

Managing Income and Expenses

Getting from here to there



Money Management
INTERNATIONAL

Changing How America Overcomes Financial Challenges

How do I start?

One of the greatest satisfactions in life is having a sense of control over your finances. Why let your money control you, when you can make the changes and adjustments necessary to gain control of your money?

Through careful planning and use of money management techniques that anyone can learn, you can feel more confident about your ability to live within your means, handle emergencies, reduce debt, and save for the future. You can enjoy the benefits that a controlled financial situation brings by using the money management tools and techniques you learn in this class.



A controlled financial situation brings:

- Bills that are paid on time or paid off
- Goals like education, vacations & major purchases a reality
- Reduced stress
- Confidence in handling your income
- Extra money to handle emergencies
- Reduced debt or the freedom of being debt-free
- Savings for the future

Tool #1: Determine Net Income

	Paycheck 1	Paycheck 2	Paycheck 3	Paycheck 4	Total	Notes
1 Sources of Paychecks						
2 Monthly Gross Earned Income						
3 Deductions						
Federal Income Tax						
FICA/Retirement						
Medical Insurance						
Life Insurance						
Dental Insurance						
Co. Stock Purchase						
Payroll Deduction Saving						
Union Dues						
Child Support						
Other						
4 Monthly Net Earned Income						
5 Other Monthly Income						
6 Additional Periodic Income						
7 Total All Monthly Net Income						

Determine Net Worth



Today's Date _____

ASSETS

Cash and equivalents \$ _____

Real Property (mkt. value) \$ _____

Investments \$ _____

Retirement Accounts \$ _____

Other (eg., business interests) \$ _____

Total Assets: \$ _____

LIABILITIES

Mortgage (principal only) \$ _____

Other debt \$ _____

Taxes owed \$ _____

Contractual Obligations \$ _____

Total Liabilities: \$ _____

CALCULATE YOUR NET WORTH

ASSETS \$ _____ - LIABILITIES \$ _____ = NET WORTH \$ _____

The Outcome

A **positive** net worth indicates that your assets are larger than your liabilities.

A **negative** net worth indicates that your liabilities are larger than your assets.

TIP: If you have assets such as:

- Cash
- Life insurance
- Annuities
- Real estate
- Investments
- Retirement accounts

Complete a Net Worth Worksheet.

Tool #3: Compare Actual Spending to What You Think You Spend

Before you start tracking your actual expenses with your Expense Tracker, take a few moments to complete the list below.

List how much you think you spend on the items below:

- | | | | |
|----------------------------|----------|--------------------------------|----------|
| 1. Savings | \$ _____ | 15. Transportation | \$ _____ |
| 2. Food at home | \$ _____ | 16. Child care | \$ _____ |
| 3. Meals on the job | \$ _____ | 17. Barber/beauty shop | \$ _____ |
| 4. School lunches | \$ _____ | 18. Books/newspapers/magazines | \$ _____ |
| 5. Dinners out | \$ _____ | 19. Movies/sporting events | \$ _____ |
| 6. Electricity | \$ _____ | 20. Parties/clubbing/beverages | \$ _____ |
| 7. Gas/heating | \$ _____ | 21. Cigarettes/tobacco/alcohol | \$ _____ |
| 8. Water/sewage/garbage | \$ _____ | 22. Baby sitters | \$ _____ |
| 9. Telephone | \$ _____ | 23. Hobbies | \$ _____ |
| 10. Family clothing | \$ _____ | 24. Music | \$ _____ |
| 11. Uniforms | \$ _____ | 25. Doctors and hospitals | \$ _____ |
| 12. Cleaning and laundry | \$ _____ | 26. Dentists | \$ _____ |
| 13. Home cleaning supplies | \$ _____ | 27. Medicines | \$ _____ |
| 14. Gas/oil/lube | \$ _____ | 28. Other | \$ _____ |
| | | Total: | \$ _____ |

Have others in your household complete the list as well. Compare Answers.



Tip: Be sure to compare your items with actual expenditures on your Expense Tracker Worksheet. Seeing where you think you spend your money and where you actually do will help you develop a better Budget in the next section.

Tool #4: Compare Income to Expenses

Now that you have an accurate idea of your income and where your money is going, it's time to record your income and group your expenses on one Budget Worksheet. If necessary, you can then adjust your budget in order to balance it.



Budget Worksheet

	Amount	Adjusted
Income:		
Monthly take-home pay		
Other Income		
Total Income		
Fixed Expenses: <i>Expenses that don't change each month:</i>		
Housing (rent/mortgage, insurance and taxes)		
Car loan		
Renter's insurance		
Car Insurance		
Savings		
Debt Payments		
Other		
Total Fixed Expenses		
Variable Expenses: <i>Expenses that can change every month:</i>		
Food at home		
Food away from home		
Electricity/Heating Oil/Natural Gas		
Cell phone		
Clothing		
Gasoline		
Entertainment		
Other		
Other		
Total Variable Expenses		
Periodic Expenses: <i>Expenses that only happen once and a while</i>		
Car maintenance and repairs		
Other		
Other		
Total Periodic Expenses		
Total Income		
Minus Total Expenses		
Over/Under		



1. From your **Expense Tracker Worksheet**, transfer your expenses into the following categories on your **Budget Worksheet**:

Fixed Expenses: Expenses that are typically the same each month, such as rent or mortgage, car payments, childcare, credit card payments, and savings.

Variable Expenses: Expenses that occur each month, but the amounts you spend on them vary from month to month. Examples include food, clothing, and utilities.

Periodic Expenses: Expenses that occur annually, semi-annually, quarterly, or seasonally. Such expenses include car registration, auto or household maintenance, gifts, taxes, and insurance.

2. At the bottom of the Budget Worksheet, total all of your actual fixed, variable, and periodic expenditures.
3. Transfer Net Monthly Income from the Income Worksheet and subtract Total Expenses from Net Income for each month.

A positive number indicates that you have a surplus, or excess income.

A negative number indicates a deficit that results when your expenses exceed your income.

What if I have excess income?

- Have I included all my expenses, especially the periodic expenses, such as vacations, taxes, and car and home repairs?
- Is there money set aside in an “emergency fund” equal to three to six months of living expenses?
- Am I paying off my debts aggressively, or am I just paying minimums on my credit card accounts?
- Do I have money saved for financial goals I have established?
- Do I have adequate insurance protection? Am I protected from financial consequences in case of an emergency?

What if I have more expenses than income?

- Increase your monthly income
- Decrease your monthly expenses
- Combine increasing income and decreasing expenses

What are some ways to decrease my monthly expenses?

Reduce Fixed Expenses

Comparison Shop for:	Amount	Adjusted
Rent/Mortgage		
Car/ Lease payments		
Insurance premiums		

	Amount	Adjusted
Refinancing Mortgage		
Raising Deductible on Homeowners' or Auto Insurance		

Decrease Variable Expenses

	Amount	Adjusted
Eat out less often		
Curb habits such as the daily routine of buying a cup of coffee		
Cable TV		
Entertainment		
Nonessential clothing		
Designer haircuts		
Comparison shop for household goods		
Comparison shop for groceries		
Decrease options on phone contract		
Over insured?		



Other Ways to Decrease Expenses

- Do you shop with a list?
- Do you resist impulsive buying?

So far I've:

- Determined net income
- Tracked and documented my monthly expenses
- Compared actual spending to what I thought I spend
- Created a budget
- Determined a surplus or deficit in my budget
- Found ways to adjust my budget in order to decrease my expenses

The numbers look right, but I still find it difficult to pay my bills on time...

“What’s the problem?”

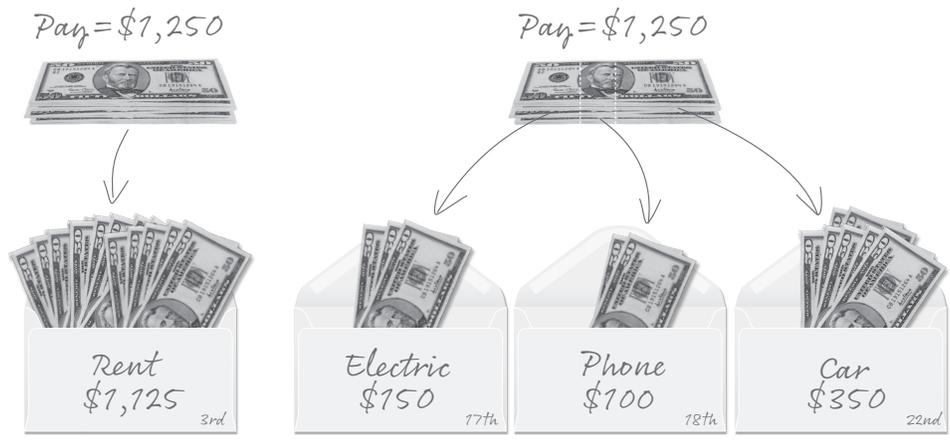
Managing Cash Flow



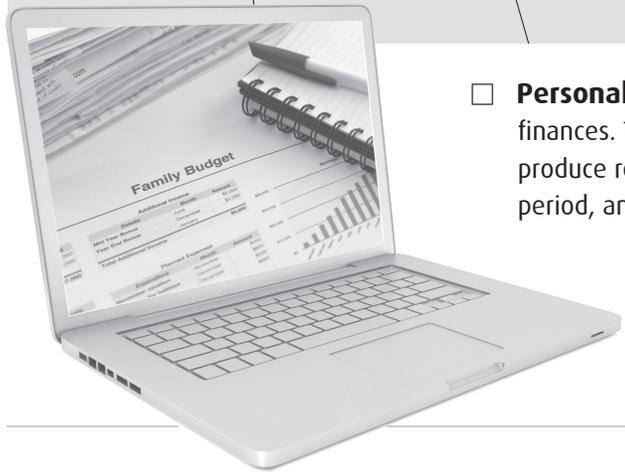
Once you have enough money to cover your expenses, you may still find it difficult to pay your bills on time if due dates do not coincide with paydays.

What are some solutions?

- The envelope method** allows you to set cash aside for your various expenses in labeled envelopes. This tool is useful if you pay your bills with cash each month.



- The calendar method** allows you to record when income arrives and when bills are due. This method utilizes a monthly calendar.

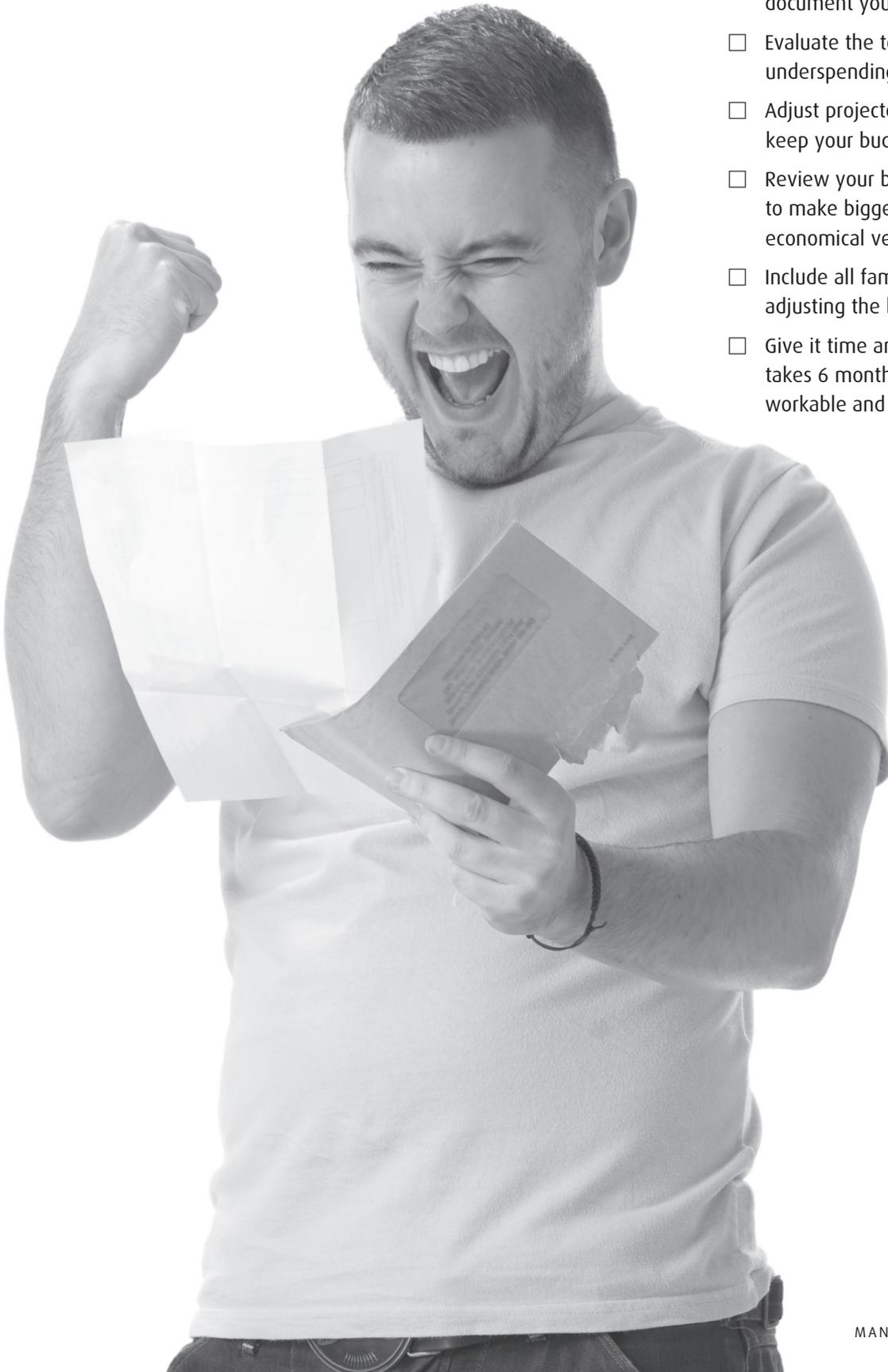


- Personal financial software** provides electronic tools to manage your finances. This method helps you organize income and expenses electronically, produce reports and graphs that compare and analyze data over any time period, and categorize spending to assist with tax preparation.

Which method is right for you?

Monitor Your Progress

- At least once a week, record and document your income and expenses.
- Evaluate the totals for overspending and underspending in each category.
- Adjust projected amounts as needed to keep your budget balanced.
- Review your budget to see if you need to make bigger changes such as a more economical vehicle or increased income.
- Include all family members when adjusting the budget.
- Give it time and stick with it. A budget takes 6 months to a year to become workable and realistic.





We are here to help!

As you work to accomplish your financial goals, we will be here to help and encourage you every step of the way. Take advantage of all the tools and resources that are available to help you navigate the inevitable financial bumps in the road toward financial freedom and security.

Visit [MoneyManagement.org](https://www.MoneyManagement.org) for more inspiration and education:

- In-depth, money-saving budget guides
- Upcoming personal finance webinars
- Upcoming personal finance webinars

About Money Management International

Money Management International is a national nonprofit dedicated to changing lives and creating fresh starts for families and individuals struggling with financial challenges. We deliver aid and education without bias, restriction, or judgment. We are proud to serve counseling and education to consumers in all 50 states.

To schedule an appointment, visit [MoneyManagement.org](https://www.MoneyManagement.org) or call **866.515.2227**.



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