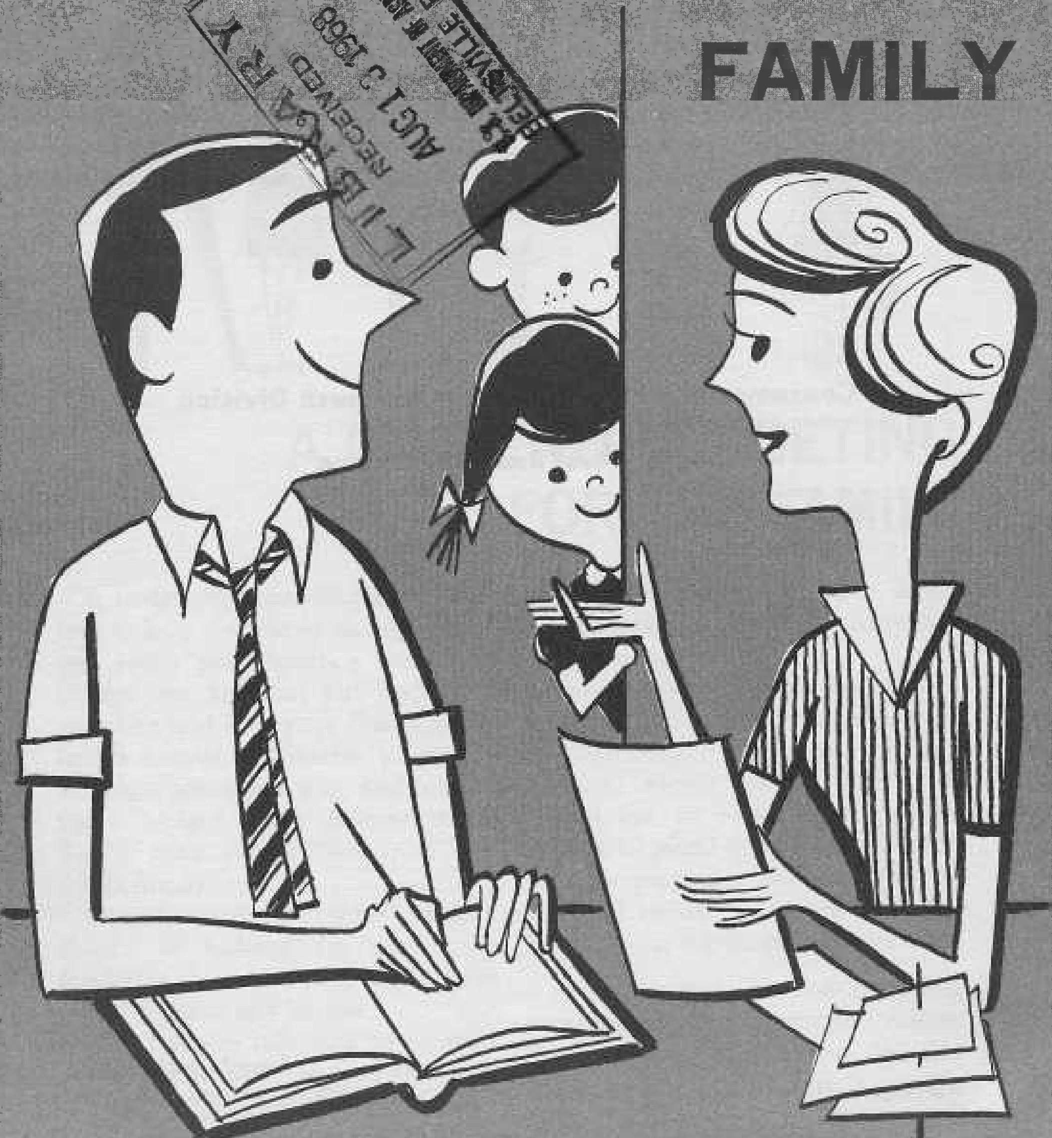
A GUIDE TO BUDGETING FOR THE FAMILY



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CONTENTS

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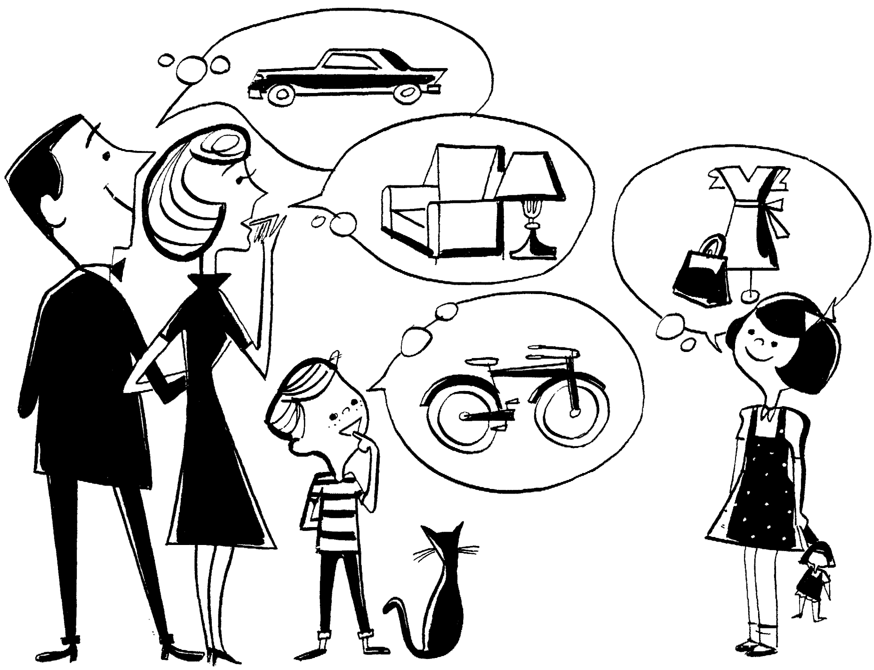

A GUIDE TO BUDGETING FOR THE FAMILY

A budget—or spending plan—is a tool to help you spend money wisely and reach your family's goals. A budget can help cut out inefficient spending and give your family more for its money. Of course, preparing a budget takes planning, and following a budget takes determination. You'll need cooperation from the whole family.

To be workable, your budget should be tailored for your own family; it should be adapted to your family's needs and income.

This bulletin tells how to develop and follow a spending plan that you can use to make your dollars respond to the wishes of your family. It includes sample forms that may be helpful. It also gives basic information about how to use consumer credit wisely.

You'll find it easier to keep track of your budget if you use a family financial record book. The book should not be expensive or elaborate—a looseleaf notebook is excellent for this purpose. Several types of financial record books are available in variety and stationery stores.

Make your forms for recording expenses and income simple. Adjust the various forms given in this bulletin to your family's needs; then transfer them to your record book.

STEPS IN MAKING A BUDGET

Determining Goals

The first step in making a spending plan is to set your goals. What does your family really need and want? You must know this before you can work out the details of a budget.

Let the entire family in on the discussion of goals, if the children are old enough to take part. Consider all suggestions so everyone will be satisfied with the results. Try to keep goals realistic in relation to present and estimated future income. Decide which goals are most important, giving priority to those that will benefit the whole family.

You may find it helpful to think first about your long-term goals—those you hope to reach in 10 or 20 years, perhaps, or even longer. Next decide your aims for the more immediate future—the next 5 years, for example. Then list your goals for the coming year. This way, your budget will include some savings toward long-term and intermediate goals, and you will not let immediate goals push your other goals aside.

Be as specific as possible in setting goals. Your family may decide its long-term goals are a debt-free home, education for children, and savings for retirement. For the coming 5-year period, goals might be buying a car, making a downpayment on a home, and buying an automatic washer and dryer. Goals for this year might be reducing debts, starting a reserve fund, and buying a vacuum cleaner.

Goals change, of course, as the size, age, and income of the family change. For example, a young couple works to establish and furnish its home. The family with growing children tries to provide adequate food, clothing, and housing, with some extras. After children leave home, the parents concentrate on completing financial arrangements for retirement years.

When you have decided on your goals, write them in your record book or other convenient place. You will want to refer to them as you plan your budget.

Here is a way to list your family's goals:

Long-term goals:

____

____

____

Goals for the next 5 years:

____

____

____

Goals for this year:

____

____

____

Estimating Income

The next step in making a budget is estimating your family's income. Before you can plan wisely, you need to know how much money you will have during the planning period.

A family budget may cover any convenient budget period. Most budgets are for 12 months; they may coincide with the calendar year, school year, tax year, or a special period.

If this is your first budget, you may want to set up a 3-month trial plan. After you see how your plan works, you can revise it to cover a longer period.

Use the form on this page as a guide to figuring your total family income. Write down all funds that you expect to receive during the planning period. Start with fixed amounts that members of your family get regularly—wages, salaries, social security benefits, pensions, allowances, and any other payments.

Then put down the variable income that you anticipate—interest from savings accounts and bonds, dividends from stocks, rents, gifts, and money from other sources.

When your earnings are irregular, base your estimate on your previous income and current prospects. If your income fluctuates sharply—as it may for seasonal workers, salesmen on commission, farmers and other self-employed people—play it safe by making two estimates. Work out the smallest and largest figures you can reasonably expect. Plan first on the basis of the low income figure. Then consider how you will use additional amounts.

Estimated Income for________

Item	Amount
Wage or salary of—	
Husband	$________
Wife	________
Net profit from business, farm, or profession	________
Interest, dividends	________
Other	________
Total	$________

Estimating Expenses

After you have figured how much your income will be for the planning period, it is time to estimate your expenses.

If you have records of family spending, they can serve as a basis for your budget. List items of expense that your family had, with the amount you spent for each item. Include fixed payments, contributions, and other predictable expenditures.

If you do not have records, you may be able to recall some of your previous expenses. Checkbook stubs, receipts, and old bills can serve as reminders. This may be all the guide you need in estimating your expenses.

If you are new at budgeting, you may want to start by finding out where your money goes. Keep a record of current spending for 2 or 3 months. A sample form to help you keep an account of your spending is given on page 11.

Use your records to help you decide whether to continue your present pattern of spending or to make changes.

If you are satisfied with what your dollars have given your family in the past, allow similar amounts in your estimates for the spending plan.

If you are not satisfied with what you got for your money last year or last month, look at your spending critically. Until you study your records, you may be unaware of overspending and poor buying habits.

Be realistic in revising your allowances for expenses. Resolve to cut out shopping sprees, bargains you don't need, and overuse of credit.

Of course, you will need to plan for new situations and changing conditions. For example, a child entering a new school may have increased expenses, or your property tax rate may go up.

Plan your large expenses so that they are spaced at intervals over several years. If your son gets a suit this year, your daughter may have to wait until next year for a winter coat. New curtains may take turns with baby needs, weekend trips, or a TV set.

Keep your estimates of expenses where you can refer to them as necessary.

If your income is quite low, you will need to plan carefully to take care of your immediate needs and pay your current bills. It may be unrealistic or impossible to include long-term goals in your budget as described in this bulletin.

You may get help in financial planning from your extension home economist. In many cities and counties, community service organizations also offer this service.

Setting Up a Budget

You are now ready to set up your spending plan. Remember to base your budget on the goals, income, and expenses of your own family.

A sample form for your family spending plan is shown on page 5. Change this budget form by adding or deleting categories to suit your family's needs.

Work on one section of the budget at a time. Examples of forms you might use to obtain tentative figures for some sections are shown on pages 6 and 7. When you are satisfied with your figures, put them in your spending plan.

Set-asides

The best way to have money available for major expenses and future goals is to set aside money regularly.

The secret is to earmark the money *before* you spend your income. If you wait until the end of the week or month, you may have nothing left to set aside.

By setting aside a planned amount every pay period, you have greater flexibility in managing your money.

Keep your set-aside funds separate from your other funds so you won't be tempted to spend them impulsively. If possible, put them in a savings account or in Government bonds, where they will earn interest.

When you start to budget, you will want to designate a small amount of money for emergencies. Of course, one way to protect your family against major disasters is to take out insurance. But every family has frequent minor crises—too small to be covered by insurance, but too large to be absorbed into a day-to-day budget. Examples might be a blown-out tire, an appliance that needs replacing, a child's broken arm.

Decide how large a cushion you want for meeting emergencies. Work out the amount you need to set aside each year and each month and enter this on the form on page 6.

If your fund reaches the figure you have allowed for emergencies, you can start saving for something else.

Consider your future goals. Assign a dollar cost to each one and set the date you hope to achieve it. Next translate the dollar costs into the amount that must be saved each

Plan for Family Spending

Income, set-asides, and expenses		Amount per month
Total income		$________
Set-asides:		
Emergencies and future goals		$________
Seasonal expenses		________
Debt payments		________
Regular monthly expenses:		
Rent or mortgage payment	$________	
Utilities	________	
Installment payments	________	
Other	________	
Total		________
Day-to-day expenses:		
Food and beverages	$________	
Household operation and maintenance	________	
Furnishings and equipment	________	
Clothing	________	
Personal	________	
Transportation	________	
Medical care	________	
Recreation and education	________	
Gifts and contributions	________	
Total		________
Total set-asides and expenses		$________

month. Remember that interest on your savings will help them grow.

Transfer the figures you have allowed for emergencies and future goals to the space provided on your plan for family spending (p. 5).

Some large expenses occur seasonally. These include taxes on real estate, personal property, and income; school books and supplies; life, household, and car insurance; fuel; and travel. Other expenses might be car license plates, medical checkups, or Christmas gifts. Perhaps you want a season ticket to baseball games or a concert series. Most of these expenses can be anticipated and included in your budget for the year.

By setting aside a definite amount each month, you spread the cost and have money to meet such expenses when they are due. For example: If you put aside $15 each month earmarked for real estate taxes, in a year you will have $180 to pay your tax assessment.

To determine how much you need to take care of these seasonal expenses this year, use a form similar to the one on page 7.

Debt payments

If you have debts or past-due bills, you will want to plan your budget so you can clear them up.

First, carefully review the way you manage your money. If your family has heavy debts, find the reason. Were debts caused by sickness or other emergencies not likely to be repeated soon? Or are they part of a consistent pattern of buying too much on credit?

If buying too much is the reason, enlist your whole family in a plan to avoid credit buying until debts are paid.

Work out a practical, systematic plan to repay your debts. Begin immediately to earmark at least a small amount for debt payment every payday. Enter the debt payment on your spending plan (p. 5).

Detailed Plan for Set-Asides for Emergencies and Future Goals

Type of fund	Probable total cost	Date desired	Amount to set aside this year	Amount to set aside per month
Emergency	$		$	$
Education				
Home or business [1]				
Home improvement				
Major equipment				
Retirement				
Other goals				
Total	$	xxxxxxxxxxxx	$	$

[1] This fund might include money you set aside to make a downpayment, or money (in addition to fixed mortgage payments) you set aside to reduce remaining interest and principal cost.

Detailed Plan for Seasonal Expenses This Year

Expense	Date needed	Amount	
		Per year	Per month
Taxes		$	$
Insurance			
School expenses			
Fuel			
Vacation			
Other			
Total	xxxxxxxxxxxxxxxxx	$	$

Regular monthly expenses

On your plan, enter the expenses you expect to have each month. You can estimate quite accurately your family's regular—or fixed—expenses for each month. These may include rent or mortgage payments, installment payments, hospital or health insurance, support or regular payments to relatives. There are utility bills for electricity, gas, water, telephone, and garbage collection. Other regular expenses might be board and room for a child away at school, music or dancing lessons, nursery school, or a practical nurse's salary to care for an invalid member of the family.

Day-to-day expenses

You are now ready to plan your day-to-day expenses—those that vary from week to week or month to month. Because these are the most flexible entries in your budget, they are the easiest to cut when you need to economize.

Use your records to estimate how much to spend on food, clothing, transportation, and other budget categories. You may decide to spend more on some categories and adjust your plan accordingly.

Try to fit some of your immediate goals into the category of day-to-day expenses. For instance, school shoes and a blouse for your daughter can go under clothing; a kitchen stool and a scatter rug go under furnishings and equipment.

Some entries under day-to-day expenses might be put in other categories. You may prefer to enter regular contributions to your church or synagogue under regular monthly expenses instead of day-to-day expenses.

Give each member of the family a small allowance that need not be accounted for.

Comparing Expenses and Income

Add the figures in your spending plan (p. 5). Now compare the total with your estimate of income for the planning period.

If the two figures balance—fine.

If your income exceeds your estimate of expenses—this is even better. You may decide to satisfy more of your immediate wants or to increase the amount your family is setting aside for future goals.

If your expenses exceed your income, reevaluate your plan. Adjust the budget. Can you reduce expenses? Can you postpone or drop some items?

Consider ways you can trim expenses. This can be challenging—if your family agrees to cut the budget as a family project. Ask members to suggest economies they are willing to accept.

You may decide to make clothing for the children in order to save enough money to give them music lessons. Or you may drive a small car in order to live in a neighborhood you enjoy.

One way to cut your food budget is to shop for weekend specials. Compare prices before you buy. Use the USDA's food plans—which give examples of good diets at low, moderate, and high cost—as guides to managing your food money and getting a nutritionally adequate diet.

Take a good look at your day-to-day expenses. To trim them, you might—

- Substitute articles that cost less, but serve the same purpose (buy a new slipcover instead of a new sofa).
- Use your own family's skills (refinish furniture; grow vegetables and fruits; wash and set your own hair; make curtains).
- Shop for "specials" and buy in quantities that fit your family's needs (take advantage of seasonal sales—such as household linen "white" sales).
- Make use of free or inexpensive educational and recreational services (enroll in sewing or craft classes, attend free concerts, patronize a public library, camp at public camping sites).

Scan your regular expenses critically. If you do not have enough money for your family's day-to-day needs, you may want to reduce or eliminate installment payments and other fixed obligations. Perhaps your family should also consider converting endowment to a cheaper form of insurance, or moving to a less expensive home. You might exchange a large car for a smaller one that costs less to operate—or even go without a car until you "catch up."

If you are unable to balance your budget by cutting expenses, you may need to increase your family's income.

If the wife has not been employed, she might take a full- or part-time job. However, it is a good idea to compare the added costs of working outside the home—clothing, lunches, transportation, child care—with the added income. Children might babysit, deliver newspapers, or do odd jobs.

You may plan to draw on your reserves at a period when you know income will be particularly low or expenses particularly high. Or you may intentionally spend more than your income when you use the money you have set aside for a special purpose—a new roof, college expenses, a vacation trip to national parks.

You may need to review your goals.

CARRYING OUT THE BUDGET

When you have put your spending plan on paper, try it out.

Develop good buying habits to help you carry out your budget. Take advantage of consumer information that you can use to stretch your dollars. You might look up facts about—

- Adequate diets at low or moderate cost.
- Methods of storing and preparing foods.
- Durability of clothes and fabrics.
- Comparative prices of various grades of merchandise at different outlets.
- Difference between cash and credit prices.
- Credit charges for installment plans (see p. 13), budget accounts, and long-term contracts.

Keeping Records

Keep records; they will tell you if your dollars are giving your family what it really wants and needs.

Make your records simple. You don't need a detailed account of where you spend each nickel. But you do need to know where your money goes.

To keep track of day-to-day expenses, use the sample form on page 11, or a modification of it. Transfer the form to your record book. Make a separate column for each category of expense in your budget. Allow enough space to enter items bought and their cost.

Get frequent reports from everyone who buys for the family. An easy way is to have everyone put receipts and notations of spending on a spindle each day. Or each member of the family can leave a note on file for the bookkeeper. Some families ask members to note the money they spend and report at a weekly budget session.

At the end of the week, add up the amounts spent and write them in your financial record book. At the end of the month, total the expenditures under each category and compare them with those in your plan.

It's a good idea to keep all financial records together. You may find it helpful to set aside a desk drawer, a box, or other convenient place to put your record book and bills, receipts, and other financial papers.

Evaluating the Plan

At the end of your budget period, compare what you spent with what you planned to spend.

If your spending was quite different from your plan, find out why.

The answer to the question "why?" will help you find ways to improve your next plan.

If your plan did not provide for your family's needs, you will want to revise it.

If the plan fitted your needs but you had trouble sticking to it, you will want to use stricter self-discipline and better management next time. Enlist better cooperation within the family.

A budget is something you keep working and reworking until it "fits" your family and satisfies individual members. Do not expect to have a perfect budget the first time you set one up. But with each succeeding budget you can expect improvement.

Although you may be satisfied with your present plan, you will need to change it from time to time. As circumstances change, you will need to reorganize your budget around your new goals, needs, and wants.

Record of Your Expenses

Date	Item (or service) bought	Food and beverages	Household operation and maintenance	Furnishings and equipment	Clothing	Personal	Transportation	Medical care	Recreation and education	Gifts and contributions
		$	$	$	$	$	$	$	$	$
Total	xxxxxxxxxxxxxxxx	$______	$______	$______	$______	$______	$______	$______	$______	$______

USING CONSUMER CREDIT

The use of credit helps families get the things they need and want. Most families use some form of credit at one time or another, either for convenience or necessity.

Many families can equip their homes with modern conveniences and buy cars sooner if they use installment plans. Families are able to take advantage of special sales for clothing and small household items because they have charge accounts. Or they may use personal installment loans to help in emergencies.

Consumer credit is available from finance companies, banks, credit unions, and retail stores. *It is a service dealers offer, but it costs money. Many families are unaware of what they pay for it.*

If you want to use credit, it is a good idea to compare costs of various plans available.

The cost of credit varies—

- From dealer to dealer.
- With the size of the purchase.
- With the length of the loan period.
- With the credit reputation of the borrower.

Credit charges may be given—

- As a percentage rate.
- In dollars and cents.

It will help you to understand how credit rates vary among financing agencies. The table on page 13 shows the range of rates for commonly used sources of consumer credit.

The extra cost or "dollar cost" of buying on the installment plan is not listed on the price tag. But you can figure this by comparing the credit price with the cash price of the washing machine, TV set, car, or other item you want to buy.

To get the dollar cost of credit, you need the following information: the trade-in allowance, if any; the amount of the downpayment; the amount of the regular payments; the number of payments; and the cash price.

When you have the information—

1. Add all costs—trade-in allowance, downpayment, and regular payments multiplied by the number of payments required—to get the total price you will pay.

2. Subtract the cash price.

The difference is the dollar cost of buying on the installment plan.

Suppose—for example—you are planning to buy a washing machine. Under the dealer's installment plan, you make a $10 downpayment and monthly payments of $9.75 for 24 months. The cash price for the same washing machine is $198.

Figure the dollar cost of using credit as follows:

$9.75×24 monthly payments	$234.00
Downpayment	10.00
Total credit cost of washing machine	$244.00
Cash price of washing machine	$198.00
Difference	$ 46.00

The dollar cost of buying on the installment plan is $46 in this case.

Many dealers offer revolving or "budget" charge accounts. You and the dealer agree on a maximum amount you can buy. Then you pay a definite amount on your account each month, plus a service charge.

Credit charges count up. In general, the longer you take to pay—that is, the smaller your monthly payment—the higher the cost.

Dealers sometimes hide part of the cost of credit in a higher price for their merchandise. In figuring the cost of credit, compare the best price you can get on a credit deal with the best price you can get for cash.

To use consumer credit wisely, make certain that—

- You know how much the use of credit costs.
- You have shopped around and chosen the best available terms.
- You need the item urgently enough to justify the credit cost.
- Your budget can stand the additional payment.

Installment Credit Rates

Financing agency or type of loan	Rates paid by consumer credit users (equivalent percent per year on unpaid balance)	
	Common rate	Range of legal maximum rates
	Percent	*Percent*
Cash lenders:		
Credit unions	12	12
Commercial banks-personal loans	12	12 to 42
Consumer finance companies under small loan laws	30	24 to 48
Illegal lenders		[1] 42 to 1,200
Retail installment financing in 24 States with rate legislation—12-month contract:		
New cars	12	12 to 24
Used cars under 2 years old	(2)	18 to 31
Used cars over 2 years old	(2)	18 to 43
Retail installment financing in States without rate legislation—12-month contract:		
New cars	12	[1] 12 to 120
Used cars	(2)	[1] 19 to 275

[1] No legal maximum here. Figures shown give the range of actual rates reportedly being charged.
[2] Not available.

Source: Mors, W. P., *Consumer Credit Facts for You.* Western Reserve University, Bureau of Business Research. Edition 2. Cleveland, Ohio. 1959.

MORE INFORMATION

Listed below are publications of the U.S. Department of Agriculture that may help you get more for your money. Single copies may be obtained free by sending a post card to the U.S. Department of Agriculture, Washington, D.C. 20250. Please include your ZIP code.

	Order No.
Food for Families With School Children	G 13
Food Guide for Older Folks	G 17
Family Food Budgeting . . . for Good Meals and Good Nutrition	G 94
Eggs in Family Meals: A Guide for Consumers	G 103
Vegetables in Family Meals: A Guide for Consumers	G 105
Poultry in Family Meals: A Guide for Consumers	G 110
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Fruits in Family Meals: A Guide for Consumers	G 125
Milk in Family Meals: A Guide for Consumers	G 127
How To Buy Fresh Fruit	G 141
How To Buy Fresh Vegetables	G 143
How To Buy Beef Steaks	G 145
How To Buy Beef Roasts	G 146
What Young Farm Families Should Know About Credit	F 2135

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