



Essential
LIVING SKILLS

MONEY MANAGEMENT



K-STATE
Research and Extension

Acknowledgments

Originally by:

By: Mary Lou Odle, Saline County Extension Agent, Family and Consumer Sciences, K-State Research and Extension; and Joyce E. Jones, Extension Specialist, Family Financial Management, K-State Research and Extension

Revised by Elizabeth Kiss, financial resources specialist, K-State Research and Extension

BUDGETING BASICS

Money is a part of our life every day. What we wear, what we eat, where we live, and the fun things we do are only a few money related decisions we make.

For some people, having a million dollars wouldn't be enough to satisfy their wants. Millions of other people manage to pay their bills, save for the future, and enjoy life while still living within their income. Managing money takes time and effort.

The way you spend or save money today will help determine what you have and whether you can pay your bills in six months, a year, or many years from now. For example, if you spend your money as fast as it comes in, you may find yourself in debt when unplanned expenses occur.

Do you have control over how you spend money? Can you live within your income — meeting expenses and putting some money aside for emergencies, unanticipated expenses, and to meet long-term goals?

Budgeting is a way to get the most out of your dollars. It is not just about saving money or being a tightwad or doing without. Budgeting is about deciding where your money will go and making a spending and savings plan to achieve your financial goals.

MONEY MANAGEMENT SKILLS

No one is born with natural money management skills. You may have learned some money management skills from your family, but you may want to manage your money differently than your parents managed their money. You also may have learned some money management skills at school or through life experiences. Developing money management skills takes time, practice, and patience.

BUDGETING

If you run out of money before all your expenses are paid each month, you are not alone. While people work hard to earn an income, they often do not work at planning how income will be spent. There are steps you can take to make a budget work for you. The basic steps in budgeting include:

1. Track how your money is spent for one month.
2. List all income for the month.
3. Compare expenses to income.
4. Determine what changes you can make to achieve your goals.
5. Make a spending and savings plan.
6. Use your spending and savings plan.
7. Review your plan as well as your income and expenses periodically, adjusting as necessary.

GETTING STARTED

1. Get organized.

- a. Get your bills and financial records together. Have a designated spot where bills are placed when they arrive. If it is a paper bill, use a drawer, box, basket, or file. If it is an electronic notice, consider creating an email account just for bills. Review your bills regularly and note the date the bill should be paid. If you are going to mail the payment, the date noted should be four or five days before the due date (to allow the payment to arrive before the due date and avoid a late fee). If you are going to pay electronically, allow enough time for the payment to be received before the due date.
- b. After paying a bill, mark it “paid” and put it in large envelope, box, or file marked “Paid bills.” Keep receipts for cash payment of bills in the same place.

2. Track spending.

- a. To get a realistic picture of how you spend your money, keep a folded sheet of paper or small notebook with you at all times to track all of the money you spend for at least a week. Tracking your spending for an entire month will help you learn even more.

3. Record spending.

- a. Record your spending on the budget expense worksheet, adding categories if necessary to fit your spending pattern.

4. Record all income on the income worksheet.

5. Compare expenses to income.

- a. If your expenses are more than your income, look for ways you can cut. Determine what expenses are absolutely necessary, such as housing, utilities, and food.
- b. Decide which other expenses can be cut to meet the necessary expenses.
- c. Look for ways you can increase your income.
- d. Consider a combination of the two.

6. Make a budget (spending and savings plan) for next month.

- a. Fill in planned expenses and expected income on budget sheet.
- b. As it is received, record income on income sheet and monthly calendar.
- c. As bills arrive, list them on the monthly calendar on the date they should be paid. Also record other monthly expenses if no bill is received (such as rent).
- d. Plan what bills and expenses will be paid out of each paycheck or other source of income, as well as how much of the income must be saved to pay expenses later in the month.

BUDGETING BASICS: WANTS, NEEDS, GOALS

We all have basic needs in our life — shelter, clothing, and food. Each person in the family has additional needs that cost money. There is a difference between needs and wants. A want is something you would like to have but could live without. It is important to discuss with your family what their wants and needs are and how they fit into the family's financial plans.

A car may be a need for the family, but a new car probably is a want. A phone in the house may be a need for your family, but a cellphone could be a need or a want.

Have each family member write down five needs. Then ask each person to write down five wants. Read the lists aloud. Discuss how you could include the needs in your budget, and plan to save for the wants of family members.

GOALS

What is really important to you and your family? Do you have goals? What goals do you plan to work toward?

A goal is a broad general statement of what you want to achieve. Goals provide direction for your plans and actions.

Goal setting is more than deciding what is important to you. To help write your goals, ask yourself these questions:

- A. What do I want to do with my money?
- B. How much will it cost?
- C. How long will it take to get that much money?

Write down your immediate, short-term, and long-term goals. Immediate goals are those things you want to get done in the next week, month, or three months. Short-term goals are things you want to do or accomplish in six months to a year. Long-term goals are goals you want to reach in 1 to 5 years or longer.

You may have more goals in one category than another. Most people have all three types of goals.

As you list your goals, decide which goals you want to use your money for first. Set dates to reach your goals. Ask yourself which goals are the most important and which are the least important. Just because a goal is short or long term it may be just as important to save for it as the immediate goal. Ask yourself these questions:

1. How important is this goal to me and my family? Is it something I want, but could do without?
2. How urgent is this goal? If you have to buy a new car tag and pay personal property taxes in two months (or you will get a ticket), saving to pay that bill is an immediate goal.
3. What will happen if I don't work on this goal? Will your bills continue to grow with interest charges, or will your credit rating be affected? How will you store food if you can't replace your old refrigerator?
4. How much will I have to save each payday to reach this goal?

Goals can guide you to use your money for the things that are really important to you and your family. Don't let setting goals be just an exercise. Be realistic about what you can accomplish. Build them into your spending and saving plans.

IMMEDIATE GOALS	COSTS	SAVE EACH MONTH
(within next three months)		
SHORT-TERM GOALS	COSTS	SAVE EACH MONTH
(six months to a year)		
LONG-TERM GOALS	COSTS	SAVE EACH MONTH
(1 to 5 years or longer)		