Comprehensive Household Spending Plan Instructions (version 1.3)

Start by entering a date and giving your plan a name/nickname to help differentiate it from any other scenarios (e.g. "Smith Family Plan"). Use a separate sheet of paper if you need to calculate or track multiple expenses for a single line item.

***Important reminder**: When converting weekly amounts to monthly amounts, there are 4 and 1/3 weeks in an average month, so you must multiply a weekly amount 4.333 times to plan for the average month. Bi-weekly amounts (every 2 weeks) should multiply 2.167 times for a monthly amount.*

Step 1: Determine useable income

Line 1 – Add up monthly take-home pay (after payroll taxes and other employer deductions) from all sources and for all household members. Include:

- Wages
- Tips
- Pension, Social Security, and annuity income
- Self-employment income
- Rental property income

Step 2: Pay yourself first

Line 2 – "Pay yourself first" by committing to a fixed monthly amount to be used for savings goals and/or additional debt service.

> ***Tip**: Save 10% to 30% of your household take-home income, less any amounts contributed directly in to retirement plans, deducted before net/take-home pay.*

Step 3: Plan for all non-monthly expenses
Enter expenses as annual amounts.

Line 3a – If you pay property taxes directly to local government or make estimated income tax payments, enter the annual totals. If property tax payments are included with your monthly mortgage payment, include them in line 13.

Line 3b – If you pay insurance premiums on other-than-monthly (i.e. quarterly, semiannually, annually) schedules, enter the total annual amounts to be paid. If you pay on a monthly schedule, use line 18. If home owners' insurance payments are included with your monthly mortgage payment, include them in line 13.

Line 3c – If you own one or more homes, enter average annual maintenance and upkeep expenses. Do not include improvement costs.

> ***Tip**: Budget 1% to 3% of the value of your home(s) as a placeholder for annual maintenance and upkeep needs.*

Line 3d – If you own one or more vehicles, enter an amount that covers annual maintenance and annual savings for future replacement vehicles.

> ***Tip**: Budget an amount that is two times (2X) you annual fuel expenses as a placeholder to cover repair and eventual replacement. (e.g. if you spend $250/mo on fuel, save $6,000/yr for repair and replacement.)*

Line 3e – Estimate the cost of unreimbursed medical bills (e.g. deductibles, co-pays, co-insurance, uninsured products and services) and pet care expenses for 12 months.

Line 3f – Enter the annual total of any additional irregular and/or other-than-monthly expenses that you are committed to paying, including occasional unreimbursed business expenses.

Line 4 – Add lines 3a through 3f for an annual subtotal of non-discretionary, non-monthly expenses.

Line 5 – Divide line 4 by the number 12 for the monthly savings amount needed to cover non-discretionary, non-monthly expenses.

> ***Tip**: Save this amount into one or more separate checking or savings account(s) to cover or reimburse the expenses in lines 3a-3f.*

Lines 6a-6d – Enter annual amounts for each category.

Line 6e – The personal property replacement amount is the annual amount needed to replace higher-cost (more than available in monthly discretionary funds) personal property when it reaches its product-life-expectancy.

> ***Tip**: Plan for 1% or 2% of annual income as a placeholder to help with the eventual replacement of items such as personal electronics, computers, audio/video appliances, mattresses, fitness equipment, furnishings, etc.*

Line 6f – Enter an annual budget for new and replacement clothing, shoes, and accessories. Include upkeep costs such as dry-cleaning as well.

Line 6g – Enter the annual amount for any additional irregular and/or other-than-monthly expenses that you would like to plan to fund.

Line 7 – Add lines 6a through 6g for an annual subtotal of non-discretionary, non-monthly expenses.

Line 8 – Divide line 7 by the number 12 for the monthly savings amount needed to cover discretionary, non-monthly expenses.

> ***Tip**: Save this amount into one or more separate checking or savings account(s) to cover or reimburse the expenses in lines 6a-6g.*

Step 4: Plan for monthly obligations
These items may or may not apply to your household. Enter as monthly amounts.

Line 9 – Enter only the total of monthly minimum payments due for all debt other than your primary residence mortgage debt. Additional payments are accounted for in the line 2 amount. Do not include revolving credit accounts (e.g. credit cards, charge accounts) that are paid in full each month.

Line 10 and 11 – Do not include amounts deducted directly from pay.

Line 12 – Add lines 9, 10, and 11 to account for your monthly obligations.

Step 5: Plan for monthly bills
Enter as monthly amounts. Do not include monthly amounts for expenses paid other-then-monthly if listed in Step 3.

Line 13 – If your mortgage payment includes an escrow for taxes and/or homeowners insurance, enter the entire payment, and do not also list the escrowed amount(s) separately in lines 3a, 3b, or 19.

Lines 14-17 – Enter the appropriate monthly amounts.

Line 18 – Only include insurance expenses if paid on a monthly basis. If you pay insurance premiums on other-than-monthly (i.e. quarterly, semiannually, annually) schedules, use line 3b. Do not include amounts deducted directly from pay.

Line 19 – Enter regular monthly child care amounts. For seasonal activities such as sports programs and summer camp, use line 6d.

Line 20 – List the total amount needed to pay all other regular monthly bills, personal, professional, income related, or other.

Line 21 – Add lines 13 through 20 to account for your monthly bills.

> ***Tip**: Use a separate checking account and auto transfer a monthly amount to cover for your bills and/or obligations. Keep this separate from your savings, discretionary and non-monthly expenses.*

Step 6: Plan for monthly household discretionary spending

Lines 22-25 – Use these lines to specifically allocate any portion of your discretionary income to these categories.

Line 26 – Add lines 22 through 25 to total your monthly discretionary spending allowance.

Step 7: Calculate your total expenses

Line 27 – Add lines 5, 8, 12, 21, and 26 to determine your average monthly household spending, also known as average living expenses.

> ***Tip**: Use a multiple of your average living expenses as a target size for your emergency fund. (e.g. 1X if you have non-mortgage debt, 3X if your only debt is your home mortgage, and 6X if you have no debt.)*

Line 28 – Add line 2 to line 27 for your total average monthly expenses. This total includes spending, savings, and additional debt payments.

Step 8: Resolve any unallocated spending

Line 29 – Subtract line 28 from line 1. If the result is negative, enter zero; you have allocated more expenses than you have available from income. If you have a positive number, go back and allocate this amount between goal savings and/or other expense categories.

Step 9: Resolve any amount to cut

Line 30 – If line 28 is greater than line 1, you have allocated more expenses than you have available from income. Subtract line 1 from line 28, and enter it here. This is the monthly amount that you must cut from spending in order to balance your budget.