

This month I will resume my series of articles on *Navigating the Financial Roadway – Finding God's Plan for Living Well*. This is a step-by-step explanation of how to set up and live by a written spending plan, a crucial element of good stewardship. Thus far we've explored getting started on the journey, which dealt with determining existing spending habits. Then we looked at using an expense diary and coming up with your "existing" spending plan (which for many is no plan at all!). The next three articles dealt with expense categories. If you missed any previous articles, you can find them and downloadable forms on our website (www.livingwellokc.org – see the page "Managing Money" and click on "Navigating the Financial Roadway").

This month's stop on Navigating the Financial Roadway is to begin looking at the **"Control System."** We must compare our Existing Spending Plan with a Guideline Spending Plan as the first step in preparing a New Spending Plan. The spending percentages shown on the Percentage Guideline Form are only averages, not absolutes. They are based on national averages and middle income families (I have tried to adjust them somewhat to Oklahoma). We compare the Guideline Spending Plan with the Existing Spending Plan to determine what income and/or expense categories need adjustment. This helps determine areas of possible overspending that are creating problems. For example: If a family is spending 60% of their income on housing and the guideline percentage is 28%, they will probably have great difficulty in balancing their budget. The guideline spending plan shows us "red flag" issues that need to be dealt with. **Remember that the guideline percentages are only general averages and are meant to be used as starting points.**

After determining your present level of spending in all existing expense categories (the "Existing Spending Plan") and reviewing the Guideline Spending Plan, **the next step is to develop a New Spending Plan. Keep in mind that total expenses cannot exceed the Net Spendable Income.** Otherwise, you're going "into the hole" each month and we know where that path leads!

Three Steps:

There are three steps for us to look at in starting the procedure of arriving at a New Spending Plan:

Compare – We begin by comparing the Existing Spending Plan with the Guideline Spending Plan percentages to **look for "danger areas."**

Analyze – It is here we look for categories that are not in line with the guidelines (those **"red flags"**). It is often necessary to make some decisions here – many times **hard decisions**. It may be possible to reduce some areas of spending in an effort to compensate for overspending in other areas. For example: you might be able to cut back on grocery spending to increase the spending allowance for gasoline. **For married couples, good communication is especially critical at this point.** There must be unity when making spending plan decisions. Without a willingness to possibly sacrifice and establish discipline, no spending plan will succeed.

Decide – It is now time to decide what, if any, adjustments must be made and if spending needs to be reduced in any categories. These adjustments might be minor, but they sometimes involve major things such as changes in housing, vehicles, schools, etc. **It is not necessary that your New Spending Plan fit the guideline budget, but it is necessary that your new plan not exceed Net Spendable Income.** It is important to realize that this is your **initial** New Spending Plan. As the months pass, adjustments will need to be made. Even after you've reached a good, working spending plan, you need to review and revise it at least once a year to make adjustments as necessary due to income changes, changing expenses, etc.

Well, you should just about have your New Spending Plan developed at this point. So, **how do we actually control it?** Tune in next month.....