

FLR WORKSHOP: *Spending Plan (Budget) Sessions Outline*

I. Cash Flow: *Budgeting...Easy As Pie*

- What is Debt?
 - Apple analogy
- What is Cash Flow?
 - Pie analogy: *Understanding Cash Flow or a Budget*
- What is a Spending Plan?
- Calculate your own Monthly Income & Expense
- Monthly Income: *Making Paycheck Pie*
 - INCOME SOURCES—*Possible Ingredients*:
 - Paychecks
 - Pension or Retirement Payments
 - Alimony
 - Child Support
 - Additional Income:
 - ◆ Interest from Savings or Investments
 - ◆ Commissions, Bonuses, Tax Refund
 - Second Job
 - Other Money from Gifts or Inheritance
- Monthly Expenses: *Dishing Out the Pie*
 - Fixed vs. Periodic expenses
 - EXPENSES—*Possible Guests*:
 - Tithe/Offerings *
 - Savings *
 - Housing
 - Auto
 - Food
 - Clothing
 - Childcare
 - Insurance
 - Medical & Dental
 - Debt
 - Recreation
 - Miscellaneous Expenses

2. Spending Plan: *How To Slice Your Paycheck Pie*

- Budget Guidelines: *How Big Should My Slices Be?*
 - Discussion of “Paycheck Pie” Poster
 - Child Care Expenses
 - Comparing Pies—*Budgets*
- Making Choices: Changing Your Spending Plan
 - Questions to think about
- Increasing Your Income: *Making a BIGGER Pie*
 - Writing down financial goals & strategies
- Reducing Expenses: *Trimming the Fat*

3. Cash Envelope System: *Portion Control*

- Category Spending Limits: *Controlling the Portions Per Slice*
- Introducing the Cash Envelope System: *Even more help with Portion Control*
 - Calculating cash expenses and setting up

I. Cash Flow: *Budgeting...Easy As Pie*

When reading the Bible, you may have noticed that Jesus often taught in parables—telling stories that painted mental pictures—to make concepts easy to imagine. When it comes to talking about **FINANCES**, this concept may seem boring, confusing or even intimidating to some people.

Therefore, we will borrow some of Jesus' teaching methods. Today we will be sharing some of our ideas for budgeting by using *visual imagery*—graphics as well as mental pictures—to help you understand some financial concepts better... or at least to make this workshop a bit more *interesting* than you may have expected!

Okay, we know that we make a certain amount of money and we should NOT be spending more than that number each month. So what happens if we DO spend more?

What is Debt?

You probably guessed it...*DEBT*. Without a Spending Plan (a budget or some kind of guidelines) to steer your spending, you could easily slip into debt. Today, some of you may have discovered for the first time just *how deep* you are in debt. But, what does it really mean to be in debt?



Debt is what happens when you **BORROW** something that must be **PAID BACK**.

Let's use an **apple analogy** to get a better mental picture of what debt looks like:



Pretend for a moment, that your life is *not* quite as busy. In this scenario, you actually have enough time for cooking and baking from scratch...

Now, imagine yourself in your kitchen at home. The oven is hot and ready for cooking. You have taken out all the bowls and tools you'll need. You have strategically placed the needed baking ingredients on the counter. With fervent purpose, you begin making a fresh delicious pie. Yet, you are surprised to find out that you are *short* on some of the ingredients.

You don't panic, but calmly walk next door and *knock, knock, knock*. Your gracious neighbor opens the door and then allows you to borrow a few apples so that you can finish baking your pie.

However, every day you still find yourself a little short on apples, so you keep on knocking and keep on borrowing...a little every day.

Well, a few years have gone by and by now you've borrowed **SO MUCH** that you would need an *18-wheel rig* to haul the payload for the mountain of apples you owe!



You probably wouldn't even *think* to borrow this often from your *actual* neighbors, but interestingly you MAY borrow just as frequently from your "friendly" neighborhood BANKER...through credit cards and loans or perhaps even those convenient—but *outrageously expensive*—Cash Advance places.

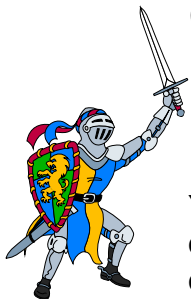
Debt is the result of living beyond your means—in other words—spending MORE than you make. In fact, most Americans are living above their means, up to 15% more! Our counselors at Family Life would vouch for that. They meet so many people who are spending more than they make and they *don't even realize it!*

Here's a common overspending example:

Let's say your monthly net income is \$2000 a month, but you are spending \$2300! You will *quickly* get into debt spending this way...You can add about **\$3,600 in debt** for each year that you continue spending over your budget.

With all the advertising commercials and overloaded mail marketing, it seems our culture has become very comfortable living in debt. However, being in debt is not as great in *reality* as it is in theory.

To get out of debt, you will need to take several steps. One of the most important is to change your ATTITUDE. Clarence Hackett, Director of the Stewardship Department of the Florida Baptist Convention, encourages us to think positively and *act proactively* about our debt situation:
(from *Christian Financial Planning*, p. 32)



**“CREDIT CARD DEBT IS NOT SOMETHING YOU ACCEPT.
IT IS SOMETHING YOU *CONQUER*”**

You probably didn't get into debt overnight and you probably won't get OUT overnight. Begin telling yourself that it will take *time*, but you will FIGHT overspending, and take any necessary steps to do it!

Financial advisor, Clark Howard, gives another perspective that may help change your thinking about debt:
(from *Christian Financial Planning*, p. 33)

**“DEBT IS A *DISEASE*
AND CREDIT CARDS ARE THE EASIEST WAY
TO GET *SICK*.”**

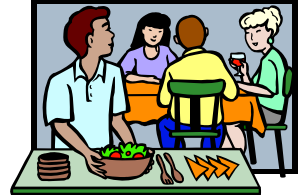


So if you were making Apple Pie, think of any "*borrowed*" apples as *rotten*... You don't want to add in those ingredients because they will spoil the pie. In the same way, having debt in your life can spoil your hopes and dreams.

Why bother talking so much about DEBT? Well, if you saw as many BROKEN lives as we do, as a result of debt, you would realize why we *strongly* encourage you to make up your mind to get out of debt now OR never to get into it! Let's look creating a new Spending Plan that gives you some ways to chip away at your debt and hopefully start building up your savings!

What is Cash Flow?

You may have heard the terms "cash flow" or "budget" before, but are you really comfortable in explaining what they mean? Let's paint a mental picture to get an idea:



Okay, imagine ALL your money or INCOME was mysteriously transformed into the *ingredients* needed to make a **PIE** for important dinner guests.

Think of your EXPENSES as the *guests* who are going to eat a slice of your pie.

You want to make sure you have enough for each guest and that you don't run out.

If you *do* run out, you may end up *borrowing* from a neighbor to have enough to go around.

One of your guests, **Housing**, is a big eater and will eat the largest slice of the pie.

Another guest, **Auto**, also eats a pretty big slice.

Debt keeps complaining, always wanting a bigger slice.

Alas, poor **Savings** is stuck with just a sliver of pie and still looks very hungry.



Hopefully the story gave you a little idea of what Cash Flow looks like.

Your **income** (money from paychecks and other sources) *comes in* each month. It is needed to *pay out* to certain **expenses** (needs or bills).

If there is enough money to pay all the bills, then you have "*positive*" cash flow and you have a "balanced budget."

If you DON'T have enough money to pay all the bills, you have "*negative*" cash flow, meaning that you need to borrow money to make your payments. If you DON'T have a balanced budget, you are going into DEBT.

Good news! Today we will begin exploring your Cash Flow situation. We will also start you working on a budget or a spending plan. Because there could be some negative associations with the words budget or cash flow, we like to think of this financial process as creating a spending plan.





What is a **SPENDING PLAN**?

- A spending plan is a tool to help you *prioritize* how you spend your money, so that you can live within your means and avoid debt.
- A spending plan can also help you *get out* of debt.
- Additionally, a spending plan allows you to *decide* where any extra money goes.

Create your own monthly *Spending Plan*—
or Personal Budget—beginning by filling out FLR's
Monthly Income & Expense sheet.

It can be a huge help to find out where your money goes and learn where it needs to go. First, we'll look at where your finances are at NOW, then you can make changes to decide where you want to GO with your spending plan...

Monthly Income: ***Making Paycheck Pie***

Let's look at this Cash Flow, Budget or Spending Plan concept a little closer... Your monthly INCOME probably consists of money mainly earned from your paychecks. However, you may be overlooking some of your income.

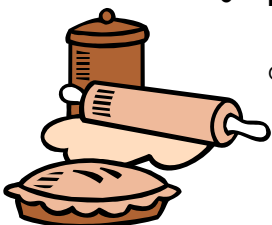
In order to get an accurate picture of where you stand financially, we need to figure out *how much* you actually bring in, before we can subtract or take out your monthly EXPENSES.

Remember our pie analogy? You can think of your INCOME as ingredients...the parts that can be used to make up a pie.

Let's say you were making a Chicken Pot Pie. Your ingredients may include potatoes, onions, carrots, chicken, gravy, etc. Remember, your goal is that everything balances out...You want to have *enough pie for all*. Hopefully, you would even like to have some *leftovers*...

So if you were to look at a recipe for **PAYCHECK PIE**, what would the *ingredients* be?

- **INCOME SOURCES**—*Possible Ingredients:*
 - **Paychecks**—Your “net income.” This will probably be the largest part of your income. Add up your checks from your primary employer to figure out how much you make for one month (after taxes and tithes).



- **Pension or Social Security Payments**—Don't forget these!
- **Alimony**—Add this to your monthly income, if applicable.
- **Child Support**—Include any regular income to support your kids.
- **Additional Income:**
 - **Interest from Savings or Investments**—Add in the monthly amount or divide it into monthly installments—if you receive payment annually or semi-annually.
 - **Commissions, Bonuses, Tax Refund**—Try to make a reasonably *moderate* estimate and divide it into monthly dollar amounts.
- **Second Job**—Add in what you estimate to bring in each month from working other jobs (babysitting, Part-time work, etc.).
- **Other Money from Gifts or Inheritance**—These may be one-time sources of income, but if they are a significant amount, you may want to include it in your budget to apply it toward your goals for the current year.

Write down the estimated amounts for all these expenses in the top section titled “Monthly Income” on your ***Monthly Income and Expense Sheet***.

So add up all these sources of income, then take out your taxes and tithe. Presto! You have your estimated NET monthly income!

Now that we know how much money you *receive* each month, let's find out just how much you *spend*...

Monthly Expenses: *Dishing Out the Pie*

Now it's time to see how many guests are coming to dinner, otherwise known as adding up your EXPENSES.

When you think about expenses, you probably think of “fixed” expenses. These are your *monthly bills* that probably come in the mail, such as your water/sewer, electric, credit card bills, etc. However, there may be other bills that could be overlooked.





Picture this:

An RSVP is often requested for formal dinners or gatherings, such as a wedding banquet. The bride and groom plan out the meal, the number of guests, and the cost per guest many months in advance. Imagine how stunned the hosts would feel if several “**unplanned guests**” showed up and then sat down for the meal!

This shock is what it FEELS like for some people when it comes time to make a large, unplanned payment—a bill that is paid *periodically* not monthly. These bills may only be paid once or twice a year, like car insurance or property taxes.

If these annual or semi-annual bills are not PLANNED into the monthly budget, chances are you will not have that money saved up. You might feel compelled to *borrow* on your credit card to pay for these types of bills, getting you deeper into debt and paying more interest.

As we begin to look at all your possible expenses, think about your **MONTHLY** fixed expenses, as well as your **PERIODIC** expenses.

Well, let’s get to it. Begin estimating what you currently are spending monthly for each category.

When you want to calculate a periodic expense, take the amount you owe and divide it up by 12 months. This will tell you how much money you need to set aside each month, in order to have the money available to make those lump sum payments when they come due.

- **EXPENSES**—*Possible Guests:*



- **Tithe/Offerings**—These may be considered an *expense* on paper, but hopefully they're a *gift* to God and an act of *worship* in your heart.
- **Savings**—This is NOT traditionally thought of as an expense, however, it helps to think of Savings as a “bill” so that you will plan to make payments to this fund *faithfully*.



EMERGENCY !

You should definitely have an Emergency Fund—
Enough saved to cover 3 to 6 months of expenses. Depending upon your circumstances, you may also start a *College Fund* or *Retirement Savings*.

If you do not PLAN for emergencies or these other future expenses, you may feel burdened when they arise. You may go into debt instead of feeling peace knowing you have the funds already saved and available.



- **Housing**—These are expenses you need for living in your HOME, such as your mortgage payment or apartment rent, lot rent, property taxes, community fees, house repairs, utilities (gas, electric, water, sewer, trash service, etc.), phone bills, Internet service, lawn care, pool care, pest control, security system, etc.

- **Auto**—Car payments, gasoline, repairs, auto tags, new tires, etc.

- **Food**—These expenses can be conveniently grouped by items found in a grocery store. Some examples are groceries, vitamins, pet food, household cleaning supplies, and hair/body care items (shampoo, soap, shaving cream), etc. Can also include *Work or School Lunches*.



- **Clothing**—Dry cleaning and money to replace old clothes
- **Childcare**—Private school tuition, child care fees, school supplies, monthly Alimony or Child Support costs (paid out)
- **Insurance**—Car, Home, Renter's, Health, Life, Disability, Boat, etc.
- **Medical & Dental**—Doctor and Dentist visits, Eye Care, Orthodontist, Prescriptions, Health Club/spa membership



- **DEBT**—Credit Cards, IRS back taxes owed, Secured Loans, such as a 2nd Mortgage, Student Loans, etc.



- **Recreation**—, Fun money, *Date Night* with spouse, Allowances, Vacations, Dining out, Travel, Club Memberships (*Golfing, Bowling League, Girl Scouts, Swim Team, MOPS*), etc.

- **Miscellaneous Expenses**—Hair cuts, manicures, hobbies, gifts, vet visits, pet grooming, etc.



Alright, now let's see if you have positive or negative Cash Flow...

- Add up ALL of your expenses on your *Monthly Income and Expense Sheet*.
- Add up the column on the left and get a subtotal. Then add up the expenses on the right and subtotal it.
- You will also need to add up and get a sub-total for all of your credit card and medical debts on FLR's ***Debt Summary Form***.
- Next take all subtotals and write those numbers in upper right corner on the *Monthly Income and Expense Sheet*.
- If your Total Monthly Amount is a positive number, great! If it is negative, you'll need to make some changes.

2. Spending Plan: *How To Slice Your Paycheck Pie*

Budget Guidelines: *How Big Should My Slices Be?*

Everyone will have different needs and wants, so your individual spending plans will probably look a little different. However, there are some *general guidelines* that may be helpful to *compare* your budget to.



Budget Guidelines: *How Do You Slice Your Paycheck Pie?*

Please know that these guidelines are a standard for you to compare with your current spending patterns. They are *NOT* an absolute. Budget percentages may vary depending upon where you live and the specific needs of your family. However, they can still help determine areas of *overspending* that create the greatest problems in your budget.

For instance, a family spending 45 percent or more of their net spendable income on HOUSING will have difficulty balancing their budget. Most family incomes can't handle higher spending on housing or autos without going into debt.

So these are some estimates for spending by group or category. Remember that several expenditures may fall under one category or group. Please look now at your own Budget or Spending Plan...the form you filled out called the *Monthly Income and Expense Sheet* in order to compare your "slices" to ours.

Housing	38%	Insurance	5%
Auto	15%	Recreation	5%
Food	12%	Misc.	5%
Clothing	5%	Savings	5%
Medical	5%	Debt	5%

The example on your *Budget Guidelines* (Paycheck Pie Chart) says if your net income is \$2000 per month (*less income tax and tithe*), you will calculate your monthly housing expenses as: **\$2000 x 0.38 (38%) = \$760.**

Keep in mind that this amount includes house payment, taxes, utilities and upkeep, such as repairs.

- **Child Care Expenses**

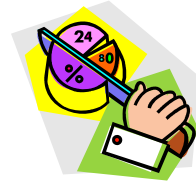
If you have children, you can ADD a new slice to the budget or you can expand your “miscellaneous” slice to include child care expenses.

*** NOTE:** All the categories need to add up to **100%**.

Estimate the to find out how big your “**CHILD CARE**” slice is by adding up expenses such as tuition, school supplies childcare fees, diapers, formula, child support, etc.

Remember that some **increased** costs can make OTHER slices *larger*:

- *more food*
- *clothing*
- *medical*
- *dental*
- *orthodontist*
- *haircuts*
- *gifts*
- *vacations, etc.*



Therefore, you will probably need to **reduce** some of the larger slices (big expenses), such as for Housing and Auto. Perhaps you may need to buy a little older and less expensive car or home, ones with *more affordable* payments to help balance your family budget.

- **Compare Your Budget to the Paycheck Pie**

Take YOUR net monthly income and multiply it by a percentage for one slice of the sample pie, such as Clothing (probably should use **decimals** with your calculator, ex. **0.05** for 5%).

Then compare if that number is higher or lower than your *actual* category's total amount.

Here's another example:	\$2000 X 0.05 = \$100 This is the <i>BUDGETED</i> amount for clothing (5%)
-------------------------	--

Using this example, if your monthly net income was \$2000 and you were spending *more than* \$100 in clothing each month, than you would be *over* your 5% budget in this category. You should look for ways to change your lifestyle to better live within your budget—whatever amount you decide upon.

- **Making Choices: Changing Your Spending Plan**

Now that you have figured out how much money is coming in and how much is going out, you can start making decisions to change your financial situation.

So you have EXTRA money left over with your current budget. You have enough pie to go around with some leftover...That's awesome! You may then want to ask yourself...

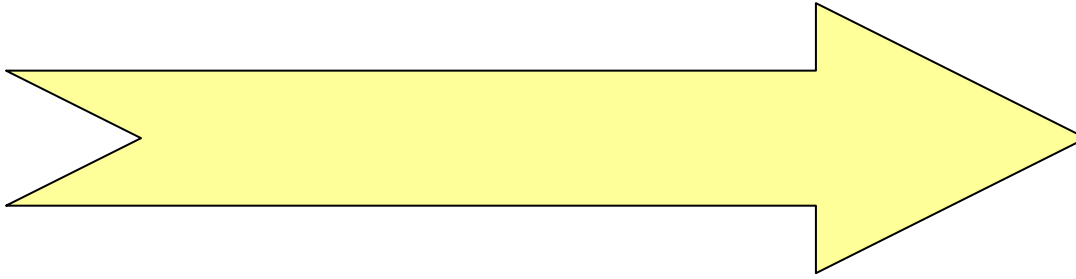
- How should I spend my extra money?
- Should I start saving for a vacation or for next Christmas?
- Should I put some money in the emergency fund for car repairs?

Uh oh, you discovered that you are SHORT money with your current spending habits. You don't have enough pie to go around. Chances are you are probably in debt and you'll need to make some changes.

- Should I cut back on dining out?
- Should I buy the generic brand laundry soap?
- Should I start clipping coupons?
- Should I pay more toward my debt to save interest fees and get out of debt quicker?

These are decisions that YOU will need to think about and discuss with your family. Even though it will mean some work and sacrifice, it will feel great to be able to plan and make decisions about your future, rather than surviving paycheck to paycheck.





Start deciding what you really *need today*
and begin planning for what you *want tomorrow!*

Here's some more food for thought... These you will probably need some time to think and pray about. But for the sake of exploration, ask yourself:

***"What are my financial GOALS?
What do I want to accomplish with my money?"***

- Get out of debt!
- Build up an Emergency Fund
- Have money for a *regular* Date Night with my spouse (fun, babysitter, etc.)
- Save up for a get-a-way Spa weekend with your friends
- Save up for a special family vacation
- Sponsor a missionary from church
- Buy a newer car
- Save for a new house
- Start a college fund
- Buy a big screen TV

Those are only *some* ideas. Jot down a few goals of your own on your handout (***Financial Goals & Strategies***).



Later, after the workshop, ask a friend or relative to hold you *accountable* to setting your goals. If you don't have someone nagging you about them, you will probably never get around to it!

Having GOALS helps keep you *motivated* so that if you are have to work more or pinch pennies...you will remember **WHY** and not give up!

Depending on your budget needs, you may want to bring in more money and/or cut some costs to help balance your budget. You'll want to write these strategies down too.



Next we'll be sharing ideas to help you make changes to your Spending Plan...Keep your PENCIL handy to jot down things you don't want to forget!

There are basically 2 ways to help correct a budget that is short of funds:

1. Earn more (make more money)
2. Cut back on expenses (spend less)

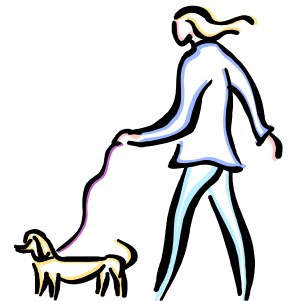
First, we will look at some ways to bring in more money or INCREASE your income.

• **Increasing Your Income: *Making a BIGGER Pie***

Using our pie analogy again, if your pie didn't have enough to go around...you may consider making a BIGGER pie. But how will you get extra money to add to your new Spending Plan?

Here are a few ideas for *increasing* your income:

- Work extra hours (paid overtime) if this is possible
- Pick up extra hours at a Part-Time job...Perhaps a few nights or weekends
- Clean out an overstuffed attic and hold a Garage Sale
- Check church bulletin or newspaper classifieds:
 - House sitting
 - Baby-sitting
 - Pet sitting
 - Walk Dogs
 - Mow lawns
 - Elderly Companion (run errands)



• **Reducing Expenses: *Trimming the Fat***

Next we will look at some ways to cut costs. You may be thinking to yourself: "HELP! How can I save money? It already seems like I don't have enough to get by as it is..."

Be open to see if there are areas that could be “trimmed”...like when a cook removes the excess fat from a roast before cooking it.



**Here are some ideas to help you start
*reducing your expenses:***

- **First, make a pact.**
PRAY to the Lord about your spending plan, ask Him to guide you into His will and to show you new ways of living so that you can *SPEND LESS*. Then ask a friend or relative to hold you accountable to these financial decisions you’ve made.
- **Change Spending Patterns...*Avoid Temptations!***

Another way to reduce spending is to avoid your weaknesses. Just as someone recovering from alcoholism should avoid bars, someone tempted to overspend should avoid places that tempt them.
 - If you overspend easily at the mall...Stop shopping there, unless you bring only enough cash to buy a specific, planned item.
 - If you spend a fortune on Starbucks Cappuccinos, start making coffee at home and maybe limit yourself to 1 or 2 cappuccinos a week.
- **Cut Costs on Big Expenditures: *Trim Down the Big Slices***
 - **Quit your Bad Habits!**
If you stop smoking, you can save yourself LOTS of money and future health woes. Cut back on alcohol, soda or junk food and you’ll find you save a lot of money that can be redirected toward debt, savings, etc.
 - **Food**
Everyone’s on the go...too busy to eat. So we grab fast food. Not only is this less healthy than eating at home, it can be very expensive as a lifestyle. Try buying a Crock-Pot and cooking some pot roasts, chili or chicken/vegetable stews on the weekend and freezing them in Tupperware. Instead of grabbing junk food, microwave a nutritious *home-cooked* meal.

- **Auto/Transportation**
Do you live near anyone from work...Could you carpool? What about taking the bus or walking. Could your family manage with one car for a time...to help pay down some debts? If you add up gas, car payments and insurance, driving only one car can be a big savings.
- **Clothing**
Try shopping at discount stores like Target, Ross or TJ Maxx. Even thrift stores like Goodwill sometimes carry very nice things if you are willing to search around. Polish your shoes and try to get the most wear out of clothes...Sew buttons back on, patch up the kids' jeans, etc. It may seem strange now-a-days, but many generations previously were able to save money by really making things last.
- **Housing**
Do you have an extra room? How about getting a roommate? Can you fix some of those home repairs yourself? If yes, do it! Could you live with one less cell phone...Yes, you probably can survive and you'll save money and headaches from constant interruptions.
- **Find Cheap Thrills—Spend LESS for Entertainment**
 - **Movies:** See a Matinee, go to a Drive-In, or Rent a Video at home!
 - **Libraries:** May have storytelling, puppet shows, Internet access, great books to read and even videos (movies) or CDs to rent ... all for FREE!
 - **Internet:** If you have a computer at home or like to use one at a public library, you may find FREE recreation ideas on websites. *Focus on the Family* has a kids' website with ideas for making crafts and recipes. It also has jokes, online games, stories & movie reviews (www.clubhousemagazine.org.)
 - **Colleges** often put on interesting plays or dance performances for MUCH LESS than a professional theatrical production.
 - **Get Outdoors:** Visit a free local festival (ex. Art & Crafts), go to the park, have a picnic, play Frisbee, fly a kite, go for a hike or a bike ride, draw Sidewalk Chalk art or plan a camping trip. In summer, go to the beach or lake for a day of swimming and sandcastles!

- **Coupons!** Clipping coupons or using discount books like the “*Entertainment Book*” can save you lots of money and get you to try new things.

The *Entertainment Book* often has **2 for 1** offers for dinners at various restaurants or recreational activities like mini-golf or bowling...

Whoopee! It can also help you SAVE money on Dry-Cleaning, oil changes, haircuts, etc.

- **Slice, dice or chop up your Credit Cards!**

Make a banner for yourself and hang it somewhere you will read it often, like on your bathroom mirror or refrigerator:

* * * **NO NEW DEBT!** * * *

With the flood of “tempting credit card offers that come in the mail, you need to constantly remind yourself of your goals. It will take some discipline and a bit of sacrifice, but the rewards are great! Stop using credit cards and start paying them off. Get out of debt and begin working toward your financial goals.

It is estimated that you will pay 12 to 30% MORE for something if you use a credit or debit card. It doesn’t hurt as much signing for a credit card slip than it does parting with your hard-earned cash. Therefore, you may want to think about using cash for certain purchases, as long as you have a PLAN for how it will be spent!

3. Cash Envelope System: *Portion Control*

- **Category Spending Limits:**
Controlling the Portions Per Slice



Restaurants can make profits when they control portion size. It would be hard for a manager to project how much money the restaurant can earn each week, if the amount of food in the meals VARIED depending on the staff or customers. Generous staff could be giving away small profits by adding extra portions, without the restaurant receiving the extra money to pay for them.

Try this the next time you order at Subway. Watch how much meat and cheese go on your sub. Then watch how much they put on other customers. The meat is

measured and kept in containers and the cheese is sliced and given in halves: I believe it's 2 triangles of cheese for a small and 4 for a large sub. They have a portion PLAN...There is no guessing or favoritism as to how much goes on a sub.

Restaurant entrepreneurs know that a little waste now, can mean BIG financial loss later. We need to learn this too. You should not dish out too big a slice to just any one expense, even if it's crying loudly. Plan for your expenses and then stick to it. Be careful not to "give away" too much of your money in one category, unless that was part of your plan. Remember, there are other mouths to feed...There are many guests clamoring to get some of your "paycheck pie."

Next we will discover a tool to help you control the portions when slicing your pie...

- **Introducing the Cash Envelope System:
Even more help with Portion Control**

Our society has conditioned us to think that it is better to use credit cards than to carry cash. However, this is not true in all cases.

Imagine that you are in a grocery store. You have no credit or debit cards in your wallet. You only have \$50 in cash for groceries.

Is it POSSIBLE, under these circumstances, for you to OVERSPEND your \$50 weekly budget for groceries...even with all the tempting pastries and super sales on meat?



NO! Unless you are really good at schmoozing for a few bucks from the sympathetic customer behind you in the checkout line...Voilà! Welcome to using portion control.

We wouldn't just send you out with just that one little tool. We have a whole *toolbox* for you! It's called the **Cash Envelope System**.

The *Cash Envelope System* is a way to ORGANIZE certain expenses that can be paid using cash. Of course, some expenses are not as convenient to pay with cash such as your monthly mortgage, student loans, car insurance and utilities. On the other hand, grocery store items, clothing, haircuts, car repairs, and recreational activities (such as movies or mini-golf) could easily be paid with cash to help *stop overspending*.

In a nutshell, here's how it works:

You place cash for a certain expense, such as groceries, inside a marked envelope. How much cash depends upon what the monthly amount you decided for that specific expense and wrote down on your *“Monthly Income & Expense Sheet.”*

Throughout the month, you will take money from that envelope for groceries and not take it from anywhere else (no credit, debit or other borrowing). So if you budgeted \$200 a month for groceries, you would probably take \$50 to the store each week. If you have any money left over, it goes back in the envelope.

Because you will probably have *several* expenses that can be paid with cash, you will need several envelopes. To organize all your money envelopes and keep them from getting misplaced, you may want to keep them in a mini file folder, like a Pendaflex.

(Sample of FLR’s Cash Organizer.)

You may also want to keep this cash secure in a home safe.

So, how much cash do you give to each expense and when? How do you keep track of your spending?

“HOW TO” INSTRUCTIONS

(yellow card)

1. The first step is to review your *Monthly Income & Expense Sheet* and DECIDE which expenses you will begin paying with CASH.

This probably will be most of the expenses on the RIGHT side of the page. You may want to *highlight* them for easy reference.

Take a few minutes now and choose YOUR cash expenses.

Some possible CASH expenses:

- Clothing / Diapers
- Dry Cleaning
- Car Repairs
- Food / Household Expenses
- Work / School Lunches
- Beauty Supplies
- Pet Food
- Doctor / Dentist / Orthodontist Visits
- Medications / Vitamins
- Fun money
- Allowances
- Vacations
- Haircuts / Manicures
- Vet Grooming
- GIFTS



2. Write down each expense and its monthly amount on the *CASH WORKSHEET* page (white).

To see an example, look over the **SAMPLE CASH WORKSHEET** (tan card).

SAMPLE CASH WORKSHEET

Name of Expense	Monthly Amount	Paycheck Amount (wk/bi-wk/mo)	Cash Breakdown				
			\$1	\$5	\$10	\$20	\$50
House Repairs	\$ 80	\$ 40			4		
Car Repairs	\$ 40	\$ 20			2		
Clothing	\$ 60	\$ 30		2	2		
Food/Household Exp	\$ 300	\$ 150			1	2	2
Work/School Lunch	\$ 32	\$ 16	6	2			
Beauty Supplies	\$ 16	\$ 8	8				
Dr. Visits	\$ 20	\$ 10		2			
Medications / Vitamins	\$ 60	\$ 30		2	2		
Recreation/Fun \$	\$ 60	\$ 30		2	2		
Vacations	\$ 80	\$ 40				2	
Hair Cuts	\$ 20	\$ 10	5	1			
Gifts	\$ 40	\$ 20			2		
	\$	\$					
	\$	\$					
Totals	\$ 808	\$ 404	19	11	15	4	2



3. Calculate and write down the “*Paycheck Amount*” for each expense:
 - a. “**Weekly**” paychecks - divide the Monthly Amount by **4**.
 - b. “**Bi-Weekly**” paychecks - divide the Monthly Amount by **2**.
 - c. “**Monthly**” paychecks - **same** number as the Monthly Amount.

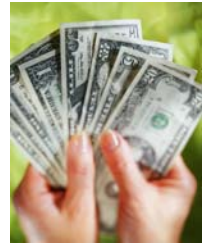
This tells you how much CASH to take out *each paycheck*. For example, if you need \$100 a month in gasoline but you get paid 2 times a month, you only take out \$50 in cash (for that expense) per paycheck.

4. Next, use the Paycheck Amount to figure out the “*Cash Breakdown*” amounts for each expense item:
 - a. Decide how many \$1’s, \$5’s, \$10’s, \$20’s, \$50’s, you need for each expense.

b. Total each “dollar type” (\$1’s, \$5’s, \$10’s, \$20’s, \$50’s) at the bottom of page.

This tells you how to DIVIDE the cash for *each expense*. This should make it more practical to use when making purchases.

So if you are paid every 2 weeks and budget \$50 for gas for two weeks, you may want to withdraw two \$20’s and two \$5’s or maybe get five \$10’s, to make it easy to buy without having to carry around large bills.



5. Write each expense item on a self-adhesive **label** and then place it on the front of each file pocket, inside your Cash Organizer (mini file folder).

6. Choose a payday to begin. When you go to the bank to deposit your check, be prepared to withdraw the cash for your expenses.

You may want to hand the teller a copy of your Cash Worksheet. **Highlight** the total Paycheck Amount and the Dollar Type breakdowns at the bottom.



7. Finally, you can place the cash in labeled envelopes or right into the pockets. However, envelopes are very helpful if you have more expenses than pockets.

8. To track your spending, use the **Ledger Sheets** provided. They are similar to how you track a checkbook. Use one Ledger Sheet for each expense and keep them inside their own individual envelopes. You will need to write the following on your ledger sheets:

- **Date**—Write the date changes are made...Either money going into the envelope or being taken out.
- **Expense detail**—*Deposit (+)* or *Withdrawal (-)* to pay for oil change, etc.
- **Amount**—Write it down for either a deposit (payday) or a withdrawal (to make a purchase or pay a bill)
- **Balance**—Add or subtract the amount to get the new balance. If you don’t spend all of the amount taken out...remember to return it to the envelope and write it back in as a deposit (+).

It may feel a little odd changing your spending habits, but it will feel so rewarding once you begin to see yourself getting out of debt and saving money for your goals and special plans.

So don’t give up! It will take some time using the Cash Envelope System before it becomes second nature. Be encouraged though...many Family Life clients have shared testimonies of how it transformed their lives. It really works! Here are a few extra tips. You can find them on your blue card.

HELPFUL HINTS

1. BE FLEXIBLE

Remember, you do not need to use the organizer for all your bills.

2. BANKING MADE EASY

Keep your completed "CASH WORKSHEET" in your organizer to help you know how much to draw out from the bank.

3. KNOW WHERE YOUR MONEY IS GOING

Ledger sheets are provided to track *what* you are buying and help keep you *accountable* for your spending.

4. RECEIPTS TELL THE TRUTH

Some people keep receipts in their envelopes to help them track their expenses.

5. WANT A NICE SURPRISE?

Put your daily change into a *coin bank* and not in your envelopes. You'll be surprised with an extra \$25 a month to spend as you please.



6. SECRETS TO SUCCESS

When an envelope is empty, stop spending in that area! Pause and think about what caused it. Was it a one-time event, life change, or missed calculating your budget? Talk it over with your spouse and agree on a solution.

We know this is a lot to take in. If you would like personalized assistance with working out your budget or setting up the Cash Envelope System, please call for a FREE appointment with one of our counselors at Family Life.

Our business hours at Family Life are Monday through Friday from **9:00 AM to 5:00 PM**. However, many counselors work later hours and will schedule *after-hours* appointments as needed.

Our office is located in Tampa on Fowler Avenue, about a mile east of USF. Our address is: **5802 E. Fowler Avenue, Suite D, Tampa, Florida 33617**. If it is difficult to come in person, you can reach us by phone at: **(800) 553-8621** or locally at **(813) 989-1900**.



Remember, you don't have to struggle with your financial challenges *alone*, God has called this ministry to help be a *partner* with you in your journey to financial freedom!