UNIVERSITY OF ARKANSAS
DIVISION OF AGRICULTURE
Cooperative Extension Service

Adventures in grandparenting

Revise Your Financial Plan

Grandparents raising grandchildren may face special circumstances. Increasing the number of people in your household changes your family expenses. However, your family income may not change. This is an important time to review your financial situation. The procedures outlined here will help you clarify your priorities, make decisions, implement your plan, minimize anxiety, strengthen and prepare you and your family for the future.

Income and Expense Statements

Income and expense statements let you see what money is coming in and where it goes. An income statement is a list of income from all sources for a specific period of time. An expense statement is a list of all expense transactions for a specific period of time. Together, they are sometimes referred to as a cash-flow statement or an income-expense inventory.

Income Statements

When estimating your income for the coming year, include only the income you know for sure you'll be receiving. This includes income from wages, salaries, social security benefits and pensions. If your income involves seasonal wages or income such as tips and bonuses, look over the past few months or years and use a low to moderate estimate.

Income tax records, paycheck stubs, broker records and checking accounts can be helpful in determining income. You may want to calculate your annual income and then divide by 12 for your average monthly income.

Be sure to include:

- Wages, salaries, and tips for each household member
- Bonuses and commissions
- Child support or alimony
- Social security payments
- Pension or profit sharing
- Annuity payments
- Veteran's benefits
- Rental income
- Business income
- Farm income
- Interest
- Dividends
- Trusts
- Public Assistance
- Unemployment benefits
- Other sources of income

Gross monthly income is the total of all sources of income before any deductions are taken out. The income figure you'll want to use in your spending plan is net income. Net income is the amount after taxes and all other deductions have been taken (pension/retirement contributions, group health insurance, union dues, etc.) It is the actual amount of dollars available for you to spend.

Expense Statements

Most of us know the amount of our monthly mortgage or rent payment, car payment and utilities. But do you know how much you spend on snacks, clothing, recreation or entertainment? You may have new expenses like diapers or school supplies. Keeping track of your expenses can help you determine your financial need. You can record your expenses using anything from a calendar or spiral notebook to a printed expense journal.

Types of expenses are:

- Fixed – a set amount like rent, mortgage, car payments and insurance premiums.
- Periodic or irregular – come around only occasionally like holiday expenses, property taxes.
- Flexible or variable – varies each week or month like food, transportation and recreation.

Expense categories may include but are not limited to the following:

- Food
  - At home
  - Eating out
- Clothing
  - Purchase
  - Dry cleaning and repair
- Housing
  - Rent/mortgage
  - Maintenance
  - Furnishings and equipment
- Utilities
  - Electricity
  - Gas
  - Water
  - Phone
- Gifts and Contributions
- Transportation
  - Automobile payment
  - Vehicle maintenance
  - Fuel
- Savings
- Medical/Dental
- Personal Care
- Insurance
- Child Care
- Education
- Recreation/ Entertainment
- Miscellaneous

Spending Plans

A spending plan matches income with expenses and financial goals. It includes saving, spending, giving and investing. We make spending choices every day – with or without a plan. The best way to meet financial goals and avoid ending up with "more month than money" is to have a spending plan. Planning is power.

Seven reasons to develop and follow a written spending plan:

1. Gives you peace of mind.
2. Reduces money related stress.
3. Prepares for cash crisis or emergencies.
4. Helps you attain life goals.
5. Helps identify and eliminate reckless or wasteful spending.
6. Helps you live within your income.
7. Enhances financial record keeping.

Most spending plans are annual ones. An annual spending plan helps to smooth out the ups and downs in expenses that occur due to periodic expenses. You may want to set up your first spending plan for a one-month trial to see how it works.

Spending plans are individual. No two people or families spend their income in exactly the same way. Once a spending plan is established, it should be reviewed periodically to make changes in expenses or income as needed.

Spending plans include all of the expenses listed on the expenses statement. In addition to regular monthly bills, you should plan ahead for periodic expenses. For example, if car insurance premiums of $300 are due in July and December, the spending plan should be to set aside $50 each month for car insurance.

A spending plan should include an emergency fund. Enough savings to cover two months' expenses is recommended as a minimum goal.

A spending plan should help you work toward your financial goals. Designated savings can help fund education, retirement, travel, etc. By looking for ways to reduce expenses or eliminate debt, you can free more income for saving and investing to meet your goals.

You can use Extension's *Household Account Record* to record your spending plan.

Ask for *Household Account Record*, MP171, University of Arkansas Division of Agriculture, Cooperative Extension Service.

Reference

Adapted from Extension's *Navigating the Financial Journey* curriculum by Laura Connerly, Instructor – Family Resource Management, and *Living Resourcefully With Reduced Income*, FSHEC 132, by Judith R. Urich, Ph.D., CFP™; retired Family Resource Management Specialist.

Money Smart, Federal Deposit Insurance Corporation.

Money & You, Arkansas, Louisiana, and Mississippi Cooperative Extension Programs.

Shape Up Your Spending, FSHEC42, University of Arkansas Division of Agriculture Cooperative Extension Service.

The Spending Plan Workbook, HE32, University of Arkansas Division of Agriculture Cooperative Extension Service, Lynn Russell.