



Oklahoma Cooperative Extension Service
Oklahoma State University

Pathways to Success

A Basic Living Skills Curriculum

Budgeting Money (Part 1)

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Budgeting **(Part 1)**

Today you will learn: how you spend your money.

Budgeting

A Budget is . . .

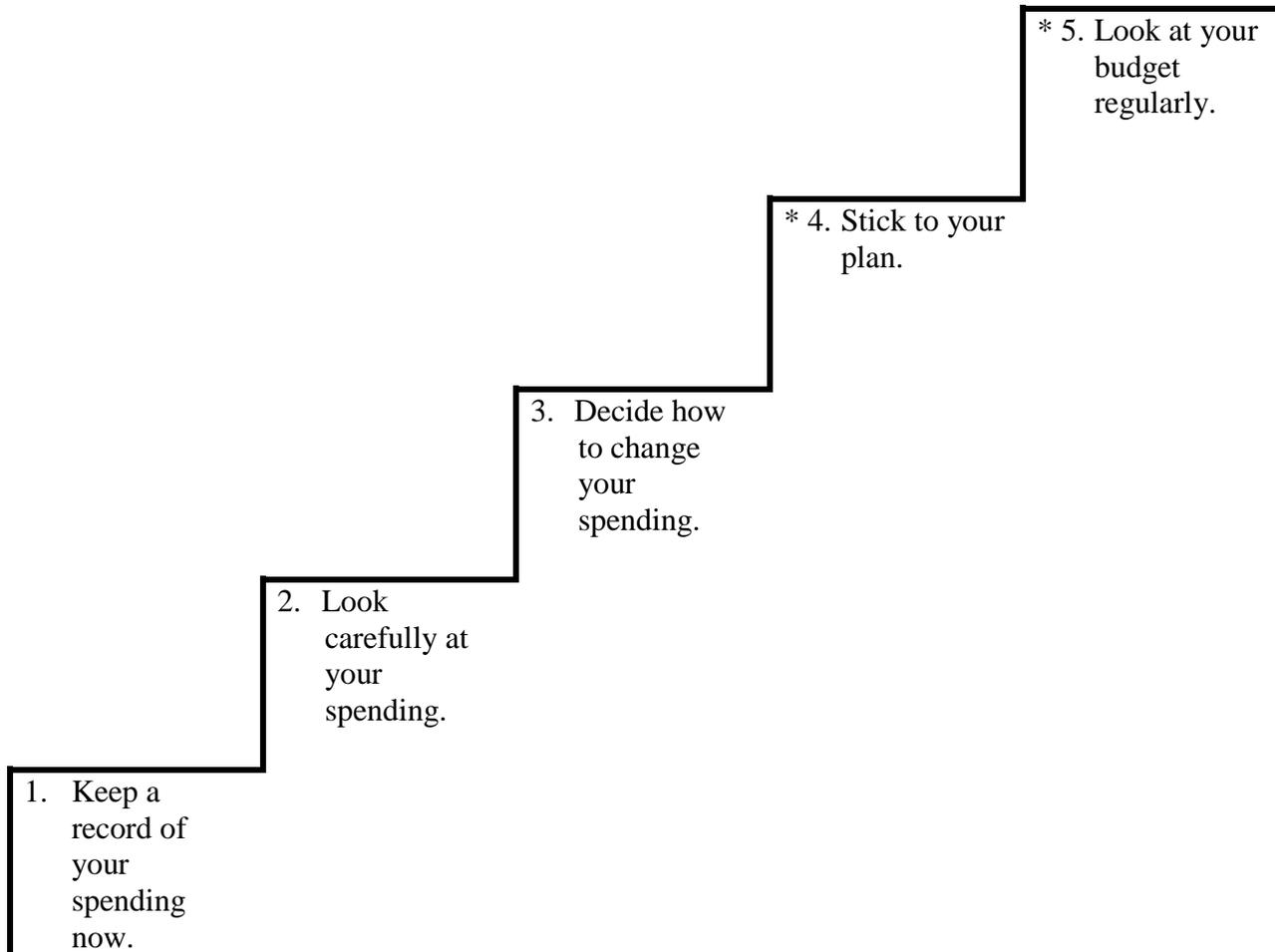
- Starting to save money in January for the holiday next year
- Walking to the grocery store to get milk and a loaf of bread.
- Saving \$1 a week to give a birthday party.
- Buying yard sale jeans and day-old bread.
- Buying a dress at a discount store.

Making a Budget

A budget is a plan for managing your money.

Everyone needs a budget, but some people can budget their money better than others.

There are 5 steps to making and keeping a budget.



* Step 4 and 5 are discussed in Budgeting (Part 2).

1. Keep a record of your spending now.



How to Keep a Record of Your Spending

Your spending will be broken down into the following areas:

- Food
- Housing and utilities
- Household supplies
- Car plus insurance
- Child care and child support
- Recreation and personal goods
- Medical plus insurance
- Savings
- Credit payments
- Clothing
- Other - gifts, church, school, sales tax, etc.



- Write down and total your expenses every day of the week. You will want to save store receipts and break items into the areas of spending.



- Do this for each day of the month.
- At the end of the month, add expenses for each area of spending.
- Add all together.
- The total for the areas of spending will be the same as the total of the month.



Now you are ready to write down your expenses for the month. Use page 7 to write down your expenses for one day at a time. Start on the day you began writing down your expenses. It is best to start on the first day of the month.

Begin writing on the day of the week that you start writing down your expenses. For example, if you are writing down your expenses in May and May 1 is on a Friday. Write those expenses in the Friday on the first row.

January						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Monthly Calendar for Recording Spending

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			\$25 gas \$15 groceries \$400 rent	\$5 lunch \$50 cable bill	\$45 day care	\$6 movie

Monthly Calendar for Recording Spending

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

Look at your calendar and break the expenses you listed into the areas of spending listed on page 9.

For example, if you have 4 payments to Gas and Guzzle, you add them and enter this amount in the car column.



Do this for all your expenses. When you add all items on page 7 and then page 10 the amounts should match.



Areas of Spending

Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals
\$8.93 \$11.50	\$400 \$25.19		\$25.83	\$45	\$6.75							

Areas of Spending

Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals

If you look at your budget, you may see that some expenses are missing. These are the expenses that come at different times during the year. If you do not save for them, your budget will fail.



Clothing



Dentist



Taxes



Gifts



Care Insurance



Car Repairs

These expenses can pile up!

Expenses that you pay every three months, every six months or once a year are call periodic expenses. Periodic expenses happen from time to time. You need to save some money every month to pay these bills when they are due.

What happens if you don't?

- You run out of money the week they are due.
- You pay them and fall behind on other bills.
Sometimes you can't catch up again.
- You can't pay at all and lose something.
- You have to borrow money to pay or use a credit card.

Use the periodic expenses sheet to figure your expenses for a year. Then divide by 12 to figure your monthly savings amount.

Periodic Expenses Sheet

Expenses	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Home Maintenance													
Insurance: Car*		50.00			50.00			50.00			50.00		200.00
Insurance: Homeowners									120.00				120.00
Taxes: Income Tax													
Taxes: Property						600.00							600.00
Car Tag													
Dentist	50.00						50.00						100.00
Eye Care													
Birthdays & Other Gifts	25.00		25.00				25.00			15.00			90.00
Christmas													
Car Repairs		30.00					30.00			50.00		30.00	140.00
Club Dues			125.00										125.00
Clothing*	80.00						130.00						210.00
Other:													
Holiday Gifts												600.00	600.00
Vacations/ Out of Town Trips													
Total													2185.00

*Only enter costs you are not paying monthly.

Amount of your income you must set aside each month to meet all expenses.

$$\begin{array}{rclcl}
 \underline{\$2,185} & + & 12 \text{ month} & = & \underline{\$182.08} \\
 \text{Total} & & & & \text{Monthly Amount}
 \end{array}$$

Periodic Expenses Sheet

Expenses	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Home Maintenance													
Insurance: Car*													
Insurance: Homeowners													
Taxes: Income Tax													
Taxes: Property													
Car Tag													
Dentist													
Eye Care													
Birthdays & Other Gifts													
Christmas													
Car Repairs													
Club Dues													
Clothing*													
Other:													
Holiday Gifts													
Vacations/ Out of Town Trips													
Total													

*Only enter costs you are not paying monthly.

Amount of your income you must set aside each month to meet all expenses.

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{Total}
 \end{array}
 + 12 \text{ month} = \$ \underline{\hspace{2cm}} \\
 \text{Monthly Amount}$$

2. Look carefully at your spending.



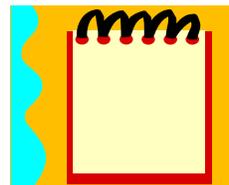
Now take a good look at your spending. You may see you are spending so much in one area such as clothing.

List two areas you think are too high.

1. _____

2. _____

3. Decide how to change your spending.



How do you want to spend your money?



What do you want or need to buy in the future?

What each person wants or needs is different.

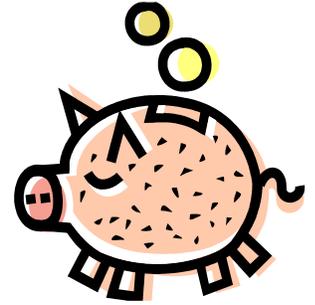
To get what you want or need, you may need to change your spending habits. You will have to lower your expenses. Spending for some items such as food, clothing and recreation can be easy to change. Other expenses such as housing, utilities and credit payments stay about the same each month.



Try to put money in savings each month. Save money for unexpected expenses and to pay for such things as insurance and car tags. Set aside the same amount at the beginning of each month. Also set aside money into an emergency account until it equals 3-6 months living expenses.

To lower expenses you might:

- Buy fewer items for a while.
- Spend less for certain items.



- Make use of your own skills instead of paying someone else.
- Take a lunch from home instead of buying it.

- Use free community services.



- Lower utility costs by changing the heat or air conditioning.
- Turn down the heat. Turn up the air conditioning.
- Use fans.



- Move to lower price housing.
- Eat at home more often.
- Fill cracks around windows with foam insulation.

- Trade an expensive car for a cheaper one.
- Shop at thrift stores and garage sales.



On page 15 you listed two areas of spending that you thought were too high. What are these?



What can you do to lower these expenses?



Now that you have some ideas of how to lower your expenses, you will need to write down a new budget plan.



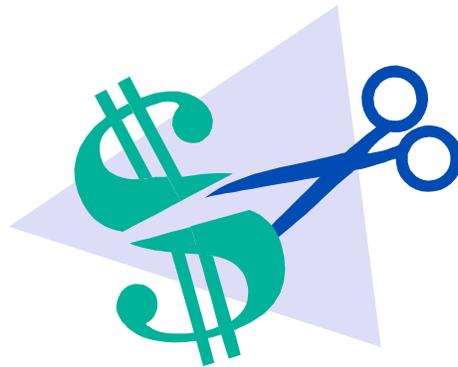
It is easier to write down your expenses for one week at a time. Your new budget will also be set up for one week at a time.

Some bills are due once a month. Below is a list of bills usually due once a month. Check those that apply to you and write in the date due and amount.

	Bill to be Paid	Date Due	Amount
_____	House (rent or mortgage)	_____	_____
_____	Car payment	_____	_____
_____	Credit payments	_____	_____
_____	Electricity	_____	_____
_____	Gas	_____	_____
_____	Phone	_____	_____
_____	Water	_____	_____
_____	Garbage	_____	_____
_____	Cable TV	_____	_____
_____	Child support	_____	_____
_____	Other _____	_____	_____
_____	Other _____	_____	_____

Now take the bill due dates and write in the amount budgeted for each area of spending. Use the budget plan on the next page. Write your budget for one week at a time.

If rent is \$500.00 and due on the first of the month, Week 1 budget plan will include \$500.00 in the housing and utilities spending area. This will be the only week that will include rent in the weekly budget.



Budget Plan for the Month

	Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals
Week 1													
Week 2													
Week 3													
Week 4													
Week 5													

Budget Plan for the Month

	Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals
Week 1													
Week 2													
Week 3													
Week 4													
Week 5													

You have looked at Steps 1, 2 and 3. Keep a record of your spending for the next month. The second part of the Budgeting lesson will work through Steps 4 and 5.

