Spending Plans: Beyond Budgeting

You have probably heard of a budget, but you may be thinking, “What is a spending plan?”

Traditional budgets are slightly different from spending plans. Traditional budgeting is based on cutting expenditures and setting spending limitations, and may create a mindset of sacrifice and restriction. On the other hand, a spending plan is based on prioritizing spending and fostering a sense of responsible, purposeful spending. By following a few simple steps, you can be on your way to creating your own spending plan.

STEP 1: DETERMINE YOUR INCOME

Income is money you regularly receive from an ongoing source, such as a paycheck, alimony, government assistance, or dividends. Having a clear picture of your income is ideal. Start by gathering your pay stubs and other documents showing how much money you earn from other sources.

STEP 2: EVALUATE YOUR EXPENSES

Locate your most recent checking account and credit card statements to see what you typically spend monthly. Include rent, loan payments, insurance, groceries, small purchases such as coffee or snacks, bank or credit card fees, and other purchases.

One by one, look at every item that took money out of your account and put it in one of these three columns: fixed, variable, or periodic.

FIXED Monthly Recurring and Expected to Stay the Same for a Year or More	**VARIABLE** Monthly Recurring but Amount Changes	**PERIODIC** Occurs Less Often than Monthly
Rent/Housing	Utility Bills (Heat, Water, Cable, etc.)	Car Repairs/Maintenance
Loan Payments (Car, Student & Credit Card)	Groceries and Eating Out	Birthdays
Insurance (Homeowners and Renters)	Gas for Your Vehicle	Holiday Spending
Childcare	Clothing	Personal Upkeep
Savings (Emergency & Retirement)	Entertainment	Travel

STEP 3: FIND THE DIFFERENCE

Once you have your total monthly income and expenses, subtract your expenses from your income. You might find that you have more money left over each month than you thought or are spending more than you realized.

If income is higher than expenses, consider applying the excess income to an emergency fund, paying down debt, saving for retirement, or saving for education expenses.

If expenses are greater than income, review expenses to see what you can reduce and what you can eliminate completely.

STEP 4: ANALYZE THE RESULTS

Now that you know how much you have left at the end of the month (or don't), you can make informed decisions on managing your money.

Excess income can be used to create or contribute more to an emergency/rainy day fund or to increase retirement savings, vacation savings, or savings for home improvement projects, to name a few. It's ideal to have three to six months' worth of expenses saved for an emergency.

If you are spending more than you're earning, you will need to review your spending habits and determine what is a priority and what is not. Remember that you should give yourself permission to spend money on things you want while pursuing the goals that matter to you.

STEP 5: CREATE YOUR SPENDING PLAN

Make a plan for every dollar. You determine where your money will go before it gets spent.

When prioritizing goals, keep the following in mind:

- Think of your savings account as an important bill. Pay yourself first! Your financial institution can automatically transfer a specified amount from your checking account to your savings account every pay period. You can start small and increase as your ability to save increases.
- Keep positive. This spending plan is a tool to help you reach your goals.
- Your spending plan should be flexible. If you don't reach your monthly target one month, modifying is okay.
- Don't get overwhelmed.
- Once you've developed a spending plan that works best for you, make it a habit.

SECU believes in helping our members to achieve their financial goals! Please call our 24/7 Member Services at (888) 732-8562 or visit your local branch Monday through Friday, 8:30 a.m. to 5:30 p.m. if you have any questions.

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