Crunching Numbers: Designing Your Family Budget

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What to Expect
- Developing a Spending Plan
- Track’n Your Savings Goals
- Stretching Your Food Dollars
- Credit Card Interest

Money Is a Tool
- By itself, money has no value
  - How you use money conveys your values
  - Each person makes unique decisions about money

Views of Money
- People have a mixture of different attitudes, values & beliefs about money

Questions for Prizes
- Answer as Teams
Team Name
- Divide into teams of 4-6
- Decide on Team Name

Take turns--Team Runner
- Sticky Notes
  - Write team name
  - Write team answer

Team Question 1
- What % was the per capita income in Montana in 2008?

Budget Design
- Today’s economy is a good time to start a spending plan

Step 1: List Income
- Determine how much money you have,
  - Net income
Net Income is after taxes, gross income is before taxes.

Step 1: List Income

- What if it is different every month?
  - Determine high & low month income
  - Average over the months

Are there other sources of income?

- Low-Income Energy Assistance (LIEAP) and Weatherization Program
- Child Care Assistance
- Children’s Health Insurance Plan (CHIP)

Are there other sources of income?

- Food Stamps: SNAP
- Medicaid
- TANF: Temporary Assistance for Needy Families
- WIC

Step 2: Monthly Expenses

- Each family situation is different
- A “typical” spending plan does not apply to everyone

Guidelines Comparing Your Spending Patterns

1. Consumer Expenditure Survey
2. Rules of Thumb
3. Your Expenses
Team Question 2

- What % does a family with income between $30,000 - $39,999 spend on food (at home & away)?

Guide 1: Consumer Expenditure Survey

- Chart shown on last page of MontGuide
- Keep in mind these are averages
- Find income $30,000 – $39,000

- Food $30,000 - $39,999 income
  - 5% away
  - 8% at home
  - 13% total

$35,000 Income

- 35,000 x 13% = $4,500 yearly ÷ 12 = $379 monthly

Team Question 3

- According to one Rule of Thumb, what % of income is spent on housing costs?

Traditionally, net monthly income

- 30%
One Rule of Thumb: Housing

- Lenders look for two ratios:
  - House payment with taxes & insurance should not exceed 28 percent of gross income.

Another Rule of Thumb: Housing

- Total mortgage obligations & long-term debt should not exceed between 33 and 36%.

Rule of Thumb: Emergency Funds

- Depends on family needs:
  - Equal to 3 months income
  - Equal to 6 months of income if conservative
  - More than equivalent to 6 months income if self-employed.

Rule of Thumb: Debt

- Maximum owed on credit purchases should not exceed 20% of annual take-home pay.

Team Question 4

- What is the maximum credit load for family with $3,000 monthly take-home pay?

Maximum Credit Load

$30,000 x 20% = $6,000
**Rule of Thumb: Debt**

- Maximum debt should not exceed what can be paid with 10% of income over 12-24 months

**Guide 3: What you actually spend**

- If you know how much you currently spend, you can determine all the categories where your money goes

**Guide 3: What you actually spend, con'd.**

- Schedule of Non-monthly expenses – MontGuide
  - Don’t forget to include a monthly set aside for non-monthly expenses.

**Step 3: Balance Income & Expenses**

- What expenses are essential to your family’s well-being?
- Which expenses have the highest priority?

**Step 3: Balance Income & Expenses, con’d.**

- Which areas can be reduced to keep your family’s spending within its income?
- How much can be afforded in each category?

**Step 3: Balance Income and Expenses con’d.**

- Subtract expenses from income
  - “Leftover” can help pay off debt
Step 3: Balance Income and Expenses con’d.
- Not enough? Try these:
  - Increase income
  - Cut spending
  - Reduce your fixed expenses
  - Look at other assets

Track’n Your Expenses
- Tool to keep track of expenses
  - Adapts for:
    - Credit cards
    - Debit cards
    - Cash
    - Check expenses

Step 4: Review, Track Expenses and Revise Spending Plan
- Review with family members
- Keep a record of expenses
- Re-evaluate often

Deciding which bills to pay
- Gather the facts
- Who gets paid first?
  - What will affect my family’s health and security the most?
  - Will you lose it if you don’t pay?
  - How much do you still owe on the loan?

Step 5: Manage your spending plan
- Depend on one family member to track expenses

Step 5: Manage your spending plan, con’d.
- Keep all records & supplies in one place:
  - Spending plan and past spending records
  - Bills and receipts
  - Checkbook, bank statements and cancelled checks
Step 5: Manage your spending plan, con’d.

- Charge slips, charge account, and bank statements
- Savings account records
- Income records

So, where can you find more money?

6 Steps to Get the most out of your Food Dollar

Step 1: Plan
- Meals and snacks for several days
- Many different types of food:
  - Bread, Cereal, Rice, Pasta
  - Vegetables & Fruit
  - Milk, Yogurt and Cheese
  - Meat, Poultry, Fish, Dry Beans, Eggs & Nuts

Step 2: Check For
- Food you have on hand and what you will need
- Newspaper ads for weekly specials
- Coupons for items you use

Step 3: Write
- Grocery List
- Sale price next to item on the list
Step 4: Get Ready
- Take List & Coupons
- Avoid shopping when tired, hungry or rushed
- Decide whether to buy a convenience food or make it yourself.

Step 5: At the Store
- Stick to grocery list
- Compare prices
- Check for less costly items

Step 6: At Home
- Handle and store food properly to reduce waste

Develop a shopping list
- Plan to shop just once a week
- Go through your home and plan to purchase each item
  - Don’t wait for the store to help you decide
- 101+ Ways to Save Worksheet

Would you know if you scored a good deal?
Get ready to test your knowledge!

Team Question 5
What is the price for a loaf of whole wheat bread?
Team Question 6
What is the price for a gallon of 2% milk?

$1.78

Team Question 7
What is the price for 2 pounds of cheddar cheese?

$3.58

Score a Good Deal
What is the price for a pound of ground beef (15% fat)?

$6.38

$1.49
Score a Good Deal

What is the price for a pound of broccoli?

$.78

Savings Time & Money

- Shop when your stomach is full
- Shop alone
  - Spend extra attention on shopping
  - Less impulse buys
- Know store layout for fast shopping

Step Five: Hidden Savings

- Use coupons – but only if you really use it
- Try something new
  - Don’t just follow what Mom used
  - Check above & below eye level

Crunching Credit Cards

Team Question 9

- How many credit cards does the average American household use?

Credit Cards Average Household Uses.

8
Team Question 10
- What’s the average credit card balance owed by American households?

Credit Card Balance...
$10,728

Credit Cards: Avoid the Minimum Payments Trap!

So What’s the Big Idea?
- Paying off credit card balances sooner, means higher payments, but
  - You pay less interest!

Chris & Bethany
• Debt Amount
• $5,000

Orange Side--Side 1
- $9,567 pay back
- $4,567 interest charges
- 16 years to pay off
Blue Side: Side 2
- $5,000 debt
- $150 first payment
- 16 years in debt
- $4,567 interest paid

Blue Side: Side 2
- $5,000 debt
- $300 first payment
- 7 years in debt
- $1,592 interest paid

Parting Wisdom
- Pay MORE than 3% minimum & save a LOT

Steady as She Goes
- Steady (even) payments will reduce debt and interest greatly
- Just the same, steady (even) payments to savings will earn interest greatly

Savings & the Time Value of Money
- Tiffany & Brian
  - Lesson in saving

Brian  Tiffany
- Deposits $2,000 for 10 years  - Deposits $2,000 for 35 years
- Age 18 - 27
- Nothing for next 41 years
- Waits until age 31
Brian  
Contributions  
$20,000

Tiffany  
Contributions  
$70,000

Time and Money

- Brian  
  $361,418

- Tiffany  
  $276,474

- Saving less money, but earlier gave Brian more  
  $84,944

Compound Interest

- Is magical when money is steadily invested & left to grow!

$aving!

- How do you find money to save?
  - The “Drink Sink” – find some missing money
  - Habits – form saving habits versus spending habits!
  - $ave part of what you earn
  - Invest, so your money is earning interest

Summary

- Developing a Spending Plan
- Track’n Your Savings Goals
- Stretching Your Food Dollars
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QUESTIONS?