between employers and employees, with workers paying 7.65% of their earnings into FICA (which is deducted from their paychecks) and employers contributing the other 7.65% for each employee.

Other deductions—In addition to the above deductions, which will be taken out of everyone’s paycheck, there may be additional deductions, including:

- **Insurance**—If your employer provides health insurance, you may be required to pay a portion of the premium. If this is the case, it will likely be automatically deducted from your paycheck.
- **Employer Retirement Plan**—Some employers sponsor retirement plans for their employees. This is a great way to save for retirement because you don’t have to pay income taxes on the money you put into the plan (until you withdraw it when you retire). Also, your employer may match some of your contributions into the account (sometimes called a 401(k) or a 403(b)). If you choose to save some of your earnings in this type of account, it may be automatically deducted from your paycheck.
- **Medical Savings Account**—The government allows workers to save pre-tax money for medical expenses they expect to have over the next year. You can decide how much money you want to save for such expenses each year and your employer will deduct it from your



paycheck. Then, when you incur those expenses, your employer will reimburse you from this account. This is a great way to pay for anticipated medical expenses, because you avoid paying taxes on that money. Eligible expenses include eyeglasses, prescriptions, and doctor's visits. However, if you don't spend all of the money that you save, you will not get it back. Because of this "use-it-or-lose-it" stipulation, be conservative about how much you save.

Net Income—Your net income is the amount you earned minus all of the deductions. This is your "take-home pay."

Other forms of income—In addition to your take-home pay from a job, you may receive other forms of income, such as:

- Tips;
- Child support;
- Social Security or Supplemental Security Income;
- Public assistance;
- Financial subsidies (e.g. food stamps, Section 8 vouchers);
- Interest on investments;
- Gifts;
- Scholarships or student loans; and
- Chafee Funds, Independent Living, etc.



Tracking Expenditures

Expenditures—those things that you have to pay for at any given time.

In addition to tracking your income, to create a budget, you need to track how you spend your money, or your "expenditures." Monthly expenditures include everything that you pay for over the course of the month. When tracking expenditures, it helps to divide them into two categories: essential and non-essential. Examples of **essential** expenditures include things like:

- Rent;
- Groceries;
- Essential Clothing (such as the purchase or cleaning of work or school uniform);
- Household cleaning supplies; detergent; laundromat expenses;
- Child care costs;
- Child support payments;
- Personal care (toothpaste, shampoo, etc.);
- Utilities (water, gas, electricity, telephone service);
- Transportation (bus/train fare, gas);
- Health Insurance (if not provided through Medicaid or by your employer);
- School supplies; and
- Unexpected essential expenses (such as car repairs, medical and dental expenses).



Examples of **nonessential** expenditures include:

- Entertainment (movies, concerts);
- Eating out (take-out food/ restaurants);
- Pet expenses;
- Gifts for others;
- Contributions to faith-based organizations;
- Vacation travel;
- Other (such as nonessential clothing, CDs, DVDs, cell phone service).



Working Through a Budget with Elena: Moving to an Apartment

Elena works 20 hours per week at a hotel near her group home. In addition, she's taking classes to earn her GED. She takes the bus to get to work and to school and has health insurance through Medicaid. Elena doesn't have a checking account, so she has to use a local check casher when she gets her paycheck. On the next page, Elena tracks her income and expenditures to see if she is saving enough to meet her goal. Remember, in Chapter 2 Elena figured out that she needs to save \$50 each month to rent a \$400 apartment in one year.

Now it's your turn. Based on your situation, estimate your current income and expenditures in Worksheet 1. If you don't know the exact amount of some of the items on the worksheet, that's okay—use your best guess for now. You can always go back and update them later.



ELENA'S CURRENT MONEY HABITS: INCOME AND SPENDING LAST MONTH	
	Amount
MONTHLY INCOME	
Take-home pay	\$375
Other income	\$0
TOTAL MONTHLY INCOME	\$375
MONTHLY EXPENDITURES	
Essentials	
Rent	\$0
Utilities (water, electricity, gas, phone)	\$0
Groceries	\$0
Personal Care (e.g. deodorant, shampoo, etc)	\$50
Essential clothing (including cleaning work uniform)	\$50
Transportation	\$75
School Supplies	\$20
Health Insurance Premium (Medicaid)	\$0
Finance Charges at Check Casher	\$20
Unexpected essential expenses (medical and dental expenses, etc.)	\$50
Total Essential Expenditures	\$265
Non-Essentials	
Entertainment	\$25
Eating out	\$50
Other	\$35
Total Non-Essential Expenditures	\$110
TOTAL MONTHLY EXPENDITURES (TOTAL ESSENTIAL EXPENSES + TOTAL NON-ESSENTIAL EXPENSES)	\$375
CURRENT MONTHLY SAVINGS (TOTAL MONTHLY INCOME - TOTAL MONTHLY EXPENDITURES)	\$0



Worksheet 1. Tracking your current money habits: income and spending

MY CURRENT MONEY HABITS: INCOME AND SPENDING LAST MONTH	
	Amount
MONTHLY INCOME	
Take-home pay	
Other income	
<i>TOTAL MONTHLY INCOME</i>	
MONTHLY EXPENDITURES	
Essentials	
Rent	
Utilities (water, electricity, gas, phone)	
Groceries	
Personal Care (e.g. deodorant, shampoo, etc)	
Essential Clothing	
Transportation	
School Supplies	
Health Insurance Premium	
Finance Charges/Fees (Check Cashers)	
Unexpected essential expenses (e.g., car repairs, health/dental)	
Other (e.g. child support, child care, etc)	
<i>Total Essential Expenditures</i>	
Non-Essentials	
Entertainment (movies, cable TV, etc)	
Eating out	
Other	
<i>Total Non-Essential Expenditures</i>	
<i>TOTAL MONTHLY EXPENDITURES</i> (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)	
CURRENT MONTHLY SAVINGS (TOTAL MONTHLY INCOME - TOTAL MONTHLY EXPENDITURES)	



Step 2. Are You Saving Enough to Achieve Your Savings Goal?

After completing Worksheet 1, take a look at how much you have available to save each month. Is it higher or lower than the monthly savings that you calculated you needed to achieve your goal in Chapter 2? If it's higher, consider saving more - you'll be able to achieve your goal faster! If it's lower, you need to move on to Step 3 to make adjustments in your plan.

IS ELENA SAVING ENOUGH?

Based on tracking of last month's money habits, Elena has an income of \$375 and spent \$375. Therefore, she saved \$0. In Chapter 2, Elena calculated that she needs to save \$50 each month in order to achieve her savings goal in one year. Therefore, if Elena is going to achieve her goal of renting a \$400 apartment within the timeframe of one year, she needs to save an additional \$50 each month.

MONTHLY SAVINGS NEEDED FOR ELENA'S GOAL	\$50
ELENA'S CURRENT MONTHLY SAVINGS	\$0
NEEDED SAVINGS - CURRENT SAVINGS	$\$50 - \$0 = \$50$

Use Worksheet 2 to figure out if you're saving enough. Based on the work you did in Chapter 2, how much do you need to save each month to meet your goal? How much are you currently saving? How much do you need to increase your monthly savings to achieve your goal?



Worksheet 2. Are you saving enough to achieve your goal?

MONTHLY SAVINGS NEEDED FOR MY GOAL	
CURRENT MONTHLY SAVINGS	
NEEDED SAVINGS - CURRENT SAVINGS	



Step 3. Making Adjustments to Your Budget

Can You Increase Your Monthly Savings?

If you are not saving enough money each month to achieve your goal, look into ways to increase your monthly savings. Examples of ways to increase your savings include:¹



- **Working More** – Is it possible for you to make extra money by working more hours at your current job or taking on a second job for a few hours a week? If so, consider dedicating all or most of your earnings from this extra work to your savings. Even a few hours a week of yard work for a neighbor or babysitting for a friend can result in significant savings in the long run.
- **Spending Less** – Most people find that they spend a lot of money over the course of a year on small things, like fast food lunches. If you spend \$5 on fast food lunches every day, but could make lunch yourself for \$3, over the course of a year you could save more than \$700. If you put this money into your savings, you would have an extra \$700 plus interest to put towards your goal! Evaluate your spending habits and find ways to save a little money each day—it can add up to a lot of money over time.

¹The following is adapted from Finding Paths to Prosperity, a publication of The Corporation for Enterprise Development, the National Endowment for Financial Education, and the Fannie Mae Foundation.

Ways to Cut Down on Your Expenses Include:

Learn the difference between needs and wants – As you learned in Chapter 1, needs are things you must have to live. Food, water, clothing, health care and housing are examples of needs. Wants are those things that you desire, but which are not necessary to your health or wellbeing. Examples of wants are movie tickets or new CDs. Consider holding off on buying things that you don't need and saving that money instead.

Compare prices – When purchasing a new item or service, compare the prices of at least three products (for example, sneakers) or services (such as car repair) before making a spending decision. That way, you have a sense of whether you are getting a good deal. Also, try buying store brands of food and other groceries. Many supermarkets make their own line of foods and other products. These generic products, while often identical to those of national brands, are usually cheaper. Examples of products for which there may be store brands include: cereals, soups, canned or frozen vegetables, and paper goods, such as napkins and paper towels.

Plug "Money Leaks" – Did you ever notice that a lot of your money just "disappears"? This is because we all spend a little money here and there without realizing it—the problem is, after a while, a little money here and there adds up to a lot of money. By "plugging" these money leaks, you can have a substantial impact on your ability to save. For example, try to avoid eating out. Even fast food and carry-out, while generally cheaper than sit-down restaurants, are more expensive (and less nutritional) than food you can make yourself. By cooking for yourself when you're home and bringing brown-bag lunches when you're going to be out, you can spend less and be healthier!



Evaluating Possible Changes to Elena's Current Money Habits



Elena knows that she needs to find a way to save more money each month if she's going to meet her savings goal. In the table on the next page, she goes through each item from last month to look for ways to increase her income and decrease her spending.

Elena doesn't think that she can increase her income right now--she can't work longer hours because of her classes and, since she just started her job, she can't expect a raise any time soon. In addition, she has many fixed costs each month that she cannot change, such as transportation costs and school supplies. Furthermore, though her unexpected essential expenditures (for things such as medical and dental expenses, etc.) will change from month to month, she recognizes she needs to budget \$50 for such costs.

However, Elena has identified other ways to spend less. She estimates that if she opens a checking account at a local bank, she can avoid the \$20 in fees at check cashers. Furthermore, if she arranges to have her paycheck directly deposited into her new account, she won't have to pay any monthly fees at the bank.

PARTICIPANT WORKBOOK

ELENA'S MONEY HABITS: POSSIBLE WAYS TO INCREASE MONTHLY SAVINGS		
	Amount	Possible Changes?
MONTHLY INCOME		
Take-home pay	\$375	No
Other income	\$0	No
TOTAL MONTHLY INCOME	\$375	No
MONTHLY EXPENDITURES		
Essentials		
Rent	\$0	No
Utilities	\$0	No
Groceries	\$0	No
Personal Care	\$50	No
Essential Clothing	\$50	No
Transportation	\$75	No
School Supplies	\$20	No
Health Insurance Premium	\$0	No
Finance Charges at Check Casher	\$20	Open Checking Account- Save \$20 each month
Unexpected essential expenses	\$50	No
Total Essential Expenditures	\$265	Possible Savings of \$20
Non-Essentials		
Entertainment	\$25	Give up 2 movies each month (\$10 each for total savings of \$20)
Eating out	\$50	Give up drinks from coffee shop (\$1.50 each, 10 times each month for a savings of \$15)
Other	\$35	Give up getting a manicure (\$20) and buying one CD (\$15 each) each month for a savings of \$35
Total Non-Essential Expenditures	\$110	Possible Savings of \$70
TOTAL MONTHLY EXPENDITURES	\$375	Total Possible Savings of \$90
CURRENT MONTHLY SAVINGS	\$0	



In addition, Elena finds she can save on her non-essential expenditures each month. By giving up two movies each month, avoiding buying drinks from the local coffee shop, and eliminating her manicure and the purchase of CDs, she can save an additional \$70 each month, for a total savings of \$90.

Since she only needs to save \$50 each month to meet her savings goal, she doesn't have to make all of these changes- she can choose which of the possible savings opportunities to put into action by setting priorities. For example, Elena may decide that opening a checking account is a great way to save \$20 with very little sacrifice. In addition, she may decide that she doesn't need to buy a CD each month, saving \$15. She decides she still wants to get a monthly manicure, though. Finally, she will drink coffee at home, rather than buying it from the coffee shop, saving \$15. With these changes, Elena will save \$50 each month and will be able to achieve her savings goal.

Now it's your turn. In Worksheet 3, analyze each income source and expenditure item for ways to enhance your savings.

PARTICIPANT WORKBOOK

ELENA'S ADJUSTED MONTHLY BUDGET		
	Amount	Changes
MONTHLY INCOME		
Take-home pay	\$375	No
Other income	\$0	No
TOTAL MONTHLY INCOME	\$375	No
MONTHLY EXPENDITURES		
Essentials		
Rent	\$0	No
Utilities	\$0	No
Groceries	\$0	No
Personal Care	\$50	No
Essential Clothing	\$50	No
Transportation	\$75	No
School Supplies	\$20	No
Health Insurance Premium	\$0	No
Finance Charges at Check Casher	\$20 - \$20 = \$0	Open Checking Account- Save \$20 each month
Unexpected essential expenses	\$50	No
Total Essential Expenditures	\$245	Decrease of \$20
Non-Essentials		
Entertainment	\$25	No
Eating out	\$50 - \$15 = \$35	Give up drinks from coffee shop (\$1.50 each, 10 times each month for a savings of \$15)
Other	\$35 - \$15 = \$20	Give up buying one CD (savings of \$15)
Total Non-Essential Expenditures	\$80	Decrease of \$30
TOTAL MONTHLY EXPENDITURES	\$325	Decrease of \$50 (\$20 + \$30)
CURRENT MONTHLY SAVINGS	\$50	Increase in Savings of \$50



WORKSHEET 3: Can I Save More?

MY MONEY HABITS: POSSIBLE WAYS TO INCREASE MONTHLY SAVINGS		
	Amount	Possible Changes
MONTHLY INCOME		
Take-home pay		
Other income		
TOTAL MONTHLY INCOME		
MONTHLY EXPENDITURES		
Essentials		
Rent		
Utilities (water, electricity, gas, phone)		
Groceries		
Personal Care		
Essential Clothing		
Transportation		
School Supplies		
Health Insurance Premium		
Finance Charges/Fees (Check Cashers)		
Unexpected essential expenses		
Other		
Total Essential Expenditures		
Non-Essentials		
Entertainment (movies, cable, etc)		
Eating out		
Other		
Total Non-Essential Expenditures		
TOTAL MONTHLY EXPENDITURES (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)		
CURRENT MONTHLY SAVINGS (TOTAL INCOME - TOTAL EXPENDITURES)		



Step 4. Budgeting to Maintain your Savings Goal

Maintaining your savings goal once you have it will cost money. For example, keeping an apartment requires monthly payments of rent, utilities and renter's insurance. Owning a car requires paying for parking, maintenance, and gas. So, now that you know how you are going to save enough money each month to purchase your goal, you need to figure out how you are going to budget for that asset once you have it!

Right now, Elena doesn't pay for groceries, rent, utilities, renter's insurance, household cleaning supplies or laundry. Therefore, she realizes that, in order to keep a \$400 per month apartment, she will have to earn much more money than she does now. In addition, she wants to continue saving money even after she gets the apartment. Fortunately, a year from now when Elena rents the apartment, she'll have her GED, which will enable her to work more hours for a higher wage. In the table below, Elena plans out how she will change her money habits once she has her apartment.

**ELENA'S MONEY HABITS:
MONTHLY BUDGET TO MAINTAIN GOAL**

	Amount	Changes
MONTHLY INCOME		
Take-home pay	\$1098	Will work more and at a higher wage
Other income	\$2	Will earn interest on savings
TOTAL MONTHLY INCOME	\$1100	Will Increase by \$725
MONTHLY EXPENDITURES		
Essentials		
Rent	\$400	Will increase by \$400
Utilities	\$50	Will increase by \$50
Renter's Insurance	\$0	Will have paid for one year when apartment is rented
Groceries	\$150	Will increase by \$150
Personal Care	\$75	Will increase by \$25 (will need household items)
Essential Clothing	\$70	Will increase by \$20 (will need more work clothes and will go to laundromat)
Transportation	\$75	No
School Supplies	\$0	GED will be completed (will save \$20)
Health Care Premium	\$100	Will increase by \$100
Finance Charges at Check Casher	\$0	No
Unexpected essential expenses	\$50	No
Total Essential Expenditures	\$970	Will Increase by \$725
Non-Essentials		
Entertainment	\$25	No
Eating out	\$35	No
Other	\$20	No
Total Non-Essential Expenditures	\$80	No Increase
TOTAL MONTHLY EXPENDITURES	\$1050	Total Will Increase by \$725
CURRENT MONTHLY SAVINGS	\$1100- \$1050 = \$50	Will continue to save \$50 each month



Elena's employer told her that once she has a GED, she can earn \$8 per hour. Furthermore, she'll be able to work 40 hours per week since she won't have classes. Based on this, Elena estimates that her take-home pay will be \$1098 each month. Including the \$2 interest on her savings that she will earn each month, her monthly net income will be \$1100, an increase of \$725 from her current monthly income.

However, with an apartment Elena's essential expenses are going to go up a lot as well. Rent, utilities, groceries and other essential expenses will total \$970, an increase of \$725 from her current essential expenses. Since the increase in essential expenses will be the same as her increase in income, her nonessential expenses will have to stay the same if she wants to continue to save \$50 each month.

WORKSHEET 4: Will I Be Able To Maintain My Savings Goal?

MY MONEY HABITS: MAINTAINING MY IDA ASSET		
	Amount	Possible Changes
MONTHLY INCOME		
Take-home pay		
Other income		
TOTAL MONTHLY INCOME		
MONTHLY EXPENDITURES		
Essentials		
Rent		
Utilities (water, electricity, gas, phone)		
Groceries		
Personal Care (e.g. deodorant, shampoo, etc)		
Essential Clothing		
Transportation		
School Supplies		
Health Insurance Premium		
Finance Charges/Fees (Check Cashers)		
Unexpected essential expenses		
Other (e.g. child support, child care, etc)		
Total Essential Expenditures		
Non-Essentials		
Entertainment (movies, cable TV, etc)		
Eating out		
Other		
Total Non-Essential Expenditures		
TOTAL MONTHLY EXPENDITURES (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)		
CURRENT MONTHLY SAVINGS (TOTAL INCOME - TOTAL EXPENDITURES)		



Step 5. Do You Need To Adjust Your Savings Goal?

It may be that, even if you implement all possible changes in your income and spending, you still don't think that you can save enough money each month to meet your goal in the time frame that you have set or maintain your savings goal once you have purchased it. If this is the case, you may need to rethink how much you want to spend on your goal and/or how long you are willing to wait to achieve your goal.

For example, suppose after working through Step 3, Elena realizes that she can only save \$40 each month, \$10 less than the \$50 she estimated she needed to rent a \$400/month apartment in one year. Therefore, she either has to find a cheaper apartment or extend the amount of time she is willing to wait before she can rent the \$400/month apartment that she wants.



Alternatively, suppose Elena figures out in Step 3 that she can save the \$50 she needs each month to move into a \$400 apartment, but realizes in Step 4 that she won't be able to afford rent and utilities once she has the apartment. In that case, Elena will need to select an apartment that will not cost her so much to maintain each month.

Worksheet 5. Budget for Achieving My Goal

BUDGET FOR ACHIEVING MY SAVINGS GOAL	
	Amount
MONTHLY INCOME	
Take-home pay	
Other income	
TOTAL MONTHLY INCOME	
MONTHLY EXPENDITURES	
Essentials	
Rent	
Utilities (water, electricity, gas, phone)	
Groceries	
Personal Care (e.g. deodorant, shampoo, etc)	
Essential Clothing	
Transportation	
School Supplies	
Health Insurance Premium	
Finance Charges/Fees (Check Cashers)	
Unexpected essential expenses (e.g., car repairs)	
Other (e.g. child support, child care, etc)	
Total Essential Expenditures	
Non-Essentials	
Entertainment (movies, cable TV, etc)	
Eating out	
Other	
Total Non-Essential Expenditures	
TOTAL MONTHLY EXPENDITURES (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)	
CURRENT MONTHLY SAVINGS (TOTAL INCOME - TOTAL EXPENDITURES)	



Worksheet 6: Maintaining My Savings Goal

BUDGET FOR MAINTAINING MY Savings Goal	
	Amount
MONTHLY INCOME	
Take-home pay	
Other income	
<i>TOTAL MONTHLY INCOME</i>	
MONTHLY EXPENDITURES	
Essentials	
Rent	
Utilities (water, electricity, gas, phone)	
Groceries	
Non-food groceries (e.g. deodorant, shampoo, etc)	
Essential clothing	
Transportation	
School Supplies	
Health Insurance Premium	
Finance Charges/Fees (Check Cashers)	
Unexpected essential expenses (e.g., car repairs)	
Other (e.g. child support, child care, etc)	
<i>Total Essential Expenditures</i>	
Non-Essentials	
Entertainment (movies, cable TV, etc)	
Eating out	
Other	
<i>Total Non-Essential Expenditures</i>	
<i>TOTAL MONTHLY EXPENDITURES</i> (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)	
<i>CURRENT MONTHLY SAVINGS</i> (TOTAL INCOME - TOTAL EXPENDITURES)	



Start Saving!

Now that you've looked at ways to change your money habits, you should make two final spending plans: one for achieving your goal, and one for maintaining your savings goal once you have it.

Savings Tips

Now that you've figured out how to save enough money each month to purchase and maintain your savings goal, here are some tips for keeping to your plan:

- **Paying Yourself First**- One great way to start saving is "Paying Yourself First". Each time you get a paycheck, immediately put a set amount or percentage of it into your savings, before you spend any of it. For example, decide to save 5% of your paycheck. If you get a paycheck of \$300, immediately deposit \$15 into your savings. Sometimes you can do this through your employer, who may be able to automatically deduct some portion of your paycheck and place it into the account of your choosing.
- **Performing your job well**- Work hard and be responsible at your job so that your employer will consider you for a raise and/or will provide a strong recommendation for you when you apply for future jobs.
- **Enhancing your skills**- Take classes or go through training that will give you the skills you need to be promoted at your current employer or find a higher-paying job elsewhere.
- **Saving "windfalls"** - In addition to paychecks and other sources of regular income, you may, on occasion, receive a lump sum payment, such as a bonus or a tax refund. For example, you may be eligible for tax credits, such as the Earned Income Tax Credit (EITC), when filing your tax returns each year. The EITC is a tax break for people who work, but do not earn high incomes. Those who qualify could pay less federal tax or no tax, or even get a tax refund when they file their taxes in April.² If you receive a lump sum payment such as these, consider putting some or all of it into your savings.

Now that you have your financial plan in place, the next step is to learn the skills to manage your money and keep your plan on track!

² If you need help filing your taxes, the IRS offers help through the Volunteer Income Tax Assistance Program (VITA). To find a VITA program near you, visit the IRS website at www.irs.gov.

