

THE MONEY COACHES



It takes as much energy to wish as it does to plan.

Eleanor Roosevelt

CREATE A SPENDING PLAN AND LIMIT OVERSPENDING



How do you create a spending plan and limit overspending? It starts with a plan. A spending plan. You have had a couple of weeks to dream, set SMART goals that give you a target to aim for, and track expenses. It is now time to determine how you want to spend your money and create a spending plan that meets your family's needs. Grab a piece of paper, your favorite app or online tool such as Simple.com or Everydollar.com, and let's get started. As you begin, there are a few things you will want to keep in mind. Determine if your monthly expenses are fixed, variable or discretionary, decide if they are needs or wants and make sure the four basic walls are being prioritized.

1. Fixed expenses:

Include your mortgage, rent, loan payments, insurance, savings or any expenses that remain the same every month. If they do not change from month-to-month, they go here.

2. Variable expenses:

Monthly expenses that vary from month-to-month. These are expenses that can be controlled to a certain extent, but are still necessary to plan for each month. They are

things you can't live without such as gas, groceries, utilities, and clothing. For some this includes coffee. Expenses in this category can be adjusted. For example, in order to cut spending on gas, group errands and do them all in the same day. Keep the thermostat lower in the winter and higher in the summer to lower utility bills. Shop sales in the off season. Shop at discount stores or garage sales for deals on clothes, especially for young children since they grow so fast. Buy generic brands rather than name brands at the grocery store. There are a myriad of ways to keep variable expenses from spiraling out of control. It takes a little planning, intentionality and creativity, but the savings are well worth the effort.

3. Discretionary expenses:

Examples of discretionary spending include eating out, gifts, entertainment, vacation, hobbies and impulse buys. You have total control over how much you choose to spend on these categories. These are sometimes more difficult to plan for because they are often spontaneous and impulsive. If you are not purposeful and intentional, you can easily blow your monthly spending plan on these expenses and end up in debt.

Need versus Want

As you prioritize your spending and assign it to one of the above categories, make sure to cover the four basic walls first. These are the absolute necessities: Food, shelter, transportation, and clothing. Then determine if the rest of your spending is a "need" or a "want". Our wants often become needs. Our

desires usually cost more than our income. If left unchecked, our wants will cause undue hardship and a mountain of debt. Make sure your spending plan prioritizes your needs over your wants. This will be different for each family. After your spending needs have been met, only then, begin spending and saving for your wants.

Overspending

How easy it is to think a spending plan wouldn't even be necessary if you made just a little more money. Regardless of how much money you make, the key to overspending is planning. That means saying "no" to impulse spending and saying "yes" to the plan.

Action Steps

- Identify types of expenses and determine if they are "needs" or "wants".
- Cover the four basic walls first.
- Download your favorite App, online tool or grab pen and paper and put your Spending Plan in writing.
- Begin to execute your plan.
- Try to limit your spending for one month to your most basic needs and see how much money you have left over to save toward your goals.

Don't become discouraged if after the first month there are little or no results. Adjustments will need to be made along the way. It takes time to change habits and learned behavior. Don't hesitate to contact the Money Coaches for assistance.

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