

Family Budgeting And Money Management

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INTRODUCTION

An important part of succeeding financially is managing your money so you have enough for your essential family expenses such as housing, groceries, utilities, clothes, transportation and other items.

Why is it important to manage your money? Managing your money to pay your bills on time shows you are a responsible person who can be trusted with credit. Having a good credit rating will allow you to borrow money for large purchases such as a house, automobile, furniture and appliances. But credit must be used only when it is necessary, misuse of credit can cause serious financial problems. This course emphasizes the correct use of credit.

This course will help you establish a spending plan (budget). You will learn how to put money aside for regular monthly bills and other bills that occur throughout the year. The course emphasizes controlling your spending, saving for emergencies and paying bills on time. Welcome to the Family Finances and Money Management course, you will benefit from applying the principles the course teaches.

THE BIBLICAL CASE FOR BUDGETING

The Bible tells us through general principles and specific instruction to manage the assets and provision God has entrusted to us. The following verses address planning and managing the Lords assets.

The Bible tells us everything belongs to God.

- 1 Chronicles 29; 11-14 Yours, O Lord, is the greatness the glory and majesty, indeed everything that is in the heavens and the earth. Both riches and honor come from You, all things come from You, and from Your hand we have given to You.

The Bible tells us to manage our assets.

- Proverbs 27; 23-27 Look well to the state of your flocks and be mindful of the state of your herds, then you will have enough food and provision for your family.

The Bible tells us God will guide us if we include Him in our plans.

- Proverbs 3; 5,6 In all your ways acknowledge Him and He will direct your paths.

The Bible tells us to count the cost before we begin to spend.

- Luke 14; 28 Who of you would begin to build a tower without first determining if you have enough to complete it?

The Bible tells us to save for abundant times for lean times.

- Proverbs 6; 6-8 Observe the ants ways and be wise, they prepare their food in the summer and gather their provision in the harvest.
- Genesis 41; 1-37 Joseph taught Pharaoh to save during the 7 abundant years for 7 years of drought and famine that follow.

The Bible tells us to save for emergencies.

- Proverbs 22; 3 A prudent man sees danger ahead and plans to deal with it.

The Bible tells us to make giving back to God a part of our finances.

- Proverbs 3; 9,10 Honor the Lord with the firstfruits.

Managing our assets is the key to receiving the spiritual riches of Gods Kingdom.

- Luke 16; 10-12 If you cannot be trusted with money, who will trust you with the true riches?

LESSON ONE

THE BASICS OF BUDGETING

In Lesson One you will learn what a budget is, why a budget is important, how to start a budget and the benefits of a budget.

What is a Budget?

A Budget is a plan for spending your income. Income can be pay from a job, child support, pension, insurance, interest from savings accounts, food stamps, social security or other Government assistance.

Why is a Budget Important?

1. A budget helps you plan spending for essential monthly expenses like housing, food, utilities and transportation.
2. A budget helps you pay your bills on time.
3. A budget helps you save for variable expenses like car insurance, clothing, car registration.
4. A budget helps you save for emergencies like car repair, illness or unemployment.
5. A budget helps you save for long term goals like education and retirement.

How is a Budget Started?

1. Determine your monthly income (after taxes).
2. Determine your monthly (fixed and variable) expenses.
3. Compare monthly income to total expenses. If total expenses exceed monthly income expenses (or adjust) so that expenses are less than income.

The Benefits of a Budget

1. A budget reduces stress. The number one cause of stress in families is financial difficulties.
2. A budget will help you control your spending by showing you how much you can spend for items like clothing and entertainment. Successful budgeting has more to do with controlling your spending than about how much money you make.
3. A budget will help you live for the future rather than the past by saving for future expenses rather than paying past debts. Saving for future expenses makes money for you by drawing interest in a bank account. Paying for past debts costs you money because you pay interest on a loan or credit card. Saving for the future requires discipline, but the discipline of saving allows you the freedom to spend what you have saved.

FINANCIAL STATUS QUIZ

To help understand how well you are managing your finances answer the following questions either yes or no, write your answer in the space to the left of the question. If a question does not apply to you put an X in the space.

_____ I pay my rent or mortgage on time each month.

_____ I have enough money for monthly expenses.

_____ I set aside money each month for emergencies such as medical expenses or car repair.

_____ I have a written spending plan (budget) for my money.

_____ I set aside money each month for expenses such as car insurance, clothing and gift giving.

_____ I make all my loan payments on time.

_____ When I get a credit card bill I pay the entire amount.

If you did not answer yes to all the questions that apply to you, this course will help you begin to apply sound financial management practices!

LESSON ONE REVIEW

Answer the following questions from Lesson One.

What is a budget?

What are the three steps to starting a budget?

1 _____

2 _____

3 _____

What are the five reasons why a budget is important?

1 _____

2 _____

3 _____

4 _____

5 _____

CLOSING THOUGHT: Your income is not the most important part of being a financial success. The most important part is being able to control your spending.

FILLING OUT THE BUDGET WORKSHEET AND MONTHLY SPENDING RECORD

The Family Budget worksheet (pages 6 and 7) is used to record income and expenses. In the Income column on the left side of the worksheet write down (in pencil) income from a job, social security, food stamps, insurance or other source. If your job pays a different amount each month, such as a salesperson, make a conservative estimate of your average monthly income. Add up the monthly income from each source and write it in the Total block in the Income column and also in the block for total income at the bottom left corner of the worksheet.

The second major component of a budget is expenses. Expenses such as housing (mortgage or rent), car payments and loan payments are the same every month so they are called fixed expenses. In the Fixed Expenses column on the left side of the worksheet write in mortgage (or rent) and other monthly payments. If your income allows, determine a minimum amount of monthly savings and write in the amount. The blank spaces can be used to list any additional fixed expenses. If you are making credit card payments put the minimum monthly payment in the space (and pay off the balance before using the credit card again!). Add up fixed expenses and write the amount in the Total Fixed Exp block at the bottom of the column and in the block for total fixed expenses at the bottom left corner of the worksheet.

Other expenses like groceries, utilities, gas for the car, medical needs and family activities differ each month so these are called variable expenses. Expenses that usually don't occur each month like clothing, car insurance, holiday gift giving, vacations, car and home repair are also variable expenses. To determine how much is spent for such items during a month, make a day by day record of cash spent or bills paid on the Monthly Spending Record (pages 8-10).

For example: If you begin recording your spending on the 6th of the month and put \$10.00 of gas in your car write 10.00 in the space for gasoline on day 6. If you pay a water bill of \$25.00 on the 10th write 25.00 in the space for water\swr on day 10.

Utilities expenses can vary greatly throughout the year so an average monthly should be determined. Start your budget with an average amount you think will be enough and write it in the UTILITIES block on

the worksheet. Record utility expenses throughout the year to determine if the amount you budgeted is enough.

As each sheet of the spending record is completed add up spending for each of the expenses and write the amount in the sub-total column. In our example, if you started recording spending on the 6th of the month sheet 1 of the spending record is finished on the 5th of the following month, so wait until the 5th before adding up expenses on sheet 1. If you are recording spending for a month with 30 days you won't be recording spending on day 31 (similarly for February which has 28 days).

When a months spending is recorded add the subtotals and write the amount for each expense in the Total column on the third sheet. Then transfer the total for each expense to the Variable Expense column on the right side of the Family Budget worksheet. To determine how much to budget each month for clothing, car insurance and other expenses that don't occur each month see Lesson Two on page 17. Write these amounts in their appropriate block in the Variable Expenses column on the Family Budget worksheet.

Add up variable expenses and write the amount in the Total Variable Exp block at the bottom of the column and in the in the block for total variable expenses at the bottom left corner of the worksheet.

Now you have recorded you monthly income, variable expenses and fixed expenses. In the block at the bottom left corner of the Family Budget worksheet subtract fixed and variable expenses from total income and write the amount in the Balance block. If the balance is negative expenses exceed income. See Adjusting the Budget on page 13 for instructions on adjusting expenses (or increasing income) so the balance becomes positive. A key to successful finances is keep spending less than income.

The worksheet is for developing a budget while going through the lessons. Use the worksheet to figure out your budget then write out your budget on the second Family Budget form. The worksheet you use can be removed or kept as a record. An extra copy of the Family Budget form and the Monthly Spending Record at the back of the book can be used to track spending in the future. After developing their first budget many families make their own forms or use a computer to track their spending and savings.

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the worksheet. Record utility expenses throughout the year to determine if the amount you budgeted is enough.

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WORKSHEET

Income	Monthly Amount	Variable Expenses	Monthly Amount
		Groceries	
		Water	
		Gas	
		Electricity	
		Phone	
Total Income		Clothing	
		Car Insurance	
Fixed Expenses		Car Maintenance	
Housing		Car registration	
Cable TV		Gas (car)	
Car payments		Home Insurance	
Credit card(s)		Home repair	
Loan(s)		Property tax	
Child Care		Medical needs	
Savings		Beauty\Barber	
		Cosmetics	
		Gifts\Holidays	
		Family activities	
Total Fixed Expenses		Church\charity	
		Subscriptions	
		School needs	
		Vacation	
Total Income			
- Total Fixed Expenses			
- Total Variable Expenses			
Balance		Total Variable Expenses	

Income	Monthly Amount	Variable Expenses	Monthly Amount
		Groceries	
		Water	
		Gas	
		Electricity	
		Phone	
Total Income		Clothing	
		Car Insurance	
Fixed Expenses		Car Maintenance	
Housing		Car registration	
Cable TV		Gas (car)	
Car payments		Home Insurance	
Credit card(s)		Home repair	
Loan(s)		Property tax	
Child Care		Medical needs	
Savings		Beauty\Barber	
		Cosmetics	
		Gifts\Holidays	
		Family activities	
Total Fixed Expenses		Church\charity	
		Subscriptions	
		School needs	
		Vacation	
Total Income			
- Total Fixed Expenses			
- Total Variable Expenses			
Balance		Total Variable Expenses	

Monthly Spending Record

	1	2	3	4	5	6	7	8	9	10	11	Subtotal
Groceries												
Water												
Gas												
Electricity												
Phone												
Clothing												
Car Insurance												
Car Maintenance												
Car registration												
Gas (car)												
Home Insurance												
Home repair												
Property tax												
Medical needs												
Beauty\Barber												
Cosmetics												
Gifts\Holidays												
Family activities												
Church\charity												
Subscriptions												
School needs												
Vacation												

Monthly Spending Record

	12	13	14	15	16	17	18	19	20	21	Subtotal
Groceries											
Water											
Gas											
Electricity											
Phone											
Clothing											
Car Insurance											
Car Maintenance											
Car registration											
Gas (car)											
Home Insurance											
Home repair											
Property tax											
Medical needs											
Beauty\Barber											
Cosmetics											
Gifts\Holidays											
Family activities											
Church\charity											
Subscriptions											
School needs											
Vacation											

Monthly Spending Record

	22	23	24	25	26	27	28	29	30	31	Subtotal	Total
Groceries												
Water												
Gas												
Electricity												
Phone												
Clothing												
Car Insurance												
Car Maintenance												
Car registration												
Gas (car)												
Home Insurance												
Home repair												
Property tax												
Medical needs												
Beauty\Barber												
Cosmetics												
Gifts\Holidays												
Family activities												
Church\charity												
Subscriptions												
School needs												
Vacation												

An Empty Wallet Again?

By VERONICA DAGHER

It can be fun to spend money.

Tracking how much you are spending? Not so much.

"If I go out with friends, I don't want to sit there with a notebook and write down every drink I buy," says Jill Maxwell, a 27-year-old marketing manager who lives in Washington.

But not tracking spending means that many people have no idea how much they actually spend. Financial advisers who press clients to tally their spending say the numbers are often at least 20% higher than the individuals had thought.

Without any idea of what they are spending, many people end up accumulating credit-card debt to finance their lifestyle or they short-change their future selves by not saving enough for retirement.

A December survey by the National Endowment for Financial Education and Harris Poll found that 45% of adults in the U.S. are living paycheck to paycheck.

Wealthier people may skip tracking their expenses closely because they feel they have enough of a financial cushion, says Adam Alter, associate professor of marketing at New York University's Stern School of Business, who has studied consumer spending.

But even for people who don't have any immediate need to cut back on spending, knowing what they spend is critical. Expenses are a key factor in making decisions about retirement timing, launching a new business or making a big purchase, such as a vacation home.

Tracking expenses isn't just a chore. It can be emotionally draining. "For most people, sitting down and tracking their expenses is a similar emotional experience to counting calories. It often generates negative feelings—guilt, remorse, shame or frustration," says Brad Klontz, a psychologist, financial planner

and associate professor at Creighton University in Omaha, Neb.

Many financial advisers say their clients are firmly in the "don't track" camp, especially when it comes to discretionary expenses such as restaurant meals, entertainment and vacations.

It may take a financial scare or a major life event to motivate people to take a closer look at their spending.

Ms. Maxwell realized she needed to do that in October, when she found she didn't have enough money to pay her rent. "I make fine money. I thought to myself, 'There's no reason I should be in this situation,'" she says.

Forty-year-old author and blogger Adrian Kulp and his wife, Jen, focused on their spending six years ago, when they became parents. "We were married, combining accounts and wanted one of us to be able to stay home with

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our children, at least part-time," he says. The exercise led the Clarksburg, Md., couple to decide to cut back in areas including dining out and clothing purchases.

Apps such as Spending Tracker, Goodbudget Budget Planner and Miht can help you track your spending.

Many credit-card issuers, including American Express Co. and Bank of America Corp., provide helpful summaries of your spending.

Many banks have online search capabilities, too. If you are using a debit card for all those lattes, you can run a search for "Starbucks" and see how much your on-the-go breakfasts are setting you

back each month, says Michelle Fait, a financial planner in San Francisco.

"You still might want to spend on this, but now you can do it with eyes wide open," she says.

A quick back-of-the-envelope calculation to figure out your expenses is to take your take-home pay and other income and subtract out how much you saved (in addition to retirement-plan contributions automatically subtracted from your pay) and then add any increase in your credit card and other debt balances, says Delia Fernandez, a financial planner in Los Alamitos, Calif.

One challenge is to break down your expenses according to whether they are ordinary and recurring or exceptional and unusual, Mr. Alter says.

"What you'll start to notice is that so-called exceptional expenses account for a large chunk of your budget," and need to be acknowledged as recurring spending, he says.

Don't forget all those \$20 bills that fly out of your wallet. When you take money out of automated teller machines, be sure to track what that money is spent on, says Boonseon Gudmundsen, a financial planner in Encinitas, Calif.

Sometimes using one credit card for all of your expenses helps, says Carrie Jones, a financial planner in Jacksonville, Fla.

"Seeing it all in one place [and having to pay off the bill each month] sometimes brings discretionary spending into focus," she says.

Medrina Lloyd, a 55-year-old administrative assistant in Brooklyn, N.Y., started tracking her finances in a spreadsheet a few years ago, but quickly became discouraged.

She now is making another attempt at tracking—and limiting—her spending, as she aims to pay down her credit-card debt before she retires.

"I realize I just can't keep spending and spending and not knowing where all the money is going," she says.

Variable Expense Planning Worksheet

To calculate how much money to save each month for variable expenses determine a yearly budget for an expense then divide by 12 for the amount to put into your monthly budget. For example if car insurance costs \$1,200.00 per year, dividing by 12 results in \$100.00 saved each month.

Expense	Yearly Budget	Monthly Savings
Car Insurance		
Car Registration		
Property Tax		
Vacation		
Gifts/Holidays		
Medical needs		
School needs		
Clothing		
Home Repair		
Car Repair		

After determining your initial budget if monthly expenses are greater than monthly income you can reduce the monthly savings for discretionary expenses such as vacation or gifts\holidays. The monthly amount saved for other items may also have to be reduced by try to maintain some monthly savings for emergency expenses such as home repair, car repair and medical needs.

Monthly savings for essential variable such as car insurance, car registration and property tax should never be reduced.

List of Debts

Add up the total monthly payments and put in the Budget Worksheet.

Loan \ Creditor	Monthly Payment	Payments Remaining	Interest Rate

Adjusting the Budget

If the balance on the Family Budget worksheet is negative, your expenses are greater than your income and some adjustment needs to be made.

In most cases reducing some variable expenses will bring your total monthly expenses within your income. Overspending is typically seen in family activities (eating out), cosmetics, hair care, and phone bills (especially cell phones). Grocery bills can be sometimes reduced by limiting the amount of money spent on expensive snacks, cigarettes and alcohol. Depending on the size of the family and family income food may be gotten through a local food bank.

Clothing costs can be reduced by purchasing basic and functional clothes rather than the latest styles. The same is true for more expensive items such as furniture and cars.

If adjustments to expenses are necessary, try to maintain a minimum of \$25.00 per car per month in the budget for car repair. Try to maintain a minimum of \$50.00 per month in the budget for home repair and medical expenses also.

On the Family Budget worksheet write adjustments in the Adjust column. After making adjustments re-add your expenses then change the amounts in the bottom left hand corner of the worksheet and re-figure your budget balance.

Continue to adjust expenses until the balance is positive. In some cases it is possible that a family may need more income. Additional income may be gotten through a job change, working overtime or other means available to the family.

Savings Account Record

Once a budget is established you will want to put money aside in a savings account each month. Savings accounts provide a higher interest rate than checking accounts. Keep a record of your savings, Use the Savings Account Record form to keep track of your savings.

Each month as you put money aside in savings write down the amount saved in the appropriate category. For example if you put \$25.00 dollars into savings in January for car insurance the space for car insurance in January will have 25.00 in it. If you add \$25.00 dollars for car insurance for February write down 50.00 in the space. Do the same for other categories of savings.

Add up you savings for each month and write it in the Total column. When you get your monthly savings statement from the bank compare the amount on the statement to the total on your savings record, the amounts should be similar.

When an expense needs to be paid with money in savings, like car insurance, transfer the necessary amount to your checking account and deduct the amount from the category and total on the Savings Account Record. Your next monthly statement should show this transfer to checking.

As with all financial records you keep for yourself, using a pencil will make changes easier and keep the record neater and more readable. A second Savings Account Record is blank so you can write in spending categories that best fit your saving and spending habits.

SAVINGS ACCOUNT RECORD

	Car Repair	Home Repair	Vacation	Car Insurance	Home Insurance	Clothes	Gifts & Holidays	Medical	Savings	Total
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										

SAVINGS ACCOUNT RECORD

Total												
	January											
	February											
	March											
	April											
	May											
	June											
	July											
	August											
	September											
	October											
	November											