

The Spending Plan – “Getting Started”

As we offer financial guidance to couples and individuals, we try to always use the term “spending plan” instead of “budget.” When hearing budget, many often immediately think of restrictions and that has a negative connotation to it. Spending plan sounds better, doesn’t it? After all, who doesn’t like to spend! Seriously though, using the term spending plan actually does seem to help most of us accept the premise of living according to a predetermined, monitored financial plan.

Everyone needs a spending plan. “The plans of the diligent lead to profit as surely as haste leads to poverty.” (Proverbs 21:5) Married, single – young, old – rich, poor, it doesn’t matter. The principles of the spending plan stay the same regardless of the aforementioned categories. Financial bondage can result from a lack of money and overspending, but it can also be caused by the misuse of an abundance of money. **True financial freedom requires that we all, regardless of our income level, be good stewards – good managers. Remember, God owns it all and expects us to manage well what He entrusts to us!** “The earth is the LORD’s, and everything in it, the world, and all who live in it.” (Psalm 24:1)

In the coming months we will be explaining the step-by-step process of setting up a spending plan and putting it into place. January is typically a time of resolutions for many of us. It’s also a great time to start a spending plan or update an existing one.

The goal of a spending plan is to spend no more than we earn on a monthly basis. Ideally, that means to live on a cash basis and not use credit or borrowed money to provide for normal living expenses. It also means the self-discipline to control spending and to keep needs, wants, and desires in their proper relationship.

When planning a trip, the first step is to determine where you are. After all, how can you plan a route to a destination without knowing your starting point? Initiating a spending plan is no different. **The first step is to determine how you are now spending your money.** We call this the “existing spending plan.”

Some expenses are relatively easy to determine. This would include things like mortgage or rent payments, insurance premium payments, car payments, etc. But, many spending categories are not so easy to determine. Without a spending plan in place, most people find it very difficult to determine how much they spend on groceries, clothing, entertainment, and many other categories.

We’ve found the best way to determine exactly how much you spend on each category by keeping an expense diary for two to three months. We suggest each person carry a small spiral notebook and record every expenditure during this period (if married, both spouses carry a notebook).

And, we mean **EVERY expenditure**, no matter how small! After keeping the expense diary for a couple months, we have never had anyone that wasn’t very surprised by how much they spend on certain categories. It’s amazing how all those seemingly “little” purchases add up! There’s something very powerful to see the figures in black and white.

If you are married, it is important that you **do not use this information as a weapon against your spouse or a point of conflict.** Later in the process, you will have an opportunity to come to

agreement about how to spend money in the future. One of the reasons money becomes such a problem issue in marriage is because husbands and wives tend to want to blame each other for their financial stresses. **Blame accomplishes little except hard feelings.**

Another part of this initial step of formulating a spending plan is to **determine all your sources of income and the frequency in which you receive income.** Once you've determined your total monthly income and your existing spending, it's a simple matter of subtraction to find out if you're in the black or red! Then we can go to the next step of "mapping out a route" for the spending plan.

So, if you aren't already following a spending plan, why not begin the procedure now, in the first month of the new year? **It quite likely will be the most important resolution you will ever make.**

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