Keeping records should be a family affair, rather than the responsibility of just one member of the household. It is important that everybody concerned be in on the decisions that affect the future of the family. Each person needs to know:

• What emergency numbers to call if the need arises.
• Who the legal and financial advisers are, and how to reach them by telephone.
• Where insurance policies are located.
• Where a copy of each individual will is located.
• What documents are in the safe deposit box.
• Where other records are kept, including the household inventory, cancelled checks and other income tax information.

In the final analysis, you and your family can function best within a framework that is meaningful for you. Some families find it easier to discuss their business affairs together than others do. The family that develops a satisfactory system for keeping records is likely to do a more realistic job of planning for the future.

Managing Money For Your Family

ARE YOU LIVING up to your income? From the income they now receive, many families could raise their level of living 10, 15, or 20 percent by using a financial plan. Such a plan is a guide specifically tailored for your family's needs, desires, and resources. And you are the best designer of the plan for your family.

A financial plan helps you choose between the more important and less important uses for your money. You identify money that now goes for "fuss and stuff" and direct it to more important uses. These leaks may be keeping you from getting what you really want.

It helps you establish priorities for your goals because it provides a financial means to the goals and tells you when you can reasonably expect to reach those goals. But it should not be considered a mandate. Change your plan when situations change and when new opportunities present themselves.

A plan gives you a sense of security. You can build into your plan the ability to ease the effects of a financial haymaker or to snap up a bargain. You can plan for college educations, your retirement days, repairs, automobile replacement, or whatever you want.

Without a plan, you may fall into the costly trap of having someone else manage your money through unnecessary installment plans, other loans, and the interest you pay for them. On the credit treadmill there is no reserve for repairs, replacements, or other emergencies. In these situations a family often resorts to unplanned use of credit. A spending plan is helpful in making decisions as to when to use credit. It helps you decide if you can assume additional obligations and to plan for the cost of the credit.

A financial plan is a wonderful device for helping you get maximum use from your money, but it will not do this automatically. You must draw up the plan yourself and then make it work for you.

There is no average or "proper" amount to be spent for clothing, food, housing, and other items. What you spend depends on the size of your family; income; the age of family members; where you live; your needs, goals, and individual likes; your health and other resources available.

A plan does not insure that all financial hazards are adequately met or avoided. It can cushion the blow and

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help you make financial decisions in time of stress or opportunity.

There are several parts to a plan. These could be called steps but one step does not necessarily follow another. They need to be developed simultaneously. The plan consists of a list of your family goals and priorities; the amount of income your family has to use; a record of how income is now being used; a periodic evaluation of progress and review of goals.

A great deal of discussion and thought is needed before you write your spending plan. List the things you want or would like to do. Your children may have something to add. Your list will probably include both real needs and whimsical or fun items. The more definite you make your goals the easier you can achieve them.

Now decide which ones should receive highest priority. You can also begin listing the approximate cost and when you plan to reach each goal. It may be helpful to set up a timetable. It could include *soon* (within the next 3 months), this year, next year, 5 years from now, and 15 years from now.

The details of distant goals may be vague but you should start now making definite preparation for reaching them. A distant goal can also be clear cut. For example: "Saving for retirement" is vague but "Have $5,000 in a savings account by 1980" is a well-defined goal.

By setting up a time schedule and defining your goals as clearly as possible you will reach them faster and with less effort.

The next step in making a financial plan is to determine how much money you will have available to use to reach your goals. Most families find they can plan best in terms of a year. You may wish to begin with 6 months if this is your first plan.

Income may come from many sources. Include salary, wages, tips, net earnings from a business or farm, interest from savings accounts, dividends from investments, and extra money from odd jobs. Include earnings from all family members. A child may use his earnings as spending money, but it is contributing to family income.

Write down your total income and subtract income taxes. This is the amount to use in making your plan. If your income is irregular, determine the minimum amount and the maximum amount that you expect. Use the minimum to plan for needs and the most important wants. You can list in order the other priorities should your income go above the minimum you expect.

The next step is to find out how you are using your money now. Begin keeping a record of your expenditures and savings. Each month add the amounts you have spent for each category. The categories will vary from family to family but the more common ones are savings, food, clothing, household operation, tranportation, recreation, gifts, contributions, housing, personal development, medical care, and personal spending money.

Total the amount spent in each category for 3 months. This will give you an idea of what you will be spending on a yearly basis.

Now you can begin to make changes in your spending and savings to bring them in line with accomplishing your goals.

You can now set up your financial plan. Remember the plan includes your goals, income, and expenses.

Decide on the goal you will work toward first and decide how you can attain it. If the goal is to get out of debt, look for ways you can cut expenses or earn extra income to increase payment on debts. Or you may look for ways to avoid using credit until all bills are paid.

Your goal may be to purchase a certain item. Select the amount you will save each payday and consider it like any other bill you must pay.

This action in itself helps you to get the most value for your money. First it provides the cash to obtain the goal and second it helps stop the leaks in your spending. The $10 put in savings cannot be spent for "fuss and stuff."

Your goal may be to accumulate an

emergency fund. Every family needs one. First make a list of emergencies that you will plan to finance from this fund. They may include such expenses as equipment repairs, car repairs, small medical bills, unexpected necessary travel, or money to take advantage of an unexpected opportunity.

Now, decide on the amount you will need in this fund. Decide how much you will put into the fund each payday. If you need $300 you can put $10 a month into the fund and it will take you 30 months to reach your goal. But emergencies probably will not wait 30 months! You may not have enough in the fund to pay the total cost, but it's a beginning. That is better than taking the whole expense out of one pay check. Worst yet is having to borrow, because this would increase the initial cost.

Start with $1, $10, or an amount you will not really miss. You can increase the amount later. Trying to save too much is futile. You will be borrowing from yourself when you run short of cash.

Once you break your commitment, it is much easier to break it again and again. Saving a comfortable amount each payday is the secret. Think of your savings quota as a fixed cost like rent or an installment payment.

When you reach your stated amount, reward yourself. One idea is to use the next payment to treat yourself. The following payment can then be directed to another goal. Of course, when you must draw from this fund, begin replacing that amount on a monthly basis.

Another suggestion to include in your plan is preparation for irregular expenses that are a certainty—taxes, insurance premiums, licenses, organization dues, etc. Add the annual cost of these and divide by 12. Put that amount into a fund each month. You will have the money to meet the expenses when they are due. One of these probably will come due before you have accumulated sufficient money, but you will be further ahead than if the total bill had to be paid out of a single paycheck. Before the year is out you will be breaking even with the fund.

This method does away with the worry and scrimping to meet irregular bills.

Now you are ready to list the expenses that remain the same month after month. Yours may include rent or mortgage payments, installments, electric bills on the budget plan, music lessons, and pledges. They are considered fixed expenses.

After you list your savings and fixed expenses, you are ready for your day-to-day living expenses. Unless you have been keeping fairly accurate records you will need to estimate or wait until you kept records for a few months. These variable expenditures are usually for clothing, food, recreation, education, medical care, gifts, furnishings and equipment and household operation.

In making your plan, allow some leeway. Do not plan to use every dollar. You will not spend exactly the amount you plan. You will have some unexpected expenses. Prices change and sales occur, so do not try to balance every dollar. You do need some uncommitted dollars to make the plan work.

If your plan is too strict you will take all the fun out of managing money. Developing a financial plan and using it as a means to reaching goals is like a game. It is a challange to see how much you can do with the money you have to use.

For most people the less desirable aspect of the plan is keeping records. There are ways to simplify this activity.

Keep records simple. Set up your record sheet to show what you need to know about your family. For example, some families have one column for food. Some families set up a column for food at home and another for food away from home. Some families list all clothing in one column, and some list clothing for each member of the family separately. Make the record sheet fit your family.

You can ease the job of record keeping by designating one person to

SPENDING PLAN

	Last Year	Budget For This Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
Income:														
Fixed Expenses: Mortgage or Rent														
Insurance—Auto and other property														
Insurance—Life														
Taxes														
Licenses, Fees and Dues														
Installment payments														
Emergency Fund														
Day-to-Day Expenses: Food														
Clothing														
Personal Items														
Furnishings & Equipment														
Operating Expenses														
Auto and Transportation														
Medical and Dental														
Education														
Recreation														
Contributions														
Gifts and Miscellany														
Regular Savings or Plans for Special Events:														
TOTALS														

record the amounts spent and saved. Or one might read out the amount while another writes. Use a spindle to hold receipts or notations until you record them. Try putting grocery receipts together and record only the total for the month. If you decide to separate food items from other items bought at the grocery store, circle nonfood items and enter the total for those circled. Record pocket money, allowances, or "spending money" as such and do not try to account for every penny.

Time spent on keeping records will pay valuable returns. These could be equivalent to an extra job or a pay raise. Besides a planning aid, they are useful when you prepare your income tax form.

Monthly income and expenditures need not balance to the penny. Some months you may spend more than your monthly income. It is important that you balance income and outgo in the long run.

At the end of the year your income should equal your savings plus expenditures for the year. If you continually spend more income than you have, you are treading on dangerous ground.

Some professional managers have a term: cash flow accounting. It simply means keeping the amount of money coming in from every source roughly equal to the amount going out for every purpose (non-essentials and savings as well as essentials.)

The account is only a tool to use to show how you are actually using your money. Having this information helps you find a way to attain your goals. So the account is only a part, but a vital one, of your financial plan.

In the process of setting up your plan you have discovered that either your income covers expenses and savings, they are the same, or needs and wants are greater than income. If the income covers all needs and future goals, you have no problem. You may wish to consider uses for your surplus money.

More than likely your needs and wants are greater than your income. Take a new look at each part of your plan.

Where are you spending money that is less important than some other expenditures? Decide what is least important, important, and most important. Now look for ways to trim each of the flexible categories—food, clothing, transportation, gifts.

You may consider:

- A less expensive item
- Saving to pay cash to avoid credit charges
- Doing maintenance jobs on your home, car
- Using community services, recreation, library
- Buying less clothing, recreation, transportation
- Creating gifts, recreation

Review savings and investments to increase return, or insurance to reduce cost. You may use one vacation for home projects, or daily trips; switch to a cheaper car; convert an endowment policy or a limited-pay policy to cheaper life insurance.

Look realistically at the way you are using your money now. Are the things you are buying really as important as the big things you want, such as getting on a cash basis, more security, or adequate income for retirement? A lot of money can slip away and rob us of many big pleasures.

If your income still does not cover your important needs and wants, you might consider ways to increase your income.

Finally, do not expect a plan to work perfectly. Your wants and needs change. New situations develop. Your plan should be evaluated every few months. You may give it a thorough evaluation at the end of a year. It is good to see how much progress you have made and where you hope to be financially at the end of the next 12 months.

Do not try to do too much too fast. Do not expect miracles! You will only become discouraged and give up the whole idea.

If the plan does not work, maybe it

needs to be changed or maybe you should try a little harder to make it work. Look for some solution. Use the plan to guide you but do not become a slave to it.

Several times, savings have been referred to as the tool for accomplishing future goals. After a family has decided on a savings plan, the decision on how to invest wisely must be made.

Life insurance is a way to provide immediate financial protection for the loss of income through the death of the breadwinner. Once children are expected, the need arises for life insurance. Life insurance is usually purchased to cover the cost of the funeral, the expenses of the last illness, and to provide income for the survivors.

In planning for this type of financial protection be sure to consider all resources the survivors will have to use (earning ability as well as financial), the amount of income that will meet necessities, and finally the cost of such a program. Concentrate insurance dollars on the breadwinner and buy the type of insurance that will give the most protection for the cost.

A saving account is the second leg of the stool for a savings program. It is here where a family keeps the money that it may need immediately or plans to use within the near future.

After the family protects itself with insurance for the survivors and a savings account, it is then ready to invest in other possible channels. At this point a family needs to consider these channels in line with its distant goals, and the economy.

As you evaluate these ways to invest, give the source a test.

1. How safe is the principal?
2. How much risk can you afford to take?
3. What income yield can you expect? Depend on?
4. In case the need arises, how fast and easily can you sell the security?
5. How much management and care does this investment require?

Life insurance, savings accounts, and Government bonds have fixed value. They lose buying power during inflationary periods. However, they should form the basis of a family's savings program.

Some family finance professionals strongly suggest that a family should have 2 to 6 months' income reserved for emergencies.

After this is accomplished, a family is ready to consider other types of investments.

In times of inflation, your home may be one of the best protections against inflation. Of course, home ownership is not for everyone and all homes do not appreciate. Some lose value. In the sequences of selecting investments, a home is often chosen after life insurance and savings accounts.

Common stock, variable annuities, and real estate—either in a growth area or rental property—are the best investments for protection against inflation. These are the ones that can appreciate, but of course you must select them carefully.

In addition to life insurance and savings accounts, other investments that are *not* good hedges against inflation include fixed annuities, municipal bonds, shares in a credit union, preferred stock, and corporate bonds.

A list of your goals, a record of savings, expenditures, and income, and a plan for reaching these goals make up your family's financial plan. Your plan will help you direct your dollars where they will give you the most value.

For further reading:

U.S. Department of Agriculture publications:

A Guide to Budgeting for the Family, Home and Garden Bulletin No. 108, Washington, D.C. 20250, 1970.

A Guide to Budgeting for the Retired Couple, Home and Garden Bulletin No. 194, Washington, D.C. 20250, 1971.

A Guide to Budgeting for the Young Couple, Home and Garden Bulletin No. 98, Washington, D.C. 20250, 1971.