

## How to Develop Your Spending Plan

First, preview or make a copy of the Spending Plan Worksheet that is on this link.

### Income

Determine your net spendable income. This is the amount of money that is actually deposited into your bank account from your pay check less giving and any savings that are deposited apart from your paycheck deductions. If your income is variable from month to month then determine your average deposited income from the past 12 months.

### Expenses

Determine all of your actual monthly expenses that are used from your net spendable income. Write your typical monthly expense in the proper category on the Spending Plan Worksheet. If it's a small expense, and there isn't a place listed for the expense, then consider putting it under the miscellaneous category under "other". If you consider it a major expense, or something that you want to track, and there isn't a name for it, then make a new line in the general category the expense would best fit.

### Balancing Your Spending Plan

At the bottom of the Spending Plan Worksheet are lines for net spendable income, less total expenses, and income remaining (+,-). When you finally set your monthly spending plan this final income remaining line amount **must** be greater than or equal to your total expenses. In other words, that bottom income remaining amount must be at least zero or a positive number. If this last line shows a negative amount then you have some work to do in order to get your expenses to be equal to or greater than your net spendable income. If it is a positive number, and you know you don't have money left at the end of the month, then you have some "leaks" in your spending that must be accounted for. If this is the case then you also still have some work to do to determine your actual monthly expenses.

If you show a positive or a negative number, but have determined there are some "leaks" in your cash spending, or you don't have a good handle on what your typical monthly expenses are then you will need to identify those leaks. The only way to do this somewhat accurately is to keep a 30 day diary of each dollar you spend. There is a copy of a 30 day diary form on the link where you found these instructions. The bills you write checks for (i.e house payment, electric bill, car payment, etc.) are the easy ones. The more difficult expenses to track, and probably where your leaks are coming from, are the cash expenses. These could be cash expenses such as fuel, food, cash to the kids, lunches at work, the coffee stops at the convenience store on the way to work, etc. I think you get the idea.

After you have kept a spending diary for at least 30 days, then you can go back into the spending plan worksheet and write the expenses you tracked in your spending diary under the appropriate category. Check to determine if each expense seems like a typical monthly expense. If it isn't a typical month's expense then determine what would be a "typical" monthly expense for that item might be and write that number in the appropriate category. Tabulate the total income vs. the total expenses again at the bottom of the Spending Plan Worksheet. If you find a positive number at the bottom line then wonderful for you. Now you will have to plan what to do with the surplus. Do you have debt? If so then this surplus should probably go toward your debt reduction plan. Is your giving level where it should be? Then an increase in your giving level would be a consideration as well.

Now, what if you still have a negative number on the bottom line? There are only two ways to turn this into a zero balance number? One way is to reduce expenses, and the second way is to increase income. First, go back into the spending plan worksheet and determine if there are any expenses that you can reduce. Sometimes difficult decisions must be made at this point in the process. If you are married be sure both spouses are included in this decision making process. The Spending Plan Worksheet provided has percentage guidelines to help you determine which of your expenses might have a disproportionate amount of your total spending. Those areas where you are significantly higher than the percentage guidelines are good places to start your discussions for expense reductions.

The second place to look to try to balance your spending plan is with your income. Remember we only wrote the amount of income that was deposited into the checking account into the net spendable income line? You should now obtain at least your last two check stubs. The first question to ask is how much of a tax return do you normally get back from the IRS. If that amount is much more than \$500 then you probably aren't claiming enough tax deductions. Check with your tax preparer to determine how many tax deductions you should claim and not give Uncle Sam a free loan of your money until the tax check comes to you in the mail, yet not owe when you file your returns. If appropriate, increase the number of deductions on your pay check.

Another place to look for more spendable income on your pay check is within the other deductions that are being taken out. For instance, you should determine if you are contributing more than your employer's 401K or 403B match. If you are deducting more than the employer match, and you are spending more than you are depositing each month, then it would probably be a good idea to reduce the amount you are contributing to your 401K or 403B until you get your financial house more in order. Under dire circumstances, and you are continuing to build debt, it might be best to temporarily suspend all savings until you can get your spending and debt issues under control. You can always start the savings programs back up later. We will discuss the need for an emergency fund in the debt reduction planning segment.

At this point in the process you have scoured through your check stubs and squeezed every penny of income out of it that you can. You have also purged your expense list and reduced your expenses as much as you possibly can. If you still have a negative income remaining amount at the bottom of the Spending Plan Worksheet then you will need to talk with your spouse, pray for the Lord's guidance, and do some deep soul searching on how you can either reduce expenses further or increase income more.

### **Setting Your Budget**

After you have balanced your spending plan then you will transfer the spending plan categories into either a paper budget form or an excel spread sheet for monthly tracking. As you develop your spending plan tracking form the spending categories will be in the far left hand column and your planned expense (budget) will be in the second column. Each successive column will be the month (or week if you prefer to do a weekly tracking) that you will be tracking your expenses. Most likely it will take a few months to work out the process but don't get discouraged. Keep at it and make the necessary adjustments as you go. Develop a process that works for you to keep track of your income, receipts, and expenses so that you can accurately record them. The World will continue to try to discourage you. Pray often and seek accountability partners if needed. The very bottom line, and your goal, is that you don't spend more than you have deposited income in each month so that you don't use debt to supplement your net spendable income.