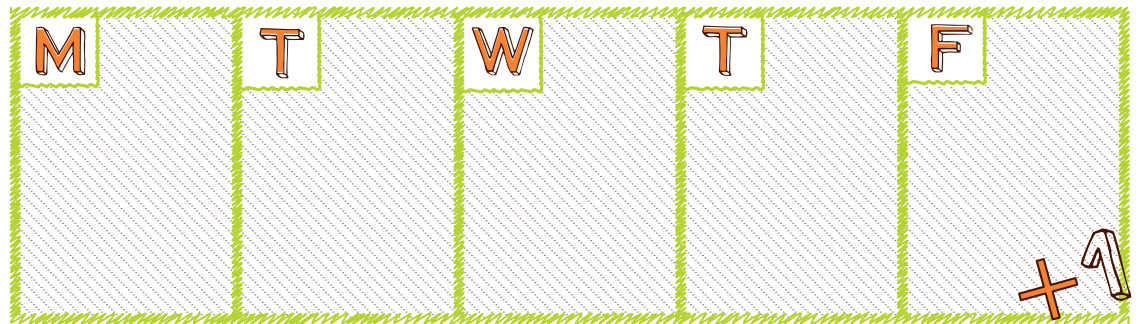


HOW YOU SPEND MAKES A DIFFERENCE



If it increased your pay by as much as 20 percent, would you be willing to work an extra hour every week? If you work five days a week, 20 percent is one full day. Most people would happily work one extra hour each week for an extra day of pay.



The average family can increase the money available for spending by as much as twenty percent just by paying more attention to where their money goes. Try spending an hour or two each week to look more closely at where your money goes. The results will likely surprise you. Making the effort now to find out where your money goes can pay off now and well into the future.



FIND OUT WHERE YOUR MONEY GOES

The first step is the hardest, but also the most important. You need to know where your money goes. Once you know where your money goes, you can easily spot areas where change is needed. Chances are good you will find several spending categories where change is needed.

To see if you need to pay more attention to where your money goes, try this simple activity. Without referring to any records, write down how much money you have available for spending in a typical month (your take-home pay). List your usual monthly expenses, including the amount you normally spend every month for each expense. Add up all your expenses then subtract the total from your income.

How much money do you have left over? Is this money actually left over each month or is it that you just cannot account for it? If the money is actually left over each month, skip ahead to **assess your situation**. If you cannot account for the difference, you have been robbed and the guilty party is most likely...you! Keep reading to find out how to find those missing dollars.

Start with bills. Most of your money probably goes toward bills for utilities, debt payments, and services such as cable television or telephone service. The nice thing about bills is that you can easily find out exactly how much you spend each month. The amount is printed right on the bill!

Keep an eye on your pocket money. The biggest source of leaks in the family budget is the cash you and other family members carry around each day. Keep a small notebook in your pocket or purse. Use it to record all your spending as it happens for a few weeks. The longer you keep track, the more you will learn about where your money goes.

Condense your spending into categories. Detailed records are nice but often make it hard to see the bigger picture. Organize your spending into a dozen or so categories that make sense to you. For example, lump natural gas, electric, water, telephone, and cable bills into one category you call "utilities," and all of your credit card and loan payments into "monthly debt payments."

Add it all up. After you have kept track of where your money goes for a month, add up how much you spent in each category. If you have paid close attention to where your money went, the total you spent should equal your take-home pay for the same time period. If your total spending is less than your total income, keep tracking your spending to find out where those missing dollars are going.

Assess your situation. Take a look at each expense category and decide whether the total is too much, too little, or about what you think it should be. Especially if this is your first hard look at family spending, there are usually one or two categories with totals much higher than you might expect. These categories often include things you do frequently, perhaps even daily, such as smoking, picking up coffee to go, or eating out. Once you know where your money goes you can easily identify areas that need attention.



SEVEN EASY STEPS TO IMPROVING HOW YOU SPEND

Once you know where your money goes it is time to act. The following steps can help you to develop a plan for reining in spending that may be keeping you from reaching family goals.

ONE

Target one or two problem areas at a time. Once you see where your money goes it is often tempting to try to make drastic changes in your spending habits. Drastic changes rarely last. You are much more likely to be successful if you focus on one or two areas at a time. Work on those areas for several months. Once your new spending habits become an established part of your routine you can tackle additional problem areas.

TWO

Involve everyone in the household. Making changes is hard when you feel like you are the only one putting forth any effort. You are more likely to be successful when everyone in the household participates toward accomplishing the same goal. Talking about the family budget and how to reduce spending for a particular expense can also help to prepare your children to successfully manage their own finances.

THREE

Ask family members for suggestions about how to improve in the targeted areas. Encourage everyone in the household to come up with one or two suggestions for how to cut spending for the targeted expense. Make a list of all the suggestions then talk about the advantages and disadvantages of each idea. When other family members feel like part of the decision-making process, they are more likely to work with you to accomplish what you set out to do.

FOUR

Develop your action plan. Review the suggestions your family came up with and select several you can implement. In general, finding cheaper alternatives works better than giving something up all together. For example, rather than giving up a weekly family trip to the movie theater to save money, instead rent a DVD, make your own popcorn, and watch a movie at home. Better yet, check out a DVD for free from your local public library. Whatever you decide, write down your action plan and have everyone in the family sign it.

FIVE

Post your plan where everyone in the household will see it. Post your action plan as a constant reminder to everyone that you are all working towards a common goal. Whether you use the refrigerator, a family bulletin board, or some other location, keeping the plan in sight helps everyone to stay focused on the task at hand. It might even help to post reminders at key locations around the house, such as on light switches if the action plan calls for turning off unused lights.

SIX

Evaluate your plan and your overall spending periodically. Every few weeks sit down with family members to see how you are doing. Is your plan working? Are changes needed to make it work better? How much money have you saved? If you have been successful, is it time to develop a new action plan for another expense or problem area?

SEVEN

Make sure everyone in the family enjoys the rewards! Decide upfront what you will do with the money your family saves by reducing spending for a particular expense. Family members will be more committed to the task when they know what the reward will be and how the savings will be used. Be sure that at least some of the money saved gets put in the bank for family goals or in case of emergencies. The more creative you are in coming up with a reward that everyone will enjoy, the more fun the experience can be for the entire family.

You can increase the amount of money you have to spend each month by paying more attention to where your money goes and developing an action plan to target problem spending areas. Paying more attention to the family budget can also go a long way towards preparing your children to be good money managers as adults. Making the effort now and getting into the habit of monitoring your spending can pay off not just today, but for many years to come.



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