FINANCIAL MANAGEMENT

"The golden rule of budgeting: Spend less than you earn and save and invest the rest."

Money is a powerful word that conjures up a number of emotions, among them power, envy, fear, anger, hope, freedom and disgust. Little wonder then, that the most common source of disagreement in families in the United States is money. In fact, 37 percent of all married couples indicate that the number one problem in their marriage is money.

Budgeting doesn't mean having less; it means doing more with what you have. Most couples agree that budgeting is a good idea, but the majority still don't create a budget. Unfortunately, many people avoid managing their money because they think it will mean they have less to spend. In the long-run, tracking and managing your finances will result in peace of mind and a more comfortable and secure lifestyle.

A Word to the Wise about Saving:

In addition to budgeting, savings are also important to any financial management plan. It's a simple fact: interest on savings compounds. Money invested in a safe place at a good rate of return grows at a steady rate. By saving a few hundred dollars a month over 30 to 40 years, a person can become a millionaire. It takes some planning and careful budgeting but the result is financial gain that can help secure your future.

The flip side is also true: interest on credit card debt compounds. Too many fall into the trap of "buy now, pay later." Unfortunately, such couples often end up paying for years and still don't get out of credit card debt.

What is Budgeting?

Budgeting is simply the process of allocating expenses on a regular basis. A good budget is simple, realistic and clear. It builds in some personal control for each partner. In creating a realistic budget, focus first on the most basic needs like food, housing and clothing. Second, focus on what you would like to purchase in the future. Third, look at those areas you are most at risk for overspending, and set some appropriate limits on those areas.

The goal is to help you construct a workable budget. Start by establishing how much income you can count on. Next, outline your expenditures by category and estimate how much money you need for each category.

A healthy final step in budgeting is to set financial goals. With a target or goal in sight you'll be more motivated to work together to achieve your goals. You will be asked the following questions: What are your short-term goals? What are your long-term goals?

BUDGET WORKSHEET

	Current Budget	Future Plan
INCOME: (Take Home Pay)		
Male:		
Female:		
Other Income:		
TOTAL INCOME:		
EXPENSES: (Monthly)		
Housing:		
Rent or Mortgage:		
Utilities:		
Phone:		
Loans/Debt:		
Car:		
Personal:		
Credit Cards:		
Transportation:		
Gasoline:		
Repairs/Maintenance:		
Food:		
Food at home:		
Food away from home:		
Health Care:		
Insurance:		
Car:		
Home:		
Charitable Contributions/Tithing:		
Clothing:		
Personal Goods:		
Household Supplies:		
Services:		
Cell phone:		
Cable/Dish:		
Internet:		
Dry Cleaning/Laundry:		
Garbage:		
Other expenditures:		
Gifts:		
Personal “Mad” Money:		
Daycare:		
Child Support:		
Other:		
TOTAL EXPENSES:		
Surplus or Deficit:		

FINANCIAL GOALS

"Thrift used to be a basic American virtue.
Now the American virtue is to spend money."
--David Brinkley

Importance of Financial Goals:

Couples argue about finances more than any other topic. Regardless of how much or how little money a couple has, deciding what to purchase and how to spend their money is problematic for most couples.

Typically, most couples focus on only short-term financial goals like: *"Today I will pay $100 on my credit card bill."* But short-term goals should also take into consideration your long-term goals like: *"We want to save enough to make a down payment on a house."*

One way to reduce the amount of conflict regarding finances is for you and your partner to discuss and decide on your short-term and long-term financial goals. Setting common goals as a couple can increase your sense of teamwork and collaboration in this complex area of finances.

Identifying and Deciding on Your Financial Goals

Each person should individually brainstorm their short-term and long-term financial goals and then share them with each other. *Short-term* goals should be what you can achieve in six months to one year. *Long term goals* might be achieved from one to ten years. Remember, your goals should be realistic, clear and specific.

Short-Term Goals: (six months to one year)

1. ____
2. ____
3. ____

Long-Term Goals: (one to five years)

1. ____
2. ____
3. ____

<u>Discussion Questions:</u>

- Next, share your lists with one another. What do they have in common?
- Where are they different?
- Decide together as a couple on your common goals (you may have more than three short and long term goals).
- Talk about how you can each contribute to achieving these goals.
- Revisit them from time to time so you will stay on track.