



Spending Plan

**Cornerstone Foundation's Journey to Financial Wellness
(developed by the Financial Wellness Task Force)**

JOURNEY TO FINANCIAL WELLNESS



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HOW YOU SPEND



WHAT YOU WILL LEARN:

1. ANALYZE EXPENSES
2. BUILD A BUDGET
3. CREATE A SPENDING PLAN

ANALYZING EXPENSES

Analyzing monthly expenses involves carefully reviewing and assessing your financial expenditures. This process helps you understand where your money is being spent, identify spending patterns, control costs, and make informed decisions about budgeting.

Why Should We Analyze Expenses?

Understand Spending Patterns: This gives you a clearer picture of your regular expenses and helps you allocate income more effectively to cover **essential expenses** and save for goals.

Control Costs: Making intentional choices about how you spend your money builds habits that sustain long-term financial health.

Budget and Plan: Effectively budgeting and planning helps you set financial boundaries and provides a framework for evaluating spending.

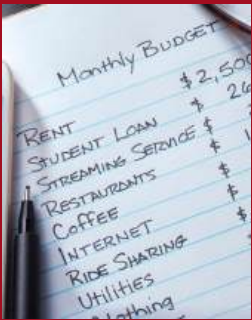
Financial Decision Making: Careful planning and evaluating how you spend helps you make informed choices that support your values, immediate needs, and **long-term goals**.

Monitor Financial Health: Tracking how your financial health is impacted by your planning ensures you stay on track to meet your goals, avoid potential problems, and make informed decisions that support your overall financial well-being.

Modify Behavior: Once you have an effective budget in place, have prioritized your **needs** and **wants**, and have a solid grasp on the values that you hold most dear, you can regularly check in with your plans and change behaviors to fine-tune your spending and saving goals.



HOW TO ANALYZE EXPENSES



Identify Trends and Patterns

Look for patterns in your spending habits. Identify areas where you consistently spend more than you planned or areas where you can potentially cut back.

Evaluate Needs vs. Wants

Determine needs and wants. This distinction helps prioritize your spending and identify areas where you can reduce costs.

Set Financial Goals

Based on your analysis, set specific goals such as saving a certain amount of money each month, reducing spending, or paying off **debt**.

Automate Essential Spending

Develop ways that you can automate your monthly spending that makes the process easy and worry free. Evaluate services yearly to ensure you are not duplicating expenses.

HOW TO ANALYZE EXPENSES

By listing and categorizing your expenses, you can closely examine your spending to ensure it honors your values and supports your financial goals.



Gather Your Documents and Records

Collect your bank account statements, credit cards statements, receipts or any other record of financial transactions that will help you make a list of your expenses. This will help ensure you don't miss anything.

List and Categorize by Expense Type

Make a list of your expenses, categorizing them as you go. Types of expenses may include:

Fixed vs. Variable - Fixed expenses remain constant each month, like rent. Variable expenses fluctuate, such as gasoline costs, which depend on gas prices and how much you drive.

Necessities vs. Discretionary - Which expenses are essential each month, and which ones are optional?

Calculate Total Spending

Compare your **total expenses** to your income for the same period. This helps you understand your financial health and whether you're living within your means.

Compare Against Income

Add up your expenses within each category to calculate your total spending for the period. This will give you an overview of where your money is going and how much is allocated to each category.

CREATE YOUR SPENDING PLAN



Your spending plan is a financial plan that outlines expected income and expenses over a specific period of time. It serves as a guideline for managing financial resources.

Steps to Build a Spending Plan



1. Make a list of your monthly income: Money you receive for work, investments or assistance programs.

2. Make a list of your monthly expenses: Money spent on everyday needs and wants. Also include any debt payments, money you save and give away charitably.

3. Calculate your cash flow: In order to understand if your spending plan will work each month, you need to know if you spend more than you make or make more than you spend.

4. Make necessary changes: Find ways to increase your income, decrease your expenses, or both.

Documents Needed

- Pay Stubs
- Bank Statements
- Social Security Benefit Statements
- Bills
- Loan Statements
- Credit Card Statements
- Other Receipts or Statements



Determining Needs vs Wants

Separating your expenses into what is necessary for your well-being and survival (needs) compared to what you would like to have but not required (wants) is a great way to help you prioritize your spending.

Examples of Needs

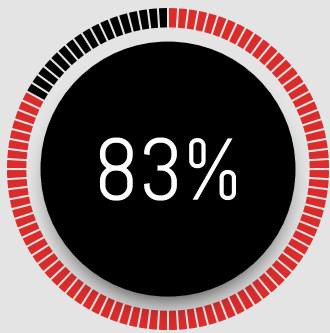
- Rent or mortgage
- Utility bills
- Health care
- Medication
- Food

Examples of Wants

- Entertainment
- Dining out
- Travel
- Electronics
- Monthly subscriptions or memberships

SPENDING PLAN IDEAS

Find a budgeting method that works for you and revisit your budget on a regular basis. Here are two examples to get you started.



According to Nerdwallet, 83% of Americans overspend.

Zero-Based Budgeting

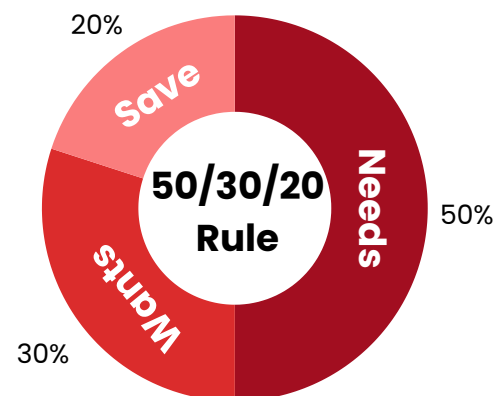
Zero-based budgeting is a method where every dollar you earn is given a specific job. At the start of each month, you forecast your income and then allocate amounts to different spending categories. After listing all your expenses and savings, you subtract these from your total income. The goal is to have this balance equal zero. This approach allows for flexibility, adjusting your budget as needed each month.

50-30-20 Rule

The 50-30-20 Rule is a simple and practical rule of thumb for budgeting that is both easy to follow and effective. It provides guidelines for managing your income wisely while prioritizing savings. According to this rule, your after-tax income should be divided into three categories: 50% for needs, 30% for wants, and 20% for long-term savings.

Following the 50-30-20 Rule can help you identify areas where you can reduce spending. Moreover, it enables you to allocate additional funds towards savings and achieving your goals, such as paying off debt.

This approach not only promotes financial stability but also encourages mindful spending and saving habits, ensuring a balanced financial outlook in the long run.



YOUR SPENDING PLAN

MONTH OF		FIXED INCOME (EX: JOB, SOCIAL SEC, RETIREMENT)		
TOTAL INCOME (FIXED + VARIABLE INCOME)		VARIABLE INCOME (EX: GIG WORK, GIFTS, OVERTIME)		
EXPENSES ITEM	BUDGET	ACTUAL	DIFFERENCE	NOTES
MORTGAGE/RENT				
HOUSEHOLD MAINTENANCE				
PROPERTY TAXES				
HOME INSURANCE				
GROCERIES				
DINING OUT				
ELECTRICITY				
WATER				
SEWAGE				
GAS				
PHONE				
TRASH				
CABLE				
CELL PHONE				
CAR PAYMENTS				
FUEL				
AUTO INSURANCE				
CHARITY/DONATIONS				
CHILD CARE				
CREDIT CARDS/DEBT				
LOANS				
ENTERTAINMENT				
SUBSCRIPTIONS				
STREAMING SERVICES				
PETS				
MEDICAL EXPENSES				
LIFE/HEALTH INSURANCE				
OTHER EXPENSES				
OTHER EXPENSES				
TOTAL EXPENSES				



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*Empowering Credit Unions to Impact
Their Communities*