

Since starting 2006, we are explaining the **step-by-step process of setting up a spending plan and putting it into place**. In the first month's article, we looked at “Getting Started,” where we determine exactly where you're currently spending money using an expense diary and the “Existing Spending Plan” form. The second month, we went to the next leg of the journey, “Mapping Out the Route,” which is the start of creating your “New Spending Plan.” We talked about some of the road hazards along the way. If you missed the first two, you can find both of them and the forms on our website (www.livingwelloc.org, see the page “Managing Money” and click on “Navigating the Financial Roadway”).

We continue looking at how to set up and utilize a written spending plan. **This month we will begin examining the different expense categories of a spending plan.** One of the most common questions we get when helping someone with their financial situation is “how detailed should we break down the way we spend money”? Our answer- “enough to adequately track your spending, but not so much that you get bogged down.” People often abandon their spending plan because they make it too complicated. **We want to keep our plan as simple as possible and still make sure that we have enough detail to adequately track income and spending.**

The Spending Plan form we use can be found on our website. The categories we use are just one way to break down expenses. There is nothing magic about them. They are simply what we have found to work for most families. You can modify the categories or add/delete to fit your needs. **The main point is that all expenses must fall into a category.** The expense categories are fairly self-explanatory, however we want to point out a few things about them. We will cover them in the same order they are listed on the spending plan.

Saving/Investments This is a key ingredient to financial freedom, but it is often not funded due to poor spending patterns that have not allowed allocation of income to this category. When first starting to use a Spending Plan, and if finances are a problem area, quite likely this category might not get funded until things have been brought under control (especially reduction or elimination of debt). **But, regular saving needs to be part of both short and long term planning.**

Housing Includes all monthly expenses necessary to occupy your home, including mortgage payments or rent, insurance, taxes, home maintenance, etc. Home maintenance is one of those categories that is often over-

looked and not included. Anyone who owns a home knows that is not practical however. You must allocate funds to maintain your home and furnishings. **An absolute minimum would be an amount equal to 10% of your monthly mortgage payment.**

Utilities Utilizing the average billing method for electricity and gas makes it easier to budget for those expenses. I usually don't recommend including cell phone costs here unless it is a person's only phone. A better placement is in the “personal” category. And, **television cable and Internet fees should go in the entertainment category, not utilities, since contrary to popular belief, they are not essential for life!**

Food All grocery store purchases, including non-food items such as paper goods and cleaning supplies. You can also include “drugstore type” purchases, but not prescription medicine. And don't forget to include those quick stops at convenience stores. Shopping at stores such as Wal-Mart and Target, though convenient, has complicated matters greatly since we can buy items there from so many different categories. You must be very diligent in dividing up and marking your receipts immediately after making purchases at those types of stores to make sure the right categories get credited. Don't include eating out or daily bought lunches in this category. Those should be considered entertainment expenses. Also things like pizzas and other fast food are not included here, unless you specifically plan that way.

Transportation Includes all vehicle loan or lease payments, vehicle insurance, fuel, maintenance, tags/licenses, pike pass fees, etc. **A critical expense item included here is the “vehicle replacement” line item. This is where you accumulate money to purchase vehicles with cash instead of borrowing (yes, that absolutely can be done!)** Annual or semi-annual insurance premiums should be divided accordingly and those amounts set aside each month. Then when the premium comes due, the money is in place to pay it in full, which will save you money.

We will cover the remainder of the expense categories next month. Psalm 24:1 says, “*The earth is the Lord's and all it contains, the world, and those who dwell in it.*” Remember, God owns it all - we're His “money managers.” **He expects us to well manage every cent that He entrusts to us, not just the amount we give back to Him as our tithes and offerings!** Utilizing the proper expense categories in your Spending Plan is an integral part of good management.