
MODULE 5, FAMILY BUDGETING, helps families make spending and saving choices based on their combined values, goals, and available resources. The five activities provide different variations for learning about budgeting as a family:

- **Family Budgeting Analysis** is a team budgeting activity using role play with participants taking on different household roles.
- **Counting Your Pennies** is an interactive game to help families or teams learn to compromise around spending priorities.
- **Calendar Corral** provides a useful tool for families to track and manage their monthly spending.
- **Allowances Aren't Just for Kids!** gives families a mechanism to allocate money for different savings and spending priorities.
- **The Morales Family Case Study** is a multi-step budgeting activity teaching the art of family budgeting.
- **Day-to-Day Life of Money in Your Family** is a five-step worksheet to help families create a family budget.

31.

Family Budgeting Analysis

OBJECTIVE: Help families think about what is most important to them and learn to compromise and come to general agreement on earning and spending priorities.

TIME: 50 minutes

MATERIALS:

Team Budgeting Exercise worksheets for each participant

An envelope of family roles for each group

Calculator for the math analysis of the budget

NOTE TO TRAINER:

If you add up the percentages on the spending plan closely, you will notice that the expenses add up to more than 100%! This is by design. You might be surprised how infrequently groups notice this as they do the exercise. When you tell them at the end of the exercise, they will probably laugh and say that it's very realistic for that to be true! This design might also lead to a discussion about credit and how important it is to live within your income.

TALKING POINTS:

Discuss the key concepts of budget analysis:

1. Determine your present spending levels (what you actually do now).
2. Create spending guidelines (what you would like to be doing).
3. Compare the actual with the planned amount for each category.
4. Analyze the reason for spending surplus or shortfall.
5. Decide how to address the surplus or shortfall.

ACTIVITY:

Break the class into small teams of 4-5 participants each. Distribute a copy of the Team Budgeting Exercise to each participant, and distribute an envelope of the eight family roles to each team. Participants in each group will select family roles randomly from the eight roles in the envelope. Each "family" group of four or five will have a different household composition.

Give each team 25 minutes to discuss and confirm their budget for the year. Remind the class that the objective of a spending plan is to figure out how to meet household needs without creating further debt, and above all... KEEP IT SIMPLE !!!

Ask each group to present their findings at the end of the exercise. Compare the different spending plans as a class.

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GROUP DISCUSSION:

- How did your role in the family impact your participation in the process?
- How did different family make-ups impact the budgeting process?
- Did any of the groups realize that the percentages added up to more than 100%?
- How do we develop and maintain a “reality-based” spending plan?

HANDOUT: Team Budgeting Exercise

THE SITUATION:

1. Family of four with a gross income of \$25,000
2. Here are the guidelines of your spending plan, based on the results of your money tracking:
 - Taxes 17.5%
 - Housing 38%
 - Food 12%
 - Auto 15%
 - Insurance 5%
 - Debts 5%
 - Entertainment / Recreation 5%
 - Clothing 5%
 - Savings 5%
 - Medical/ Dental 5%
 - Miscellaneous 5%
 - School/ Child Care 8%
3. Calculate the dollar amounts for each category listed above based on the percentages.
4. Select your role slip out of the envelope. Identify the number of adults and minors who are in your household.
5. Discuss whether the amounts calculated are too high, too low, etc. Discuss how these numbers need to be adjusted. If the number is just right, discuss how the dollars will be spent.
 - Analyze the reason for spending surplus or shortfall.
 - How do income and expenses impact short-term goals?
 - How will income and expenses impact long-term goals?
 - What do spending and savings patterns mean?
 - What assumptions will we need to adjust?
 - What behavior will we need to modify to achieve the IDA asset goal?
 - How will we communicate about the spending plan and goals in our household?

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HANDOUT: Team Budgeting Exercise

MOTHER	GRANDMOTHER
8-YEAR-OLD CHILD	17-YEAR-OLD TEEN
FATHER	20-YEAR-OLD STUDENT/ PART-TIME WORKER
30-YEAR-OLD ADULT DAUGHTER WITH TODDLER	35-YEAR-OLD ADULT SON

32. Counting Your Pennies

OBJECTIVE: Help families think about what is most important to them, learn to compromise and come to general agreement on spending priorities.

TIME: 60 minutes

MATERIALS:

Spending Categories Handout

Cut out each category on the four-page handout into spending decision squares and place the set of squares in an envelope.

Prepare one envelope per group.

20 pennies per group

NOTE TO TRAINER:

This activity can be conducted individually, in pairs, or in a small group situation of 3-5 people. Each group considers themselves a family.

ACTIVITY:

Divide the class into teams of 3-5 people. Give each group 20 pennies and one each of the 16 spending sheets (including 2 blank sheets). Groups will be asked to decide together how the pennies are spent. Explain that each group has a maximum of 20 pennies to allocate across all of the spending categories. Ask them to please choose at least one item in each category, i.e., they cannot leave a category blank. Moreover, if they think of other categories or responsibilities that are not covered by the choices, blank spending sheets are provided to add these categories. Ask them to list choices and the amount of pennies allocated for each item.

If there is time after completing the first round, ask the team to assume that one of the members of the household had a sudden loss of income. Have the groups try this exercise again with 14 pennies.

Participants can be encouraged to go home and play the game with their families.

GROUP DISCUSSION:

Ask each group to talk about their spending decisions as an entire class.

What different choices did groups make?

How did they negotiate differences of opinion within the group regarding spending priorities?

How can they work with their family at home to negotiate a budget?

¹ Based on an activity created by Purdue University Cooperative Extension Service and adapted by the National Community Reinvestment Coalition.

HANDOUT: Spending Categories

<i>Transportation</i>	PENNIES
Walk or bike.	0
Ride the bus or join a carpool.	1
Buy fuel for family or own vehicle.	2
Buy and insure used vehicle.	3
Buy and insure new vehicle.	4

<i>Utilities—Heat/Light</i>	PENNIES
Included in rent.	0
Cost shared by roommates.	1
You pay total cost.	2

<i>Utilities--Phone</i>	
No phone.	0
Phone w/limited long distance calls.	1
Phone w/many long distance calls.	2

<i>Clothing</i>	PENNIES
Wear present wardrobe.	0
Use your sewing skills.	1
Buy at discount store or thrift shop/used clothing store.	2
Buy at a department store.	3
Shop for designer clothes.	4

<i>Grooming</i>	PENNIES
Home haircuts.	0
Generic grooming products.	1
Professional haircuts, selected grooming products.	2
Hair styled and processed, name-brand grooming products.	3

<i>Housing</i>	PENNIES
Live with relatives or in public housing.	1
Share apartment or house with others.	2
Rent a place of your own.	3
Buy a home.	4

HANDOUT: Spending Categories

<i>Food</i>	PENNIES
Provided by relative or included in housing costs. (room and board)	0
Cook at home; dinner out once a week.	2
Frequent fast food lunches, and weekly dinner out; cook other meals.	3
Purchase all meals away from home.	4

<i>Recreation</i>	PENNIES
Walking, playing with kids, yard work, reading.	0
Television, visits with friends, and picnics.	1
Cable television, sports, and movies.	2

<i>Insurance—House/Apartment</i>	PENNIES
No coverage.	0
Covered under family or roommate's policy.	1
Pay for property and liability coverage.	2

<i>Insurance—Health and Disability</i>	PENNIES
No coverage.	0
Access to free public healthcare.	0
Fringe benefits of job.	1
Group coverage (school or job).	2
Individual coverage (you pay).	3

<i>Childcare</i>	PENNIES
Provided at work.	0
Provided by family member or friend.	0
Hire sitter on limited basis.	1
Pay for full-time day care.	2

<i>Gifts</i>	PENNIES
Make your own.	0
Purchase cards and small gifts on special occasions.	1
Purchase frequent gifts for everybody.	2

HANDOUT: Spending Categories

<i>Savings</i>	PENNIES
Change in piggy bank.	0
A set amount each month.	1
A set amount each week.	2
Other:	2

<i>Furnishings</i>	
Borrow from relatives or friends.	0
Rent furniture or live in furnished apartment.	1
Buy at garage sale or thrift shop.	1
Buy new furniture.	2

<i>Laundry</i>	PENNIES
Do laundry at home of friend or relative.	0
Use facilities in apartment or public housing.	1
Use laundromat; some dry cleaning.	1
Rent or purchase washer and dryer.	2

HANDOUT: Spending Categories

Category: _____ **PENNIES**
0
1
2

33. Calendar Corral

OBJECTIVE: Give families a tool for tracking spending together.

TIME: 20 minutes

MATERIALS:

An envelope and Calendar Corral Handout for each participant

NOTE TO TRAINER:

This activity uses cowboy imagery as a fun way to help encourage families to track their spending. We encourage families to “lasso” in their spending by keeping a list of their expenses on a “calendar corral” for all the spending they do “out on the range.”

ACTIVITY:

Start a discussion about the need and advantages of tracking money and spending as a family.

- What would be possible for the family if everyone did this?
- How would each family member benefit?

Explain that with a wall calendar, envelope, and notebook families can set up a simple system for keeping track of where their money gets spent “out on the range.”

DAILY HERDING OF EXPENSES:

Give each family a Calendar Corral Handout. This is a good example of a wall calendar on which families can track their expenses. Explain that a good way of keeping track of expenses is to write down on the calendar the amount you spend and “what for.” It is good to do this each day when you spend money. For example, if dad goes to the supermarket on Tuesday and purchases \$12 in groceries for dinner, he would arrive home—and before starting to cook—write on Tuesday’s date the amount: \$12 Groceries for Dinner

Ask families to think of a place in their home to hang the calendar where everyone in the family can easily write on it. Each family will want to attach a pen or pencil to the calendar with a string to make marking on the calendar easy. It is also helpful to attach an envelope to the calendar so that family members can slip the receipt in when they write down the amount on the calendar.

Remind family members in a friendly way throughout each month to “corral” those receipts into the envelope and write those amounts and “what for?”s on the calendar. Show children by explanation and example, and encourage them to fully participate “like a grown up.”

MONTHLY ROUND-UP:

- a. The first step is for families to brainstorm a list of the “what for” spending categories that they want to use to track their spending. For example:

Groceries	Eating Out
Transportation	School
Household	Personal
Clothes	Entertainment
Other	

- b. Next they will want to purchase a spiral notebook and write one of the spending categories the family has agreed on at the top of each page. Make sets of columns on each page so they can record the date, item, and the total amount. When they fill up a page, just make a new page for the category, and so on until the notebook is full. If the family would like, they can draw or tape pictures at the top of the pages to brighten up the notebook.
- c. At the end of each month, the family has a “Home on the Range” meeting and “lassoes” its receipts and records the family’s spending on pages of the notebook into the “what for?” categories of spending. Using the Calendar Corral as a guide, take the receipts out of the envelope, one by one, check them against the entry on the Calendar and organize them by spending category. Once they are organized, sort them by date and write them into the Ranch Notebook with the receipt dated the earliest in the month first to the most recent. If one receipt has spending that fits into several categories, the spender divides the total into appropriate categories on the calendar.

The family can store receipts needed for returns or personal records in a shoe box or folder and throw away the others.

Combine the monthly “ranch” meetings with a small reward for the family every two weeks for putting this system into action, such as making ice cream sundaes together. Keep the reward simple and family-fun oriented, and be sure to do it right away. Remember, that the best reward is everyone’s good feelings of cooperating and building family financial strength.



Calendar Corral

HOW OUR FAMILY SPENT OUR MONEY IN THE MONTH OF _____, 200_

When you spend money, please write the amount and the "what for?" on the date. Then put your receipt, if you got one, in the envelope below. Every two weeks, we'll round up the receipts, record, and total them.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

34.

Allowances Aren't Just for Kids!

OBJECTIVE: Help families allocate money among different savings and spending priorities.

TIME: 15 minutes

TALKING POINTS:

Many families offer allowances to help their children learn to manage their own money. Typically, children are given a set amount of money for a set time period, say \$10 per week; and they can spend or save this money as they like. Sometimes, the children are asked to carry out and complete certain chores to receive the money.

Allowances can be a good tool to teach children about the value of money. Through an allowance system, parents can encourage children to prioritize, save, and spend wisely. An allowance can also minimize the number of situations where children are asking their parents for things. An allowance gives children control over their own pot of money. It requires the child to spend and save within a budget or find other sources of income. For example, when the child asks for a new video game, a parent might respond, “I can’t buy you that video game. But if you save up your allowance for six weeks you will have the money to purchase it.” In this way, parents can encourage their children to prioritize and save.

These positive attributes of allowances can be helpful to the entire family, not just for children! Money allowances can help family members save today for future goals or pay for treats that are important to them. Often, we overspend because we don’t take account of how much money we spend on discretionary income. Allowances can help families create and stick to their priorities by allocating money among different saving and spending priorities. Allowances can also give people access to their own pot of money to spend or save as they like. Also, just like children, adults need a personal “allowance” or “mad money” to spend as they like, without having to account to the rest of the family. This money is useful for gifts for oneself and others.

ACTIVITY:

Discuss the different categories of spending in a family.

Discuss the kinds of purchases that an allowance could cover:

- Personal items
- Regular savings
- Longer-term savings for an asset purchase
- Donations to church or charity

Encourage family members to get together on a monthly basis to evaluate use of their allowances. You will all gain an appreciation of how much the family spent and saved and how individuals in the family prioritized their own money. This is an opportunity to learn about each other's money style, to encourage family members to alter their style to meet their collective goals, etc.

35.

The Morales Family: A Case Study in Budgeting

OBJECTIVE: Using a case study, participants will summarize spending information for a family in a budget format, calculate average monthly income and expenses, and assess how to adjust spending to better meet a family's financial needs.

TIME: 60 minutes

MATERIALS:

Morales Family Case Study for each participant

Calculators for each small group and for the trainer

TALKING POINTS:

The purpose of this exercise is to familiarize participants with the basic processes for establishing a budget based on actual spending behavior, and then to do an initial analysis of how improvements to the budget could be made. This exercise was designed to emphasize specific skills and activities that are critical in budgeting:

- The process of converting daily spending behavior into a weekly summary, into a basic monthly summary, which is the first step in the development of an accurate budget.
- The critical assessment of whether spending is more than, less than, or equal to monthly income and the process of making adjustments to one's spending to improve this.
- The balance between spending money on every day living needs (ranging from rent to the spur of the moment purchases made on a whim) and diverting income to savings or to debt reduction.

Because this exercise mirrors many of the key activities in budgeting, additional points for discussion could include how tracking one month's expenses is not sufficient to capture one's financial life for a year, and the difference between fixed and flexible expenses. The latter is specifically relevant to reducing the Morales' expenses, so that they are better in line with their income.

ACTIVITY:

Distribute the Morales Family Case Study to each participant. Divide the class into small groups of three or four, and provide each group with a calculator.

Ask the groups to go through the Morales case study, reading about the family and completing the different activities designed to help the Morales family find the money to save for a home.

The case study will help each group:

- Complete a summary of their actual monthly expenditures,
- Develop a current budget, and
- Make recommendations for changes that will help the family adjust their budget to help meet their larger financial goals.

When the groups have completed the activity, have the different groups present their recommendations for savings.

Lead a discussion based on the questions listed at the end of the case study.

HANDOUT: The Morales Family

Charlie and Juanita Morales live in a typical urban neighborhood with their three children, Maria, Anton, and Lucy. Charlie is a high school language teacher, while Juanita works in the city's urban planning department. Maria and Anton attend the local public school while Lucy is just starting kindergarten this year. Having rented for all of their 15-year marriage, it is the Morales' dream to own their own home.

The Morales' have already begun learning more about how to prepare for homeownership by attending seminars offered at a local bank. They have learned that their first priorities are to begin saving for the down payment and other costs of buying a home and to reduce their current debt load so that they will be able to afford the mortgage.

While they are aware of these key steps, neither Charlie nor Juanita is sure how to begin. They try to watch their expenses pretty carefully each month; they have never really written these financial activities down or tried to set specific financial goals and adjust their behavior to achieve them.

They need advice and recommendations about what to do. Based on what your assessment here shows, what suggestions and ideas would you give them?

The Morales Household Income

At Charlie's teaching job, he earns \$950, which is paid on the 10th and 25th of each month. In addition to his teaching position, Charlie also teaches conversational language courses for adults on Saturdays at the local community college. For this part-time work, he receives \$400 that is paid in January and September of each year. Charlie's AVERAGE MONTHLY INCOME is \$1966.67.

Juanita earns \$505.25 in take home pay at her city job which she receives bi-weekly (26 payments each year). Juanita's AVERAGE MONTHLY INCOME is \$1,094.70.

Charlie and Juanita file joint tax return and usually submit their return electronically. They received their refund this month, which totaled \$1,000.

The Morales Family Expenses for the Month

The Morales family takes the first step to good budgeting: they track their actual expenses for one month. They know this is the best way to get a sense of what they are really spending their money on, day to day. Maria agrees to act as the central coordinator of the project. Each night, before she goes to bed, she asks each family member (but mostly her mom and dad) to list their daily expenses, which she then writes down in a special notebook.

HANDOUT: The Morales Family

Below is a summary of the Morales' expenses during the month of September, 2003. Read over this summary and complete the Tracking Summary form. For each week, enter the cost of each expense in the appropriate budget category listed.

When you have completed this, add all of the totals for each category (this requires adding the ROWS, not the columns in the form) in the final column entitled MONTHLY TOTAL. Finally, add up amounts in the Monthly Total column to arrive at the total amount the Morales' pay for expenses during the month.

Week 1:

- Juanita made their regular start-of-the-month bill payments this week, which includes a car payment of \$163.25, the monthly rent payment of \$650 and two payments on their credit cards, \$147 to Visa and \$50 to MasterCard. (Their total balance on these two cards is \$3,000 with 14% interest charge). She also paid their car insurance bill, \$115.
- The Morales miscalculated their expenses for the last month and received notification of a bounced check this week. They had to pay an overdraft penalty fee to their bank in the amount of \$30 as well as a \$15 return check fee to the store where they wrote the check. Their regular \$5 monthly checking account maintenance fee was also deducted from their savings account this month.
- Juanita withdrew \$40 from the ATM this week to pay for her lunches, for which the bank also charged her \$1.50 per withdrawal (she made 2 withdrawals).
- Charlie gave Maria and Anton weekly lunch money totaling \$20.
- Charlie bought his regular morning coffee (\$3.50 a day) and paper (\$1 a day). He buys these six days of each week. Charlie also spent \$20 on gas this week for the car.

Week 2:

- Juanita paid their mid-month bills this week, which includes \$95 for phone service (local and long distance), \$65 for utilities, \$50 for cable, and \$25 for their internet and email accounts.
- Charlie did grocery shopping this week, spending \$250 on food and another \$45 on personal care items (such as shampoo, band-aids, soap, and toothpaste).
- Juanita bought additional school supplies for Maria's computer class, costing \$45.
- Juanita withdrew \$40 from the ATM this week to pay for her lunches, for which the bank also charged her \$1.50 per withdrawal (she made two withdrawals).
- Charlie gave Maria and Anton weekly lunch money totaling \$20.
- Charlie bought his regular morning coffee (\$3.50 a day) and paper (\$1 a day). He does this six days of this week as well.
- Anton needed new gym shoes and a new winter coat, which Charlie took him to buy. The total bill came to \$145.
- Juanita deposited \$100 in savings this week, as they try to do every other week.
- Juanita bought two birthday presents for Lucy's friends who were having birthday parties later that month; the total cost was \$75.

HANDOUT: The Morales Family

Week 3:

- Charlie filled several prescriptions for the family this week, totaling \$80 in co-pay fees.
- Juanita withdrew \$40 from the ATM this week to pay for her lunches, for which the bank also charged her \$1.50 per withdrawal (she made two withdrawals).
- Charlie gave Maria and Anton weekly lunch money totaling \$20.
- Charlie bought his regular morning coffee (\$3.50 a day) and paper (\$1 a day). He does this six days of this week as well.
- Juanita renewed three of her favorite magazine subscriptions, totaling \$35.00.
- Maria and Anton both had field trips this week, costing the Morales' \$50.
- Juanita also sent \$150 to her mother in Mexico, as she tries to do every month. She paid an additional \$15 for the wire transfer.
- On a whim, Charlie ordered some new video games and interactive books for the children, costing \$75, with an additional \$13 shipping charge.

Week 4:

- Juanita filled the car's gas tank this week, spending \$22.00, and got the car's regular tune up, costing \$150.
- Charlie and Juanita had dinner with close friends this week at their favorite restaurant; the bill totaled \$120 for the four of them; Charlie and Juanita decided to treat their friends.
- For this night out, they paid their neighbor \$40 for babysitting.
- Charlie deposited their \$100 biweekly savings at the bank this week.
- Juanita withdrew \$40 from the ATM this week to pay for her lunches, for which the bank also charged her \$1.50 per withdrawal (she made two withdrawals).
- Charlie gave Maria and Anton weekly lunch money totaling \$20.
- Charlie bought his regular morning coffee (\$3.50 a day) and paper (\$1 a day). He does this six days of this week as well.
- Anton convinced his parents to take them to their favorite amusement park, an hour's drive north. Tickets cost \$120; they spent about \$45 on snacks and drinks and allowed each child to buy one souvenir, paying a total of \$60. Parking cost \$20, and they had to fill up on gas again on the way home, spending \$15.

Week 5:

*There are only two days in this week for the month of September.

- Juanita withdrew \$20 from the ATM this week to pay for her lunches, for which the bank also charged her \$1.50 per withdrawal (she made only one withdrawal).
- Charlie gave Maria and Anton weekly lunch money totaling \$20.
- Charlie bought his regular morning coffee (\$3.50 a day) and paper (\$1 a day). He does this for only two days of this week.

HANDOUT: The Morales' Actual Expenses: Summary of Tracking Activity

Expense Item	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	TOTAL
Household						
Family Savings						
Rent						
Personal Care						
Phone (local and long)						
Utilities (gas/elec/oil)						
Cable						
Internet/email						
Childcare/Babysitting						
Support for Other Family						
Family Clothing						
Family Entertainment						
Newspaper/Subscriptions						
Gifts						
Transportation						
Car Payment						
Car Insurance						
Gas for Car						
Car Maintenance/Repairs						
Food						
Groceries						
Work Lunches						
School Lunches						
Dining Out/Food Out						
Children's School						
School Supplies						
School Fees/Expenses						
Medical						
Medical: Prescriptions						
Medical Care						
Credit & Debt						
Student Loan						
Credit Card 1: Visa						
Credit Card 2: MC						
Fees						
Bank Acct. Fees						
ATM Fees						
Wire Transfer Fees						
Misc. Financial Fees						
	Tracking Expenses Total for Morales Family:					\$

HANDOUT: The Morales' Actual Expenses: Summary of Tracking Activity

The Morales family is already excited about all they have learned about the budget process from this first activity. While they have tried to control their spending in the past and save more money, their efforts were never successful or long lasting. It seemed that no matter what they did, they never had enough more money left over at the end of the month. Juanita and Charlie now both feel that their past efforts were not successful because they never really looked at the ways they use money from the day-to-day perspective. Charlie never realized, for example, how much his morning coffee and newspaper can really add up, and Juanita never even thought about the cost of banking and other fees and how that affects their budget.

NEXT STEP: ARE THEY SPENDING MORE THAN THEY TAKE IN?

Instructions: From the information provided about the Morales family, subtract their monthly expenses from their monthly income to determine if they are spending more than they earn, or if they are living within their means. The activity provided below will assist you.

Household Income Source	Amount
Juanita's Avg. Monthly Income	
Charlie's Avg. Monthly Income	
Household Average Monthly Income	

Now subtract their monthly expenses (found at the end of the Tracking Summary form) from this Total Household Monthly Income.

\$ _____ - \$ _____ = \$ _____
(Enter Income here) (Enter Expenses here) (End of month leftovers/deficit)

***Interpreting the Math: What Does That Number Mean?**

If the Answer is "0": The Morales are spending exactly as much as they make each month. Whew! They are not spending more than they make, which is good, but they are also not leaving themselves too much room for life's little unexpected turns.

If the Answer is \$-1 or less: The Morales have their work cut out for them. A negative number means they are spending more than they are earning in any given month. This also means they start the next month behind... Consider what will happen if they spend more than they earn every single month; each month they would start the month a little behind, continue to spend more than they have and end the month a little more behind. The cycle continues.

If the Answer is \$1 or more: Congratulations Morales Family! They are spending within their means. The key is keeping this up each month, and then the plans for paying their debt down more quickly or saving more have financial resources already in the budget to make them happen.

HANDOUT: The Morales' Actual Expenses: Summary of Tracking Activity

The Final Step: Turning the Actual Budget into the Ideal Budget

Instructions: Now that the Morales know what they spend and what's left at the end of each month, it is time to make plans for reducing spending in order to free up more money to dedicate to debt reduction and increased savings.

Review the Morales' Tracking Summary and select five to eight expense items where you think they could make reductions. Explain why you think this change should be made, and be specific about the new budget amount they should use.

Expense 1:

Expense 2:

Expense 3:

Expense 4:

Expense 5:

Expense 6:

Expense 7:

Expense 8:

Now, make recommendations of ways to use the money they have regained from your expense reductions.

Debt Payment Increase Amount:

Family Savings Increase Amount:

Please describe your reasoning for these recommendations:

*OR, if you have reduced their expenses just enough for their income and expenses to equal 0, then they can use their \$1,000 tax refund to either increase savings or reduce their debts. Which would you recommend? Why?

HANDOUT: The Morales' Actual Expenses: Summary of Tracking Activity

GROUP DISCUSSION:

Tracking Expenses...

- What do Charlie and Juanita see as the value of tracking daily expenses? Do you agree or disagree?
- What do you think of the way they involved their children in the expense tracking activity? How would you go about tracking your family's expenses for this kind of activity?
- In what ways are your own family's expenses similar to or different from the Morales family's? What kind of surprises do you think you might find if you were to track your expenses?
- What might prompt you to make such changes in your financial life?

Spending Within Your Means...

- If your family were to do this budgeting process, do you think you would have a positive number, negative number or "0"?
- Which of your expenses would you think about reducing first?
- Would you recommend using credit cards to cover the expenses that cash can't cover?
- If you had extra cash left over at the end of each month, what would you do with it?
- What categories are missing from this budget that your family would need to consider?

About Reducing Expense, Reducing Debt, and Saving More...

- Plans to reduce spending are useful only if family members actually change their spending habits each day. Has your family ever made a concerted effort to reduce spending together? What are some of the successes and challenges you faced?
- If your family has not yet tried this, how would you go about getting started? What do you think some of the challenges would be? Where are the areas you would concentrate on first?
- Because Charlie and Juanita are paying more each month to reduce their debt and/or adding more to their savings each month, they will be financially prepared for buying a home faster. What are the benefits of this? What are some potential pitfalls?
- How would you recommend the Morales family handle emergency expenses for their family?

HANDOUT: ANSWER KEY for: The Morales' Actual Expenses: Summary of Tracking Activity

Expense Item	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	TOTAL
Household						
Family Savings		100		100		200
Rent	650					650
Personal Care		45				45
Phone (local and long)		95				95
Utilities (gas/elec/oil)		65				65
Cable		50				50
Internet/email		25				25
Childcare/Babysitting				40		40
Support for Other Family			150			150
Family Clothing		145				145
Family Entertainment			88	225		313
Newspaper/Subscriptions	6	6	41	6	2	61
Gifts		75				75
Transportation						
Car Payment	163.25					163.25
Car Insurance	115					115
Gas for Car	20			37		57
Car Maintenance/Repairs				150		150
Food						
Groceries		250				250
Work Lunches	40	40	40	40	20	180
School Lunches	20	20	20	20	20	100
Dining Out/Food Out	21	21	21	21	7	91
Children's School						
School Supplies		45				45
School Fees/Expenses			50			50
Medical						
Medical: Prescriptions			80			80
Medical Care						
Credit & Debt						
Student Loan						
Credit Card 1: Visa	147					147
Credit Card 2: MC	50					50
Fees						
Bank Acct. Fees	5					5
ATM Fees	3	3	3	3	1.50	13.50
Wire Transfer Fees			15			15
Misc. Financial Fees	45					45
	Monthly Expenses Total for Morales Family:					\$3,470.75

HANDOUT: ANSWER KEY: ARE THEY SPENDING MORE THAN THEY TAKE IN?

Household Income Source	Amount
Juanita s Avg. Monthly Income	\$1094.70
Charlie s Avg. Monthly Income:	\$1966.67
Total Avg. Household Monthly Income:	\$3061.37

$$\begin{array}{r} \$ 3061.37 \\ \hline \text{(Enter Income here)} \end{array} \quad - \quad \begin{array}{r} \$ 3470.75 \\ \hline \text{(Enter Expenses here)} \end{array} \quad = \quad \begin{array}{r} \$ -409.38 \\ \hline \text{(End of month leftovers/deficit)} \end{array}$$

CONCLUSION: THEY ARE SPENDING MORE THAN THEY EARN AS INCOME.

36. The Day-to-Day Life of Money in Your Family

OBJECTIVE: Participants will create a family budget, assess their spending habits, and use the budget to identify areas for improvement in their spending activity.

TIME: 20 minutes in class

MATERIALS:

Handouts and a calendar to schedule the follow-up class or appointments.

NOTE TO TRAINER:

This is an activity to introduce in class and ask families to work on at home. After four weeks, reconvene the class or make appointments to meet with families on an individual basis. Review the family budgets and offer help to improve them.

This activity follows through the same steps of the Morales Family Case Study found in the previous activity. It is suggested that the Morales case study is done in class and that participants go home and do their own family budget with this activity. Emphasize for participants that there are worksheets to assist in accomplishing each step. Also note areas where you may want to reinforce certain skills for participants (e.g., converting weekly income to a monthly number).

TALKING POINTS:

Discuss with class participants why this is an important exercise. Get buy-in before they take the exercise home.

ACTIVITY:

Review with the class the five steps of developing a budget, and review the instructions throughout the family budget exercise.

HANDOUT: Five Steps to Developing a Budget

Step 1: Create a detailed picture of your current financial life as a family.

- **INCOME:** Review all your sources of income for four weeks (for each spouse, other family members contributing to the household, tax refunds, earned income tax credit, child support, and cash for gifts or odd jobs).
- **EXPENSES:** Track the expenses of each member of your family for at least four weeks and gather it all in one place.
- Create an **ACTUAL BUDGET**. Summarize the information to create an average monthly budget for your family, based on what you actually spend, day to day.

Step 2: Assess whether you are spending more than you are earning.

- Subtract what you actually spent from what you actually earn.

Step 3: Discuss as a family whether you need to make changes to your spending habits:

- If you are spending more than you earn as a family, then reducing spending is probably your first step. If you are not spending more than you are earning, you may still want to reduce some of your expenses. Consider using what you save to reduce debt or to start saving regularly as a family.
- Be sure to discuss areas where there may be increases in spending (i.e., paying more on your debts or planning for a baby).
- Be sure to include “my” money for each person in the family in the budget. It is important to realistically deal with personal spending or your family won’t be able to stick to the budget.
- Make sure that the reductions you make are realistic: Do not reduce your food budget to \$50 per month; family members may fail at this goal.
- Emphasize the importance of reducing spending to receive other financial benefits in your lives: if you spend less you can save more and buy an asset that helps the whole family (like a home, car, or computer).

Step 4: Document your new budget and double check your math.

- Create a family budget and share it with everyone in the family.
- Double check your math: Are you now spending less than you earn? If not, you may need to reduce your expenses again.
- Another way to ease financial burdens is to increase your income. Would this be possible for your family? Could someone take on an extra job or do some work from home? Is it possible to ask for a raise or work more hours?
- Repeat the steps above as many times as it takes to get the budget right.

Step 5: Celebrate your success and get back on track when you slip.

- Create a way to check in with the whole family regularly. Is everyone sticking to the spending reduction plan? Does anyone have a new financial need coming up that you need to prepare for?

HANDOUT: CREATING A FAMILY BUDGET

Step One:

Adding up Your Family's Income

Our Family Income Statement is a table for totaling your total household income. Be sure to use your take home pay (net, not gross) from your employment. Indicate how often you receive this income (i.e., weekly, bi-weekly, once a month, every three months, every six months, once a year or occasionally) in the Frequency column. Then convert this to a monthly amount, and place that value in the monthly column. Once you have filled all of this in, add up the monthly totals to get your Total Monthly Family Income. You will use this figure later in the budgeting process.

Tracking your Day to Day Expenses

Knowing how you spend money is key to understanding your finances. Sort through the details of your spending. Some of these spending habits may surprise you. You may not realize that the small amount you spend on every day things, like lunch, newspaper, or coffee, adds up a lot over the course of a year.

The most challenging (and most important part) of a budget is including every item you spend money on from “pocket” change spent on the morning coffee and newspaper to things such as rent that are regular and essential for living. Let’s not forget those periodic expenses that you do not see each month, such as cash gifts, insurance payments, or taxes. Tracking “my” money or personal expenditures is an important part of the budgeting process. Realistically incorporate this spending into the family budget or the budget will just be a piece of paper and not something the family will be able to achieve.

Tracking expenses can seem very hard—it takes time. It forces us and our family members to be honest about how we spend money. Don’t be discouraged! This is the first step towards building the *money management* skills that will help you fulfill your family’s dreams and goals.

How to track:

Keep a written record of the expenses of your family members that is updated every day or so. Waiting a few days before writing them down will likely lead to incomplete records, as you may forget small items.

Many people carry a small notebook and pen around and jot down items they’ve bought throughout the day. Other people collect receipts that they add up at the end of the day.

Make the expense tracking a team effort for your family. Consider giving jobs for expense tracking to the children to keep them involved. They might enjoy writing in the notebook or collecting receipts. Some couples get together for 15 minutes each evening to review their expenses together, helping each other remember what they spent that day.

When you have tracked four weeks of expenses, summarize all the information on the Our Family’s Actual Expenses sheet.

TIP: You can change the categories in the left-hand column to better reflect your expenses. Pick an expense definition list together and stick with it.

HANDOUT: CREATING A FAMILY BUDGET

Our Family Income Statement

INCOME SOURCE	INCOME AMOUNT	FREQUENCY	MONTHLY TOTAL
Salary for _____:			
Salary for _____:			
Salary for: _____:			
Tips:			
Employment Bonuses:			
Food Stamps:			
Child Support/Alimony:			
Public Assistance:			
Unemployment:			
Social Security:			
Disability:			
Stipend/Allowance:			
Contract Work:			
Retirement:			
Tax Refund/EITC:			
Interest Earned on checking, savings accts:			
Financial Aid:			
Other (i.e., gifts):			
	Total Monthly Family Income:		

HANDOUT: CREATING A FAMILY BUDGET

OUR FAMILY'S ACTUAL EXPENSES

Expense Item	WEEK 1	WEEK 2	WEEK 3	WEEK 4	Mo. TOTAL
Savings and Investment					
Savings and/or IDA					
Other:					
Other:					
Personal Money					
"My" Money for					
My Money for					
My Money for					
Household					
Rent/Mortgage					
Home Repair/Maint					
Phone (local and long)					
Cell Phones/Pagers					
Utilities (gas/electric/oil/water/sewer)					
Cable					
Internet/email					
Child Support/Alimony					
Childcare/Babysitting					
Support for Other Family					
Family Entertainment					
Clubs, Sports, Hobbies					
Vacations					
Pet Care					
Membership Dues					
Newspaper/Subscriptions					
Work Uniforms					
Family Clothing/Shoes					
Haircuts/Beauty					
Personal Care Items					
Household Items					
Gifts					
Other:					
Transportation					
Car Payment (loan/lease)					
Car Insurance					
Gas for Car					
Car Maintenance/Repairs					
Plane Fare					
Taxi Fare					
Other:					

HANDOUT: CREATING A FAMILY BUDGET

MORE EXPENSE ITEMS	WEEK 1	WEEK 2	WEEK 3	WEEK 4
Food				
Groceries				
Work Lunches				
School Lunches				
Dining Out/Food Out				
Other:				
Children's School				
Tuition				
School Supplies				
School Fees/Expenses				
School Uniforms				
Other:				
Health				
Prescriptions				
Medical Care				
Dental Care				
Long-term Family Care				
Other:				
Insurance				
Car Insurance				
Life Insurance				
Health Insurance				
Disability Insurance				
Home/Renter Insurance				
Other:				
Credit & Debt				
Student Loan				
Credit Card 1:				
Credit Card 2:				
Credit Card 3:				
Credit Card 4:				
Personal Loan				
Gas Card				
Department Store Card				
Unpaid Medical Bills				
Other:				
Fees				
Bank Acct. Fees				
ATM Fees				
Wire Transfer Fees				
Late Fees/Delinquencies				
Money Order Fees				
Miscellaneous Financial Fees				
TOTAL FAMILY MONTHLY EXPENSES:	\$	\$	\$	\$

HANDOUT: CREATING A FAMILY BUDGET

Step 2: Are We Spending More Than We Take In?

Instructions: From totals found in your Family Income Statement and Actual Expenses, subtract the monthly expenses from your monthly income. The formula provided below will assist you. Once you have finished the calculation, refer to the table below to interpret its meaning.

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \quad - \quad \$ \underline{\hspace{2cm}} \quad = \quad \$ \underline{\hspace{2cm}} \quad * \\ \text{(Enter Income Total here)} \quad \text{(Enter Expenses Total here)} \quad \text{(End of Month Surplus/Deficit)} \end{array}$$

***Interpreting the Math: What Does That Number Mean?**

The “End of Month Surplus/Deficit” refers to the amount of money (or the lack of money!) that your family has at the end of the month.

If the Answer is “\$0”: Your family is spending exactly as much as you make each month. Whew! You are not spending more than you make, which is good, but you are also not leaving too much room for life’s little unexpected turns. Do you save regularly? Do you have an emergency fund account? (It is generally suggested to equal three months worth of income, but any amount is good.) Find ways to cut your spending in order to save more.

If the Answer is -\$1 or less: A negative number means your family is spending more than you are earning. This also means you start the next month behind. If this happens for months at a time, the negative number will increase. In this situation, your work is cut out for you. There are two ways to improve a budget: Increase your income or decrease your expenses. Examine both options carefully as a team and use this budgeting exercise to turn in a positive direction.

If the Answer is \$1 or more: Congratulations! You are spending within your means. The key is keeping this up each month, and then to find ways to improve your financial situation further. Consider reducing more of your debt or increasing your savings. Think about diverting funds to an emergency fund savings account or to retirement or college savings accounts for more long-term family goals.

HANDOUT: CREATING A FAMILY BUDGET

Step 3: Determining Changes

When evaluating the need for changes in your family budget, there are three things to consider:

- Are your expenses accurate? What items might come up in other months that are missing here?
- Do you have clear goals for improving your new budget (such as reducing spending or increasing income)?
- Are there any changes coming that will impact our budget? Should you plan for them now?

As a family, discuss these questions together and identify areas for improvement. Remember to review both your income and expenses. Finally, be realistic about what you can change at one time.

Step 4: Creating a new Family Budget

Use the form on the next page to summarize your new family budget. Use your previous income and expense statements and incorporate the changes your family agreed to in Step 3.

In the spaces provided below, list and describe your plans for increasing income or expectations of decreasing income. Describe when you think you will start receiving the new income and why your family feels this is a viable income option. List any anticipated increases in spending so that you can plan for them now.

Our Income Plan:

Our Spending Plan:

Final Comment on the New Budget:

Step 5: Celebrate Success and Keep Working Hard

It may take several changes to get it all right; feel free to use multiple copies of this form and give yourself the time to rewrite the budget a few times. As you do this more frequently together, it will become easier. Families grow and change a great deal over time, so your budget will change too. The more you work together to budget and to meet financial goals, the more you strengthen the family. This creates even more opportunities for celebrating success!

HANDOUT: CREATING A FAMILY BUDGET

Expense Item	ACTUAL BUDGET	NEW FAMILY BUDGET	DIFFERENCE
Savings and Investment			
Regular Savings			
Certificates of Deposit			
IRA/Pensions			
Other:			
Other:			
Household			
Rent			
Home Repairs/Maint.			
Phone (local and long)			
Cell Phones/Pagers			
Utilities (gas/elec/oil/ water)			
Cable			
Internet/email			
Child Support/Alimony			
Childcare/Babysitting			
Support for Other Family			
Family Entertainment			
Clubs, Sport, Hobbies			
Vacations			
Pet Care			
Membership Dues			
Subscriptions			
Work Uniforms			
Family Clothing/Shoes			
Haircuts/Beauty			
Personal Care Items			
Household Items			
Gifts			
Other:			
Other:			
Transportation			
Car Payment (loan/lease)			
Car Insurance			
Gas for Car			
Car Maintenance/ Repairs			
Plane Fare			
Train Fare			
Bus/Subway Fare			
Taxi Fare			
Other:			

HANDOUT: CREATING A FAMILY BUDGET

Expense Item, pg. 2	ACTUAL BUDGET	NEW FAMILY BUDGET	DIFFERENCE
Food			
Groceries			
Work Lunches			
School Lunches			
Dining Out/Food Out			
Other:			
Children's School			
Tuition			
School Supplies			
School Fees/Expenses			
School Uniforms			
Other:			
Health			
Prescriptions			
Medical Care			
Dental Care			
Long-term Family Care			
Other:			
Insurance			
Life Insurance			
Health Insurance			
Disability Insurance			
Home/Renter Insurance			
Other:			
Credit & Debt			
Student Loan			
Credit Card 1:			
Credit Card 2:			
Credit Card 3:			
Credit Card 4:			
Personal Loan			
Gas Card			
Department Store Card			
Unpaid Medical Bills			
Other:			
Other:			
Fees			
Bank Acct. Fees			
ATM Fees			
Wire Transfer Fees			
Late Fees/Delinquencies			
Money Order Fees			
Misc. Financial Fees			
Other:			
Column Totals	\$	\$	\$

