

Taking Charge of Family Finances



FAMILY MONEY MANAGER

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Money is an often-discussed topic in most families, with the topic usually centering on, “Where did it go?”

More money usually is not the answer for solving financial concerns for most families. Instead, developing a plan for better money management will help most families feel more satisfied with their income and their progress toward goals.

Family Goals

Effective money management depends on the way a family chooses to live and the goals it plans to achieve. Think about where your family is today financially and where you would like to be in five or 10 years.

- **Long-term goals:** These “dreams for the future” usually are set for more than five years. Examples include creating a retirement fund, paying off a mortgage and saving for a child’s college tuition.
- **Intermediate goals:** Usually these objectives would be attainable within one to five years. Examples include saving an amount toward the down payment of a home, buying or replacing your car and paying off unsecured debts.
- **Short-term goals:** These goals are attainable in the next three months to a year. Examples include creating an emergency fund, saving for personal goods or travel and credit card debt payments.

Each goal you choose should have a specific dollar amount assigned to it to help make it a reality. The first goal for many families will be to set up an emergency fund. An emergency fund usually is living expenses for three to six months to be used in case of an interruption in income. (See FE222a).

Getting Started

You need to know where you are with your finances. A net worth statement is a great place to start.

Net worth tells how much a family is worth in dollars at a particular moment in time; it equals the difference between what you own and what you owe. A statement of net worth provides an important record of your current finances. (See FE222b)

Taking a moment to assess the situation is important. The worksheets included in the following section of “Family Money Manager” will help you determine income resources and your expenses. What is your anticipated monthly income? This is the amount you will be using to plan your cash flow.

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For some families, taking a good look at their income and seeing where the money actually is spent is enough to help them regain financial control. But others need additional help in the form of a money management program or a few visits with a professional financial counselor who can provide help with better money management. Financial counseling is available through a variety of nonprofit services (consumer credit counseling) and military family support systems.

Planning to Spend and Save

Many families set goals and have dreams for the future. Taking charge of spending means knowing how much is being spent and on what items.

A good recordkeeping system can make all the difference in making your spending plan a success. You might want to consider the following methods to achieve a realistic idea of how your money is being spent:

- **Bill Pay Checklist:** This can be used to help keep track of bills. The checklist will help you sort through all your monthly bills by keeping track of the due dates and the exact amount due for each bill. (FE222c)
- **Expense Tracker:** Write down your daily spending for a one-month period. Make note of the budget category for each expense. Track categories that vary in amounts from week to week or month to month. You do not need to track fixed expenses such as a mortgage or car payment. (See FE222d)

You have many ways in which you can budget your monthly expenses. Below are a few examples:

- **Spending Plan Worksheet:** With this worksheet, you will separate your family living expenses into fixed, flexible and occasional expenses.
 - Fixed expenses are expenses that you pay every month and the amount does not change. They include things such as mortgage/rent, installment credit and insurance.
 - Flexible expenses include those you pay every month but the amount changes. Examples of flexible expenses include groceries, gas, utilities and entertainment.
 - Occasional expenses are those that do not occur every month. Don't forget to come up with a list of these occasional expenses so they don't throw your monthly spending off. (See FE222e)
- **Paycheck Budget:** This budget method involves creating a spending plan for each paycheck you receive. You start with documenting how much net income you received on your paycheck and then you document each expense that paycheck will go toward. (See FE222f)
- **Calendar Budget:** Use a calendar to track your monthly cash flow. Begin on the first day by writing down cash on hand or the balance in your checking account. Write your paycheck amounts on the appropriate dates. Then write down when bills need to be paid or when you need to spend money for food, gasoline, school, etc. You will list the amount of your income and the bills so you can add and subtract as you progress. Continue this process through the month to see if you can cash flow. (See FE222g)

- **50/30/20 Budget:** This budget type is based on using different percentages of your income on specific expense categories. The idea is to spend 50% of your income on needs such as housing and groceries, 30% on wants such as entertainment and 20% goes into savings. (See FE222h)
- **Technology:** Using technology to help with budgeting also is an option. Many websites and apps are available to choose from if you want to go this route. Only use trusted reliable sources, especially when it involves entering any personal information. Some banks also have their own app to track expenses that pulls information directly from your account, so you can ask your bank if this is an option.

Review the Plan

Any spending plan will need to be revised and restructured as your family's needs change. By regularly reviewing your family budget, you'll be able to compare actual amounts with the planned amounts.

The more frequently you make such checks, the better your progress will be in reaching short-and long-term goals. Remember that not every budget type works for every person. Stay motivated and continue to try different budget methods until you find one that works for you.

Debt Repayment Plan

If you have debt and need a resource to organize a repayment plan, you can use the worksheet attached to this publication (see FE222i). Another great resource in paying off debt is <https://powerpay.org>. This website is very user friendly and is great to help you find the most efficient way to pay off your debts while spending the least amount of money possible.



Additional Resources Available

The following resources are available from NDSU Extension to assist in your family money management:

- FE222a (Goal Setting Worksheet)
- FE222b (Net Worth Statement)
- FE222c (Bill Pay Checklist)
- FE222d (Expense Tracker)
- FE222e (Spending Plan Worksheet)
- FE222f (Paycheck Budget)
- FE222g (Calendar Budget)
- FE222h (50/30/20 Budget)
- FE222i (Debt Repayment Plan)

You also can find the above worksheets as well as additional information on the Personal and Family Finance website <https://www.ag.ndsu.edu/money>.

This publication was authored by Debra Pankow, former family economics specialist, NDSU, 2004.

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