Spending Plans: Beyond Budgeting

You may be familiar with a budget, but what about 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 prioritizes spending and fosters a sense of responsible, purposeful spending. By following a few simple steps, you can be on your way to creating a 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 all sources.

STEP 2: EVALUATE YOUR EXPENSES

Collect your most recent checking account and credit card statements to see what you typically spend monthly. Include rent, utilities, loan payments, insurance, groceries, purchases for dining out including coffee, snacks, credit card fees, and other expenses.

Item by item, review each expense 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, and the Amount Changes	**PERIODIC** Less Often than Monthly
Rent/Housing	Utility Bills (Heat, Water, Cable, Phone, etc.)	Car Repairs/Maintenance
Loan Payments (Car, Student, and Credit Card)	Groceries and Dining Out	Birthdays
Insurance (Homeowners and Renters)	Gas for Your Vehicle	Holiday Spending
Childcare	Clothing	Personal Upkeep
Savings (Emergency and 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 using the extra income for an emergency fund or to pay down debt, save for retirement, or save for education costs.

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

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 money management decisions.

Extra 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. Ideally, save three to six months' worth of living expenses for emergencies.

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. Permit yourself to spend money on things you want while pursuing the goals that matter to you.

STEP 5: CREATE YOUR SPENDING PLAN

Plan for every dollar by determining where your money will go before it is spent.

When prioritizing goals, keep the following in mind:

- Think of your savings as an essential bill to pay and pay yourself first!
- You can automatically transfer a specified amount from your checking account to your savings account every pay period. Start small and increase as your ability to save increases.
- Stay 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, it's okay to modify it.
- Once you've developed a spending plan that works best for you, make it a habit.

At SECU, we're dedicated to ensuring you have the tools and resources you need to meet your goals. Visit your local branch Monday through Friday, 8:30 a.m. to 5:30 p.m., or call our Member Services Support at (888) 732-8562.

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