

Building a Spending Plan¹

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Everybody needs to learn how to manage money. Good money management includes being able to pay your monthly bills, save for the future, and buy the things you need and want without creating unmanageable debt. A spending plan can be a helpful money management tool. You can master the skills of money management and learn to conserve your income by using knowledgeable spending.

When your financial choices are guided by your personal values, your spending reflects what matters most to you, helping you build a more meaningful and stable financial future. Remember to consider things such as family dinners, vacations, or other valuable experiences. Planning can help you extend your buying power, and good spending habits foster financial security and wise use of credit.

By following this six-step exercise, you can build a spending plan based on your finances. You can decide if you want to reduce debt, save to buy items you want, or better control spending so you can pay bills on time. You decide what you want to achieve with your money, and your spending plan will help show you how you can do it.

Step 1: What Are Your Financial Goals?

The first step in building your spending plan requires you to write down your financial goals. One method of doing this is to think about what you want to achieve financially within a set time frame. Ask yourself these questions: What do you want in the future? What do you want right now? Do you want to save money for a down payment on a house? If you want to achieve your goals within a year, then those goals are classified as short-term goals.



Figure 1. A pink piggy bank set atop a pile of money.
Credit: UF/IFAS Photo by Tyler Jones.

You may find it helpful to include the following information in each financial goal:

- What is the money going to be used for?
- How much money is required?
- By what date do you want to do this?

Try writing some of your financial goals in Table 1. Before setting your goals aside and moving to the next step, read your goals again and see if they are SMART goals.

SMART stands for goals that are **S**pecific, **M**easurable, **A**ttainable, **R**elevant, and **T**ime-bound. If you answered the three questions (purpose, amount of money, and by when) when you wrote your financial goals, you have goals that are specific and measurable. Attainable goals are ones that are based on your actual financial situation. Setting too high a standard can make you feel less confident about reaching it. Relevant goals are ones that coincide with your values and needs. Plan to have the money by the time you need it. Time-bound goals are ones that actually have an end point.

Writing SMART goals will help ensure that you are able to reach your spending goals. It takes commitment and effort to make financial goals a part of your daily life.

Don't forget! Values guide money choices. When you spend, ask: Does this reflect what's important to me?

Write down your SMART goals in Table 1.

Table 1. A chart where you can write your SMART goals.

SMART Goal	Amount Needed	Begin Saving (Month and Year)	Target Date to Have Money (Month and Year)	Number of Months	Amount to Save per Month	Rank of Importance

Step 2: Where Is Your Money Going?

To manage your money, you have to know where your money is going. What do you buy? What monthly expenses do you have?

You may know exactly how much you are spending or you may have no idea. Either way, you need to know where your money is currently going (i.e., what you are buying or paying for) to create a spending plan. Pick the best method for you from the chart below.

Manual	Digital
Written log	Budget apps
Spreadsheet	Banking mobile apps

Tips to Make Sure Your Tracking of Expenditures Is Complete and Accurate

It is ideal if you can record your spending each day for a whole month (usually four weeks). If more than one person in the family is spending, each person needs to do this exercise. See an example of daily tracking over the

course of a week in Table 2. After you have completed writing down your daily expenditures for a week, you will want to add other expenditures you make by check or automatic withdrawals from your account to pay bills. See the example in Table 3 below. Add all the expenditures together at the end of the week.

Table 2. Daily expenditures for a week.

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Total
Lunch \$15.00 Groceries \$275.22	Gas \$40.00 Lunch \$18.85	Barber \$20.00 Soft drink \$2.50	Lunch \$14.85 Movies \$16.25	Lunch \$16.50 Cleaning supplies \$18.67	Laundry \$20.00	Pizza \$24.23	\$482.07

Table 3. Expenditures through automatic withdrawals/payments.

Automatic Withdrawals/Payments
Rent \$1,400
Streaming services \$295.22
Electric company \$164.00

Table 4 provides a chart for you to total all your major categories for the month as you track expenses by the week. Your categories may be different from the example given, so change them to fit your actual expenditures. A plain sheet of paper or a page of notebook paper can be used to list your expenditures, as in the table below.

The box in the right-hand corner at the bottom of Table 4 will be your grand total for the month. It should equal the total for the columns above it as well as the total of all the weeks across the bottom row.

This table will be helpful in completing step 4 as well as showing you what bills (auto loan, rent, utilities) need to be paid in which weeks of each month.

Table 4. Amounts spent by week.

Categories	Week 1	Week 2	Week 3	Week 4	Week 5	Totals
Groceries						
Eating out/Snacks						
Phone						
Entertainment (movies/subscriptions)						
Gas (for car)						
Personal (haircuts, grooming, etc.)						
Rent/Mortgage						
Car payment						
Utilities (gas, water, electric, etc.)						
Day care						
Clothing (new, dry cleaning, repairs)						
Other						
Totals						

Step 3: How Much Is Your Total Income?

In this step, you will determine your total monthly income. It is important to know your gross income (before any deductions are taken from your pay or wages) for income tax purposes. However, for this step, you should determine your **net income**, or what is left after deductions have been made from your wages or paycheck. Your net income is the amount of money you control to pay for your needs and wants as well as to save.

Income comes from different sources. By filling in Table 5, you can total your sources of monthly income. If you are paid weekly, then add in the four paychecks you receive for the month you have selected. If you are paid every two weeks, then add in two paydays for the month. Some months will have five (weekly) or three (biweekly) paydays. You can treat that as extra money for savings or other goals.

Table 5. Total net income.

Monthly Net Income	Amount
Salary (set amount per pay period)	
Gig income (on-demand work)	
Gig income (on-demand work)	
Hourly income (depends on hours worked)	
Self-employment income	

Monthly Net Income	Amount
Child support/Alimony	
Public assistance/Food stamps/WIC	
Unemployment/Disability	
Social Security	
Retirement/Pension	
Money from relatives	
Investment income	
Other:	
Other:	
Other:	
Total	\$

Step 4: How Much Are Your Fixed and Flexible Expenses?

This step helps you record all of your expenditures each month. There are two major types of expenses in a spending plan. They are "fixed expenses" and "flexible or controllable expenses."

Fixed expenses are those you usually pay on a regular basis. They may be the same amount each time, or they may vary from month to month. Here are some common fixed expenses:

- Child care
- Rent or mortgage
- Household bills (water, electricity, phone)
- Installment plans (car, loans)
- Insurance premiums
- Deposits to savings account

Many fixed expenses are paid every month, but others have to be paid every three months (quarterly), every six months (semiannually), or every year (annually).



Figure 2. A desk with scattered bills, receipts, a calculator, eyeglasses, a pen, and credit cards.

Credit: UF/IFAS Photo by Thomas Wright.

Flexible expenses are those that usually vary in amount from month to month. Because you are not tied to set agreements or contracts, you have greater control over your flexible expenses compared to fixed expenses. When you are squeezed financially, you can cut back on flexible expenses or even cut some out. Flexible expenses can include the following:

- Food (groceries, eating out)
- Clothing (new clothes, clothing repairs, dry cleaning)
- Transportation (gasoline, car repair, public transportation)
- Medical care (doctor bills, medications)
- Education and recreation (books, magazines, movies, entertainment, vacations)
- Personal care (haircuts, manicures)
- Gifts and donations (birthdays, holidays, charity)

Flexible expenses usually vary from month to month. People who keep spending records for the first time are often surprised by how much they spend on things they don't really need or want.

As you gain better control over your flexible expenses, you will have an easier time covering your fixed expenses, avoiding late penalties, and achieving your financial goals.

Table 6 and Table 7 are provided to assist you in calculating your total expenses. Follow the directions for each of the tables.

Table 6 is designed for you to list all of your monthly **fixed expenses**. If some of your expenses are paid other than monthly (such as a quarterly car insurance payment or a semiannual homeowner's insurance premium), use Table 8 to convert the payments into monthly payment amounts. Do not total the categories until you have completed Table 8.

Table 6. Monthly fixed expenses.

Expenses	\$ per Month
Housing and Utilities	
Rent/Mortgage	
TV/Internet/Streaming service subscriptions	
Water	
Electricity/Gas	
Phone	
Other (HOA, fees, etc.)	
Subtotal	\$
Loans/Debt	
Automobile	
Credit cards	
Student loans	
Medical debt	
Car	
Other (personal, furniture, appliances, etc.)	
Subtotal	\$
Child Care	
Child support	
Child care after school	
Other	
Subtotal	\$

Expenses	\$ per Month
Insurance	
Health	
Automobile	
Homeowners/Renters	
Other (life, disability, etc.)	
Subtotal	\$
Savings/Investments	
Emergency fund	
Periodic expense fund (car maintenance, etc.)	
Goals-based savings (vacation, house, car, etc.)	
Other (retirement, 529 plan/tuition, etc.)	
Subtotal	\$
Other	
Gym membership	
Storage unit	
Subtotal	\$

Table 7 is designed for you to list all of your monthly **flexible expenses**. You may total these categories after listing all flexible expenses.

Table 8 is to be filled out to make your record of expenses more complete. Think about the types of expenses listed and how often you make payments. If you make these payments monthly, then list that amount under the proper category in Table 7. If you make a quarterly payment (four times a year), list that amount under the "amount paid

quarterly" column. If you make only two payments a year, list that under the "amount paid semiannually" column. Do this for all the payments that are made other than monthly payments. The list of calculations at the end of Table 8 gives directions for converting these kinds of payments into monthly dollar amounts (to be listed in the "calculated monthly" column). List these same monthly amounts under the proper categories in Table 7. Once that is done, you can add all of the categories in Table 7.

Table 7. Monthly flexible expenses.

Expenses	\$ per Month
Food and Supplies	
Groceries	
Eating out/Convenience stores/Food delivery services	
Cleaning/Other supplies	
Hygiene/Toiletries/Cosmetics	
Other (vending machine purchases, meal subscriptions, etc.)	
Subtotal	\$
Clothing and Personal	
Clothing purchases (including subscriptions)	
Accessories and shoes	

Expenses	\$ per Month
Hair care/Nails/Personal care	
Other (repairs/alterations, dry cleaning, etc.)	
Subtotal	\$
Transportation	
Gas	
Ride-sharing/Public transportation	
Other (vehicle tags, parking, licenses)	
Subtotal	\$
Medical Care	
Doctors' bills/Copays	
Prescriptions	
Therapy	
Other (dental care, vision care, etc.)	
Subtotal	\$
Entertainment and Recreation	
Movies/Music/Books (including subscriptions)	
Vacations	
Hobbies	
Other	
Subtotal	\$
Gifts and Donations	
Birthdays/Holidays/Anniversaries	
Charities/Tithes	
Other	
Subtotal	\$

Table 8. Additional fixed expenses.

Category	Frequency of Payment			
	Amount Paid Quarterly	Amount Paid Semiannually	Amount Paid Annually	Calculated Monthly Expenses (See calculation notes below)
Auto insurance				
Life insurance				
Home insurance				
Health insurance				
Disability insurance				
Other insurance				
Taxes				
Licenses				
Regular savings				
Short-term goals				
Long-term goals				
Other				

Note: To get a monthly amount for the expenses listed in Table 8 above, use the following calculations:

- If the payment is made quarterly (four times a year), divide the amount by 3.
- If the payment is made semiannually (twice a year), divide the amount by 6.
- If the payment is made annually (once a year), divide the amount by 12.

Table 9 provides a chart for you to total your monthly fixed and flexible expenses for a monthly grand total of expenses. This is the amount you will need each month to cover all your expenses. The grand total will be used in

step 5. Remember that these tables are only meant to help you make your first spending plan. You may add and delete categories to make the tables fit your exact expenditures.

Table 9. Grand total of monthly fixed and flexible expenses.

Monthly Fixed and Flexible Expenses	Amount
Total fixed expenses	\$
Total flexible expenses	\$
Grand total of expenses	\$

By completing all the tables discussed in step 4, you should have a complete overview of your total expenses per month.

Step 5: Are You Living on What You Make?

Now that you have calculated your income (step 3) and found your total fixed and flexible expenses (step 4), it is

time to do another calculation. You need to determine if you are living on what you make (i.e., total expenses do not exceed total net income) or if you are spending more than you make (i.e., total expenses exceed total net income) (Table 10).

Table 10. Total income minus total expenses.

Total Income Minus Total Expenses	Amount
Total income (step 3; Table 5)	\$
Minus total expenses (step 4, Table 9)	- \$
Total*	\$
*The total could be negative or positive. See the publication for more details.	

If the total in Table 10 is **positive**, the amount is a surplus (unspent money) and is available for you to use for additional savings or to reach your goals. For example, you can save all or part of it, purchase something with the money, or use it as an extra payment on an installment loan or mortgage.

If the total in Table 10 is **negative**, then you are overspending for your income (i.e., deficit). This is the amount of money you must subtract from your expenses to avoid spending more than you make. Return to the flexible expenses table in step 4 and determine which categories you can reduce or cut out. The total adjustments to the categories must be equal to or greater than this total deficit. This will help you monitor your expenses in coming months so you do not go over your budget.

Do this step monthly after you have made purchases and paid bills. Make a plan to adjust your spending for the current and coming months so you will get back on budget. It will be increasingly difficult to reach your short- and long-term financial goals if you continue to overspend. Deficit spending usually results in debt that becomes difficult to pay off.

You can change your spending plan as your financial situation or priorities change. Review your income, debts, and spending. Take a hard look at your flexible expenses, particularly spending on wants and nonessential items. Control your flexible expenses by choosing lower-cost alternatives, reducing how often you make certain purchases, or redirecting money from lower-priority wants to meet your financial goals. Review your financial goals in step 1. Are you contributing money monthly to them?

Remember a simple rule: If it helps you reach your goals, do it. If not, don't!

Review all of your expenses, and then ask yourself the following questions (or similar ones, as necessary). Is this really how you want to spend your money? How much is maintenance costing on your car? How much is the auto insurance? Could you save money by doing more cooking at home instead of eating out? Are you planning your gift giving? Do you really need to buy gifts for all those relatives? Consider gifts you can give that do not cost money, such as doing an activity with them or helping them do something around the house they cannot do themselves.

Step 6: Sticking to Your Plan.

- **Update your plan:** Add income increases or subtract reduced expenses in the appropriate steps of your spending plan.
- **Track monthly spending:** After paying bills, record actual vs. planned spending in each category.
- **Check for overspending:** If actual expenses are higher than planned, review step 5 and cut back on items in step 4.
- **Keep records organized:** Save receipts, pay stubs, and bank statements, or use your banking or money management app to stay organized.
- **Review and adjust goals:** Eliminate unnecessary expenses and direct more money toward savings and financial goals.
- **Pay bills on time:** Avoid late fees and build a stronger credit history.
- **Review annually:** Add monthly totals for each category and compare spending from year to year.
- **Repeat regularly:** Consistently track and adjust to stay on budget and move closer to your goals.



Figure 3. A person using UF/IFAS-generated budgeting tools to manage money.

Credit: UF/IFAS Photo by Tyler Jones.

Budgeting in Difficult Times

You may need to create a lean budget and take steps to protect your money and credit during tough financial times. Start by reviewing your current income, expenses, savings, and debts.

Next, make a list of your expenses and separate them into:

- Essential needs (rent or mortgage, utilities, groceries, medical care, transportation)
- Nonessential expenses (eating out, entertainment, and luxury items)

Prioritize basic needs. Spend on essential needs first to ensure you can stay housed, fed, and healthy. Cut nonessential spending to preserve cash. You may need to temporarily suspend savings and/or contributions to long-term savings goals such as retirement to free up cash for immediate needs.

It is important to protect your assets, such as your car and home, and to manage debt during difficult times. Contact

lenders and creditors to ask about payment pauses, reduced payments, hardship programs, or debt consolidation. Be prepared to provide supporting documentation and keep good records of your interactions. Explore possible opportunities to increase your income and to improve cash flow, such as temporary or part-time work.

Finally, maintain your financial health by continuing to monitor your expenses and stick to your crisis budget. Monitoring your progress will help you adjust as your situation changes. It is also a good idea to seek support by sharing your situation with a trusted friend or family member.

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