



HOW TO MAKE YOUR
MONEY
GO FURTHER



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How to Make Your Money Go Further

Introduction

What have you got to show for the money you make each month? Do you have good health, two cars, a home, a large savings account? Or do you seem to have a pile of debts and no assets?

The way you spend your money today will determine what you have six months from now, a year from now, five years from now, or in your lifetime. **You** control your financial destiny. You are responsible for the amount of money you earn and for the amount of money you spend. Successful money managers control the way they spend their money. They use money to accomplish the things that are important to them. Good money managers **manage** their money rather than letting it dribble away from them.

Do you have control of the way you spend your money? Do you live within your income, or do you have to borrow money or use savings to meet your regular monthly expenses? Living within your income requires careful planning. It requires self-discipline and the ability to say no to unnecessary spending.

The ability to manage money has to be learned, developed, and practiced on a daily basis. There are eight steps to successful money management:

- Get yourself organized.
- Decide what you want to do with your money.
- Look at all available resources.
- Decide how much money you are worth.
- Find out how much money you make.
- Find out how much money you spend.
- Set up a plan for spending your money and stick to it.
- Evaluate your spending plan.

Following these eight steps will help you get control of your spending habits.

1. Get Yourself Organized

Do you keep all of your bills and important papers in one location in your home? An organized business center

will help you manage your family financial matters better. Keep all of your family records and business correspondence in **one location**. When you receive any bill or important letter from a creditor, put the correspondence in its proper place in your business center. If you and a creditor disagree about how much you owe or the way you pay your bills, you have your own records to prove what has happened so far.

Your business center may be elaborate or simple. The type of system doesn't matter as long as you have some way to organize your financial papers. Papers may be separated by using large envelopes or individual file folders in a file box or cabinet. Another alternative would be to use a three-ring notebook with dividers. Dividers with pockets could be used to store loose-leaf papers.

Label the dividers for your notebook or files according to the types of records you keep. For example labels might be tabbed as follows: net worth statement, record of earnings, record of expenditures, location of legal records, health records, real estate records, family papers, household inventory, employment records, automobile, housing, utilities, clothing care and information, credit card and installment payments, insurance, tax records, and general household information.

Keep supplies needed for handling your business transactions in your business center. Keep envelopes, stamps, pens, pencils, checks, and a calendar at your fingertips to speed your monthly bill paying.

2. Determine Your Goals

What are some of the things you want to accomplish during your lifetime? Which of these costs money? You need to set up a plan for how you want to achieve these goals. Good money management begins with goal setting. Goals give you direction. They give you a purpose for the way you spend your money. Goals motivate and encourage you as you work toward doing things that are important to you.

How do you set goals for how you will spend your money? The first thing you need to do is think about the things that are important to you and your family. Read over the list below. Pick out the things you and your family feel are most important and place a **1** beside them. Place a **2** beside the things that are somewhat important. Place a **3** beside the things that are not very important to you and your family.

- | | |
|---|--------------------------------------|
| ___ religion | ___ recreation |
| ___ education | ___ boat, fishing equipment |
| ___ family vacation | ___ household furnishings |
| ___ clothes, shoes, makeup, hair care | ___ transportation car, truck, cycle |
| ___ culture (theater, movies, plays, dance, recitals) | ___ new house/condominium, apartment |
| ___ start a new business | ___ health |
| ___ personal appearance | ___ family activities |
| ___ save money | ___ make lots of money |
| ___ job success | ___ pay off debts |
| ___ prestige | ___ jewelry |
| ___ food | ___ attract opposite sex |
| ___ insurance | ___ entertainment |
| ___ friends | ___ other _____ |

As an individual, you may have trouble deciding which item is more important than another. It's even harder when two or more people live together as a family unit and share money. They may not agree on what is important. Because of this lack of agreement, it is sometimes hard to decide where money will be spent.

Once you decide what is important to you, it will help you see what things you want to work toward. For example, if you placed a **1** beside a new car, your goal may be to buy a new car.

Goal setting involves more than deciding what's important to you. To help identify goals, ask yourself these questions:

- What do I want to do with my money?
- How much will it cost?
- How long will it take me to get that much money?

When setting your goals, make a list. Take a pencil and piece of paper and write down what you want to do with your money.

Make your goals very **specific**. Don't say, "I want financial security." Financial security is not very specific. Ask yourself what it takes to be financially secure. Your answer might be to have \$20,000 in savings when you retire in 20 years. Then you need to put \$61.97 a month for 20 years in a savings account that pays 3 percent interest. Your

specific goal then is to save \$61.97 a month from now until you retire. This is a **clearly defined** goal.

Your goal should be **realistic, challenging, and achievable**. Is it possible for you to take \$61.97 out of your monthly budget and still meet your necessary living expenses? If you can afford \$62 a month your goal is realistic, challenging, and achievable. If you can only afford to save about \$31 a month, then you might have to reduce your long-term goal from \$20,000 to \$10,000. Or you may want to look for an investment that will give you a higher rate of return than 3 percent.

Goals should be **measurable and reachable within a given time period**. Specify the date when you want to reach your goal. You can't put a date on reaching financial security, but you can save \$20,000 if you put \$61.97 each month in savings for 20 years.

Your goals should be yours. Don't let someone else set your goals for you. You will be much more likely to reach your goal if it is something you really want to do. Goals are different for each individual and family. They change as you go through the different stages of life.

Once you set your goals, picture your goals in your mind. See yourself living in that apartment. Creative daydreaming puts your goals into your subconscious mind. Once your dream is in your mind, you start thinking of ways to reach that dream. You automatically see ways to make your dream become a reality. Fix in your mind the exact things you want.

As you decide your goals, write down your short-term, intermediate, and long-term goals on **Worksheet A**. **Short-term** goals are the things you want to get done in the next week, next month, in six months, or a year. **Intermediate goals** are the things you want to get done in the next one to five years. **Long-term goals** are the things you want to do in the next five or more years.

As you list your goals, decide which goals you want to use your money for first. As you set dates for reaching your goals, ask yourself which goals are the most important and which are the least important. Here are some questions to ask yourself as you decide which goal you will work toward.

- How important is this to me and other family members?
- How urgent is this? If today is April 14 and you owe \$1,000 worth of taxes that is more urgent than paying off a \$950 charge card debt.
- What will happen if I don't work on this goal? If you owe a \$700 credit card bill, paying it off \$100 a month will cost you less money in interest than paying \$35 a month. It may squeeze your budget to pay \$100 a month, but it won't cost you as much money.

- What will I need to reach this goal in terms of money, time, energy, skills, knowledge, and ability?

Goals are important keys to successful money management. Goals guide you so you use your money to do the things that are important to you. They can help you make your dreams come true within a specific period of time.

3. Look At All Available Resources

To reach your goals, you'll need to look at all the resources available to you. They may include time, energy, skills, interests, knowledge, community services, or material goods.

Public services such as the library, cultural events, health department, parks, and transportation facilities provide services and recreation for the family at little or no cost.

4. Know How Much Money You Are Worth

How much money are you worth? If you added up everything you own and subtracted everything you owe, would you **own** more than you owe? Or would you **owe** more than you **own**?

Your financial net worth is determined by subtracting all you owe (your debts) from all you own (your assets). This information will be useful when determining your insurance needs, when applying for loans, when settling a divorce, or when planning your financial future. If you need to sell some assets to get cash to pay back debts, your net worth statement will let you see what assets you have and how much they are worth. **Worksheet B** can be used to assist you in calculating your net worth.

Listed below are some guidelines to assist you in calculating your net worth:

- Have a real estate agent estimate the current market value of your home or make note of the sale value of houses in your neighborhood.
- Go on line to the *Kelly Blue Book* site (<http://www.kbb.com>) to get the current market value of your car.
- Have an expert appraise current market value of your furniture, antiques, art, jewelry, or other valuables.
- Evaluate household items and electronics at what you would get if you sold them at a yard sale.
- Check a newspaper or the Internet to estimate the current value of your stocks and bonds.

- Read your whole-life insurance policy to determine the cash value.
- Determine the value of your pension plan. This would be the value if you stopped working at the present time.

Your net worth gives you an overview of your overall financial standing. Use your net worth statement to help you plan for your financial future. Use it to help you identify financial goals you would like to work toward.

For insurance purposes get the appraised value of valuables in writing and ask the expert to sign the appraisal letter. These values need to be updated regularly. In addition, a general merchandise catalog can give you an estimate of the replacement value of other household items if you do not have the original sales receipts.

5. Know How Much Money You Make

How much money do you have to spend each month to meet basic living expenses and help you reach your goals? The money spent each month comes from various places. Money is usually obtained from one or more of the following sources:

- Earnings from wages, salary, tips, or commission, rental income, interest, dividends, capital gains from the sale of an asset, or retirement benefits.
- Money received from relatives, friends, or the government in the form of transfer payments such as social security.

Use **Worksheet C** to help you list your sources of income.

Calculate Your Monthly Spendable Income

Find out exactly how much money you can spend each month.

- Find your most recent pay stub.
- Look at the amount of gross pay. Gross pay is the amount of money you earn before deductions.
- Look at the amount of money going to each deduction. How much of your gross pay goes to each deduction (what percent)?
- Look at the amount of your take-home pay. Your take-home, or net pay, is your gross income minus your deductions.

- Look for your total spendable income. Total spendable income is your take-home pay plus money from other sources. (Use **Worksheet D** to help you figure out your spendable income.)

If you have an irregular income, estimate the total you expect to make for the entire year and divide by 12. Keep your estimate low. Workers such as salesmen, farmers, artists, and writers have irregular incomes.

Make a spending plan, a budget, for each month. Then when you get a check, spend it according to your budget. If you get an extra large check, stick with your original spending plan and put the extra in savings.

6. Know How Much You Spend

How much money do you spend for food, housing, transportation, clothing, personal care, medical care, and other things? If you don't know how much you spend each month for these items, keep a record of your spending. Write down everything you spend every day for a month. When you make a purchase, write the amount down. The amount doesn't have to be exact, but close enough to help you see where your money is going. Use **Worksheet E** to help you see where you are spending your money. Be sure to include things you pay for with cash such as snacks, lottery tickets, and magazines.

After you have a written record of where all of your money is going, divide your spending into categories: fixed, flexible, and miscellaneous expenses. Spending can also be divided into daily, weekly, monthly, seasonal, or yearly expenses. Know what type of expenses you have. Know when and where you spend money so you can build a sound money management program.

Fixed expenses are the budget items you pay a specific amount of money for every month for a certain period of time. These obligations are usually enforced through a signed contract. Some examples are rent or mortgage payments, life insurance, car insurance, home insurance, and installment payments such as your car loan.

Flexible expenses are the budget items you have more control over. You decide how much you will buy and how much you will spend. Flexible expenses include food, clothing, gas, electricity, water, phone, transportation, gasoline and car maintenance, personal care, medical expenses, furnishings, household expenses, education, and professional expenses.

Miscellaneous expenses are the extra items you purchase that may not be absolutely needed. Some miscellaneous expenses are snacks, tapes and CDs, reading materials such as magazines, and recreational activities such as the theater or movies.

We're lucky that all our expenses don't have to be paid at the same time. We spend some money on a daily basis. We spend some on a monthly, quarterly, semi-annual, or annual basis. Write down when these expenses are due on **Worksheet F**. Then set aside enough money so you can cover an expense when it comes due.

Some examples of seasonal expenses are gifts, holiday meals, special occasions such as birthdays and anniversaries, back-to-school expenses, school trips, car repairs, property taxes, insurance (car, home, disability, life and health), license plates, and vacations and weekend trips. Monthly expenses may include house payment, car loan, and utility payments. Daily expenses include transportation and snacks.

7. Plan Your Spending

Do you have a written plan to guide your spending? If not, use **Worksheet G** to help you plan your monthly spending.

First, write down the amount of money you have to spend each payday.

Use the information from **Worksheet E** to find out your monthly expenses. Then compare them to some spending guidelines, such as those in **Table 1**. These tables plus your record of expenses can help you decide how much to spend each month. Use **Worksheet H** to identify some ways to adjust your spending.

On **Worksheet G**, write down how much you would like to spend for each item. As you develop your plan, see if you have allowed money for the following items:

- major expenses and future goals such as adding rooms to your home, buying a car, braces for your children's teeth, paying for your child's education, buying a boat, gifts, or furniture.
- emergencies such as tires, medical expenses, car accidents, unemployment, car repairs, dental bills, house repairs, and appliance repairs.
- seasonal expenses such as school supplies and clothes; house, car, health, life and disability insurance; registration fees for children such as football, baseball, basketball, and tennis registration; family vacation; birthday and Christmas gifts; and taxes.
- debts or past-due bills.
- monthly expenses such as savings or investments, rent or mortgage, utilities, household supplies, food, contributions, installment payments, and prescription and over-the-counter medications.

- daily expenses such as school lunch and supplies, tobacco, snacks, and meals out.
- miscellaneous expenses such as civic club dues, gameroom, newspaper or magazine subscriptions, laundry, clothing purchases and repairs, theater, movie, recreational, and personal care.

Write down how much you plan to spend throughout the pay period. Then try to stick with your plan. Remember to write down how much you spent and what you bought. Use those figures to calculate how much you actually spent. Then when you start the next pay period you can compare what you planned to spend with how much you actually spent and plan how you will spend your next pay check.

Stick to Your Spending Plan

Once you have put a dollar figure on what you will spend each pay period, what can you do to make yourself stick to your spending plan? Before you spend your next dollar ask yourself these questions:

- Will this purchase help me reach my financial goals? If your goals are important enough to you, they will motivate you to stick with your plan.
- Is this purchase listed on my spending plan?
- What will I have to give up if I spend my money on this purchase? Do I really need this new pair of shoes or do I need this money to buy groceries or gas for the car?

Make your new spending plan a part of your daily life. Use it as a guide to help decide where you can cut your expenses. For example, you may want to save \$50.00 on your clothing expenses and put that money into savings. Look for ways you can spend less money. Start using your spending plan today. Don't put it off until tomorrow. Tell someone else what you're trying to do, so they can encourage you along the way. Write down your new plan so it will be firmly planted in your mind.

Don't let an exception get in the way of your new spending habits. If you start taking your lunch to work so you can cut food expenses, eating out one day will discourage your new habit and keep you from reducing your food bill. Stay away from tempting situations. However, remember that changing old habits takes time. If you backslide into old habits, learn from the experience. What were the circumstances that led you to old habits? What can you do so that it does not happen again?

- Take advantage of every opportunity to break your old buying habits and encourage the new one. Continuously look for ways to reduce your spending.

- Do something every day that will help you save money. You may cut one coffee break at work. You may take your own instant coffee to work rather than buying coffee at the company cafeteria.
- Finally, develop a reward system for successfully following your spending plan. Choose a reward that will not sabotage your spending plan. If your reward will cost money, then save up to pay for it.

8. Evaluate Your Spending Plan

After you live with your spending plan a while, look it over. If you put \$100 in savings at the first of the month and had to take out \$50 before the end of the month, then maybe you can only afford to save \$50 a month. That's okay. At least you know what you are able to save. Reviewing your spending helps you decide exactly how much you can spend or save.

Review your spending plan regularly and revise it so it works for you. Here are some questions you can ask yourself as you spend your money. Is this the best use of my money right now? Will this purchase help me reach my financial goals? Is there something else I need to use this money for? If you have trouble reaching your goals, you may want to reevaluate your goals. Are they really important to you? Is another family member or friend interfering with your ability to reach your goal? A sincere commitment and dedication to your spending plan can help you manage your money better.

Summary

Do you control where your money goes? Or does it go here, there, and everywhere? Guide your money so it goes where you want it to go by using a spending plan.

You can build a sound money management program if you

- get yourself organized;
- know what you want to do with your money;
- look at all available resources;
- know how much money you are worth;
- know how much money you make;
- know how much money you spend;
- plan your spending and stick to it;
- evaluate your spending plan.

Remember, what you have in the future will depend on what you do with your money today.

Worksheets How to Make Your Money Go Further

Family Goals - Worksheet A

Goal	When	Total Cost	Amount Per Month	Completed
Short-term (within 1 year)				
Intermediate (1 to 5 years)				
Long-term (over 5 years)				

Net Worth Statements For 3 Years - Worksheet B

Assets Owned	20__	20__	20__
Cash on hand			
Cash in checking accounts			
Cash in savings accounts			
Cash value of life insurance			
Savings bonds*			
Money other people owe you			
Furniture and appliances			
Miscellaneous personal property* (furs, jewelry, antiques, heirlooms, boats, art, etc.)			
Cars*			
Home*			
Other real estate*			
Stocks*			
Bonds*			
Mutual Funds*			
Government Securities*			
Annuities and other retirement plans			
Other assets*			
TOTAL ASSETS	\$	\$	\$
Debts owed			
Mortgage and liens			
Car loan			
Installment debts			
Personal loans			
Life insurance loans			
Charge and credit card accounts <small>(use Record of Credit and Charge Account on next page)</small>			
Other pass due bills			
TOTAL DEBTS	\$	\$	\$
YOUR TOTAL NET WORTH			
Total Assets			
Total Debts			
Net Worth = Assets - Debts	\$	\$	\$

* Current Market Value

Record of Credit and Charge Accounts

Name	Address	Phone	Account Number	Interest Rate	Amount Owed
Total					
(Transfer to worksheet B on previous page)					

Determine Income - Worksheet C

	Amount							
	Per Week		Bi-Weekly		Per Month		Per Year	
	gross	net	gross	net	gross	net	gross	net
Pay Check #1								
Pay Check #2								
Pay Check #3								
Pay Check #4								
Tips								
Commission								
Interest								
Dividends								
Gifts								
Annuities								
Social Security								
Retirement Benefits								
Child Support								
Alimony								
Public Assistance								
Veterans Benefits								
Other								
Totals								

Determine Income - Worksheet D

	Paycheck #1	Paycheck #2	Paycheck #3	Paycheck #4
	\$ Amount %	\$ Amount %	\$ Amount %	\$ Amount %
Gross Pay				
Deductions:				
Federal Taxes				
State Taxes				
Social Security				
Medicare				
Retirement Plan # 1				
Plan #2				
Plan #3				
Insurance: Hospitalization				
Accident				
Disability				
Life				
Other				
Miscellaneous: Savings				
Savings bonds				
United Appeal				
Union Dues				
Uniforms				
Total Deductions				

Gross Pay - Total Deductions = Net Pay

\$	-	\$	=	\$
----	---	----	---	----

* To find out what portion of gross pay is used for deductions, divide your deductions by gross pay and multiply by 100.

$$\frac{\text{Total Deductions}}{\text{Gross Income}} = \frac{\$529.85}{\$1,541.67} = .344 \times 100 = 34.4\%$$

$$\frac{\text{Spendable Income}}{\text{Gross Income}} = \frac{\$1,011.82}{\$1,541.67} = .656 \times 100 = 65.6\%$$

If your total deductions are \$529.85 and your gross pay is \$1541.67, then 34.4% of your income goes for deductions and you get to keep 65.6% or \$1011.82 to spend.

Expenses - Worksheet E

Date Due	Item	Amount		
		Week	* Month	Year
	Savings, Investments			
	Housing (rent or mortgage)			
	Electricity			
	Heating fuel			
	Water			
	Telephone (home and cell)			
	Garbage			
	Cable TV and Internet Access			
	Home Furnishings & Equipment			
	Household Maintenance & Repair			
	Childcare			
	Household Help			
	Car Payment(s)			
	Gasoline			
	Maintenance			
	Bus, Taxi, etc.			
	Groceries			
	Meals eaten out			
	Alcohol, tobacco, lottery tickets			
	Clothing			
	Laundry/dry clean			
	Hair care			
	Spa or health care			
	Car Insurance			
	Umbrella Liability Insurance			
	Home or Renters Insurance			
	Medical Insurance			
	Disability Insurance			
	Other Insurance			
	Doctor (Not reimbursed)			
	Dentist (Not reimbursed)			
	Drugs (Not reimbursed)			
	Eye Care (Not reimbursed)			
	Recreation/Entertainment			
	Business Expenses			
	Taxes			
	Gifts			
	Contributions			
	Education or Self-Improvement			
	Department Stores Credit Cards			
	Bank Credit Cards			
	Oil Company Credit Cards			
	Loans			
	Other			
	Miscellaneous			
	Total			

* Multiply amount per week X 4.3

Seasonal Expenses - Worksheet F

January

February

March

April

May

June

July

August

September

October

November

December

Pay Check Planning Sheet - Worksheet G

Date of Check											
Amount of Check											
Item	Plan	Spent									
Savings, Investments											
Housing (rent or mortgage)											
Electricity											
Heating fuel											
Water											
Telephone (home and cell)											
Garbage											
Cable TV and Internet Access											
Home Furnishings & Equipment											
Household Maintenance & Repair											
Childcare											
Household Help											
Car Payment(s)											
Gasoline											
Maintenance											
Bus, Taxi, etc.											
Groceries											
Meals eaten out											
Alcohol, tobacco, lottery tickets											
Clothing											
Laundry/dry clean											
Hair care											
Spa or health care											
Car Insurance											
Umbrella Liability											
Home or Renters Insurance											
Medical Insurance											
Disability Insurance											
Other Insurance											
Doctor (Not reimbursed)											
Dentist (Not reimbursed)											
Drugs (Not reimbursed)											
Eye Care (Not reimbursed)											
Recreation/Entertainment											
Business Expenses											
Taxes											
Gifts											
Contributions											
Education or Self-Improvement											
Bank Credit Cards											
Oil Company Credit Cards											
Loans											
Other											
Miscellaneous											
Total											

The Balancing Act - Worksheet H

Family spending often must be adjusted to stay within income limits. Take a few minutes to complete the exercise below.

Can your family?	Yes	No
Reduce grocery expenses		
Cut down on meals eaten out		
Cut consumption of non-nutritious beverages		
Maintain current home		
Find more economical living quarters		
Take on more home maintenance and repair jobs		
Eliminate hired help inside or out		
Use utilities and household supplies more carefully		
Avoid buying new furnishings unless needed		
Consider used furniture		
Select easy-care household fabrics and appliances		
Spend less for clothing and personal care		
Cut down on trips to beauty and barber shop		
Purchase a more economical car		
Cut down on vacation travel		
Use public transportation		
Cut down on expensive hobbies or activities		
Take advantage of free activities		
Make use of public library instead of subscriptions and purchased books		
Use public recreational activities		
Reduce contributions or make them proportionate to income		
Give fewer gifts or spend less on gifts		
Cut back on face value of life insurance		
Convert some life insurance into an annuity		
Know what income is not taxed		
Keep present group health insurance		

List some of your own ideas for cutting expenses: _____

Table 1. Selected Guidelines For Spending

Range of Percentage of income spent on living expenses after tax deduction.

Item	Percentage	Example* (Take Home Pay for a Family of 4 = \$1,250/mo.)
Housing (including utilities and supplies)	33-35%	\$438.00
Food	18-25%	300.00
Transportation (gasoline-oil/public transportation)	7-9%	88.00
Clothing	6-12%	85.00
Medical (including dental, prescriptions, health insurance)	6-8%	75.00
Car Insurance	2-3%	37.50
Life Insurance	2-5%	24.00
Education Advancement	1-2%	2.50
Credit Obligations (including auto payment)	12-15%	150.00
Savings	2-10%	25.00
Recreation/Entertainment Church/Charities, etc.	2-6%	25.00

Necessary living expenses (shelter, food, clothing and transportation) account for approximately three-fourths of take home pay.

**This is only one example. Each family's situation will be different. If this family had not relied on credit in the past, they would have \$150 more each month to meet current needs.*

(Adapted from: Consumer Credit Counseling Service, Consumer Education Department of Atlanta)

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