YOUR PERSONAL MONEY PLAN

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Are you one of these who can benefit from learning about money?

• Singles just getting started with income and expenses of your own. Or singles living in retirement with minimal cash flows.

• Families with one or two income earners generating cash.

• Single parent households where earning and spending affect your quality of life.

Anyone, actually, who earns or receives money and spends it.

Money is everyone's common denominator. Some do better with money than others, but we all must use money. This PLANNER aims to help you do a better job spending money for one big reason—Those persons, single or married, who PLAN their spending get more for their money than those who don't. It's that simple. Too often individuals and couples spend impulsively with no goals in mind or with ill-defined goals.

This PLANNER aims to help you individually or you and your spouse to control your money in a more business-like manner, and like a business, to derive a profit. Individual or family "profit" can be defined as—

• Long-term financial security.
• A higher standard of living.
• Confidence in dealing with money matters.

In order to deal effectively with their finances, a couple or person needs an organized system for controlling his or her money. Control involves planning, spending according to plan and frequent checks or monitoring to see how you're doing.

This PLANNER is the end product of more than 20 years of working with individuals and couples—testing, revising and updating. It represents a proved, practical system that provides the most money management information for the least input of time and effort compared to hundreds I have examined. Individuals and families who used the PLANNER as part of my classes in Personal Financial Planning at the University of Washington have reported to me that the PLANNER completely changed their approach to money management— for the better. The most frequent comment was, "We get more bang for our bucks!" Basically, the PLANNER helped them to—

• Reduce spending on nonessentials.
• Increase spending on wanted goods and services—the FUN things we would all like more of. Simply by monitoring their spending behavior, they were able to change that behavior—for the better. By putting the PLANNER into action, you will gain more money to spend when and where you want—whatever your level of income may be.

GETTING STARTED

An extra $2,000 every year!

You can have that $2,000 every year if your income or the combined income of you and your spouse totals at least $20,000. The PLANNER will help you put $2,000 extra cash in your pocket with no boost in earnings. That's only a 10 percent cut in spending. Some astute money managers cut their spending by as much as 20 percent by using the ideas and procedures you'll find in the following pages. And remember, a dollar you don't spend is an after-tax dollar, the kind you have after you have paid as many as four taxes—federal and state income taxes, social security taxes and sales taxes. To gain one after-tax dollar, you could easily have to earn $2, pay $1 in the four taxes in order to have $1 left. So, every dollar you don't spend needlessly may be worth about $2 in equivalent gross income.

Or—look at it another way. Suppose you work from age 22 to 62—40 years. If you should average $300 per week for 2,080 weeks over that 40 years, you would earn (before taxes) the princely sum of $624,000. Would you manage nearly 2/3 of $1 million casually—without some sort of Spending Plan, investment program or records? Probably not. Most people with a pile of cash and/or securities seek professional help. You might be earning $1,000/week—or $2,000/week. Whatever your level of income might be, you can't afford not to plan your spending, keep a few records and put some of your money to work through investments for the future.

You can't expect $2,000 to drop into your lap without some effort. So—how much time and energy will you likely spend to earn your $2,000 in after-tax income? According to a group of families I followed in detail, these time schedules were about average:

Developing their Spending Plan —
including goal planning, brainstorming

for ideas and goals plus detail planning	20 Hours
Additional record keeping using forms in this manual, figured at 30 minutes/week	26 Hours
Additional shopping time, primarily for food and clothing	52 hours
Total additional time for one year	96 hours

That's less than two hours per week. In after-tax terms, you would be earning $20.83/hour. Or, in terms of equivalent gross income (50-percent total tax rate—see above), you would earn $41.67/hour. Where else can you earn that much additional income so easily—and you do not increase your taxes by even one cent! Further, those "earnings" are available to you without commuting or working out of your home on a regular schedule. But, you must spend some time and some effort. It's like one of the fitness programs you may have read about— Just reading the book won't make you fit. You must do the exercises too.

Real Income—What Is It?

Dollars are a convenient measure of income, but are only one measure. The goods and services you buy with dollars left after taxes are your REAL INCOME. Earning a high dollar income helps a person gain access to more goods and services. But, individuals and families earning similar dollar incomes enjoy far different REAL INCOMES. Why the difference? Paying attention to money, planning, shopping with skill and trading off among your four major resources (money, time, talent and energy) generate more real income for shrewd, moneywise persons. Those who gain less from their money are typically apathetic, hurried or disinterested in money. This PLANNER aims to help you seize every chance to boost your REAL INCOME.

Your Dollar Personality

How you respond to money determines your "dollar personality." We all have one, whether we care to admit it or not. For simplicity, most people fit into one of three broad categories. I call them—spenders, savers or worriers.

Spenders, for example, find themselves frequently in debt because they overspend their income, spend impulsively, spend without a plan—and complain about earning too little. A spender buys the car he wants, not the car he can afford. After a bout with a bank or checkbook or a squabble with his wife or her husband about who spends how much for what, a couple may go out to dinner at an expensive restaurant to help them both forget about their money problems. And, they will order what they want without considering the price.

Savers read restaurant menus from right to left, know exactly how much cash is in their pocket, invest heavily in stocks or land, and generally earn more than they spend—squirreling away the difference. While savers control their dollars firmly, they seldom enjoy spending—even for fun things or activities.

Worriers may spend more than they can afford or save more than necessary. But either way, they worry. So, knowing they will fret and stew about overspending or worry about their friends' opinions of them if they spend too little, worriers find decisions about money come harder and harder. Worriers wrestle constantly with money problems but seldom win.

None of these dollar personalities is entirely desirable. Most of us exhibit a mixed bag, perhaps with a pronounced lean in one of the three directions. But, when you recognize your dollar personality, you have taken the first step toward managing your money.

Spenders get less from their money because interest and debt penalties eat up sizable chunks of their after-tax income. Or, impulsive, unplanned spending fritters away their resources. So, spenders seldom get what they really want, as they constantly chase themselves in a circle of bills.

More income won't solve the spender's problems, despite entreaties that "another $25 a week would solve all my problems." Spenders really need to get a handle on the management of their existing income. If you lean toward being a spender, consider these ideas:

1. Examine your installment bills. Are you using installment buying as a substitute for a Spending Plan?

2. Resolve to "sleep" on decisions to spend big money. Taking time before buying will help you break the impulsive spending habit by relating each buying decision to an overall plan or need for money.

3. Develop a Spending Plan. Even a simple plan that breaks expenditures into big pieces for necessities and "fun" is better than no plan at all.

Savers often get less out of life than they deserve, but for different reasons. Savers may be depriving themselves or their families of pleasures they could easily afford. Savers pile up money as their warm blanket of security, their hedge against every conceivable catastrophe. Savers need to change the mix of their spending to channel more money into fun activities.

Worriers wrestle with different problems. They tend to load up with self-imposed money problems. Instead of wrestling with one money worry at a time, worriers need to develop a Spending Plan that puts each spending decision into perspective. When a worrier has a plan on how income is to be distributed, he or she can follow through confidently. Each expenditure either fits or doesn't fit. So, there's no need to worry.

Thus, whatever your dollar personality, a Spending Plan can be the answer to a more effective relationship with money.

One Choice—Two Decisions

You actually make two choices when you buy something. First, you choose to buy something—some item or service. With the same decision, you also choose NOT to buy something else. Here's why—

Suppose you decide to buy a new car instead of driving the old one another year or two. By spending your available cash or credit on the new car, you may also have decided not to take a ski vacation or a trip to Europe—or to pay off some debts that keep dragging $20 or $50 out of each paycheck. With only so much money available, spending it on one purchase means you can't spend it on something else.

Not all choices involve such big sums. Suppose one homemaker spends $20/week more on food than a second, more frugal shopper. In a year's time the first shopper spends $1,040 extra—enough to take a trip or a big chunk of tuition for a boy or girl in college. Remember—the $1,040 is tax free.

If you find too few dollars to spend on "fun," two routes are open to you—

1. Increase your income. But, earning extra cash can be tough. Plus—for every dollar you earn, the tax collectors take their bites first.

2. Spend your present income more effectively. Ruthlessly cutting spending on goods and services that are not important to you leaves dollars to spend on those things and activities that are important.

Point—When you pick and choose where to spend, fewer dollars dribble away. Nobody has enough money to spend without choosing.

Learning to Choose

If choosing is so critical, how can you learn to choose more effectively? First, recognize that choosing without looking at alternatives offers no real choice. If you follow along in the same old rut, picking the same foods, buying the same clothes at the same places, driving new models of the same car line—you're not choosing. Business calls this "single-source selection." No competition. No options.

Choosing effectively from alternatives you develop requires creativity—a trait you can develop.

Suppose you decide to buy a car. New car or used car? Small car or big car? Import or U.S.? Red, black, two-tone? Stripped or "loaded"? Or—the choices run on—and on. Choosing effectively calls for a look at the alternatives of spending cash for a new car vs. a used car. Driving a used car during its third and fourth years might cost $2,000 less than driving a new car during its first two years. Part of your decision, then, involves choosing whether to spend a chunk of dollars as part of a car purchase or spend less on the car and the difference on a vacation trip—or something else you believe to be important. Dig into the alternative costs of buying and operating cars. Compare per-mile costs of a subcompact to a big "belchfire-8." You begin to sense the excitement of developing a range of alternatives before choosing. When you select the ONE course that offers the best combination of benefits from one batch of dollars, you begin to understand what effective money management is all about.

Why Should I Manage My Money When I Have So Little?

Managing money or having money to manage is not like the proverbial chicken-egg dilemma. There's no question about which comes first. You gain more cash to spend because—and when—you manage your money. If you wait until you get some money, you're not likely to have any to manage.

Managing your money pays big dividends, but it need not become a grim business. Managing money can be a game where everybody wins. Only the size of the prize remains to be determined.

"If we postpone the car payment for another month, we can put a down payment on that new microwave oven we absolutely must have" may be one family's plan. Another family spends according to a well developed list of short- and long-range goals—to get many of the goods and services they really WANT out of limited dollars. One family may spend every paycheck as soon as it comes. A single person spends on a monthly schedule even when paid weekly. Others spend on impulse or as the mood strikes them.

This PLANNER aims to help you and/or your family develop your own plan—one that fits your income—your needs—your lifestyle. Only you can develop a plan that fits your situation exactly.

Money Management—What's In It For Me?

For many persons, spending money becomes an intensely emotional activity. For a few, handling money borders on the edge of barely controlled desperation. All of which brings up the question—

"What exactly is money management?"

1. Money management involves the control of spending. Already mentioned is the development of alternatives from which choices can be made and a flexible plan for achieving specific goals through selective spending. Money management really boils down to—"A system that enables a person or a family to get the most living value from their available income—whatever that level may be."

2. Money management enables a person or family to achieve specific goals. You are unlikely to achieve anything without planning for it and pursuing that plan. Goal planning is an integral part of money management.

How Do You Stand Financially?

At least once a year businesses develop a Balance Sheet to report on the company's financial position—cash on hand, debts owed, shareholder's equity and other facts. Physicians suggest an annual checkup. Why not a financial checkup? By completing a Personal Balance Sheet, you can audit how you and/or your family stands financially. A balance sheet also helps answer these additional questions:

• Is your personal property adequately insured? As you acquire things—appliances, home furnishings, jewelry, clothing and other goods—you might not recognize when their total value exceeds fire and theft insurance coverage.

• Are you gaining or losing net worth from year to year? Individual or family net worth, like that of a business, represents the difference between assets and liabilities; that is, what you own and what you owe. When management of a business compares previous year-end reports, a pattern of progress or decline becomes apparent. So, too, with you and/or your family. If your net worth fails to expand on a yearly basis, you might want to understand why and possibly change direction. Your first step is to discover the facts and a Personal Balance Sheet is the starting point.

• Is a debt load becoming a burden? Unless you can look at a total picture of assets and liabilities, you may not recognize that liabilities exceed assets by some margin. A person or family overloaded with debts is vulnerable to financial stress.

The Personal Balance Sheet (worksheet) will aid you in computing your family's net worth. The Balance Sheet represents a snapshot at one instant of time of your finances. December 31 is a good time, but you can figure your net worth at any time. When noting assets or liabilities, don't anticipate payments due later or income you might receive the next day or some time later. Every figure represents the situation at a specific point in time. Begin by listing all of your assets.

Current Assets—Include the cash you and your spouse have on hand—currency in a billfold or purse, cash stashed in a teapot for emergencies, uncashed traveler's checks, cash in your checking account and any savings account balances.

Intermediate Assets—Include such items as value of stocks (note their value according to the last close or bid price), cash value of life insurance or annuity policies (ask your agent if you cannot deduce this value from the policy), any notes or accounts receivable, government or corporate bonds you may own and any other items of value that could be turned into cash within a reasonably short time.

Long-Term Assets—Include mainly real estate. Ordinarily, if you must sell real estate quickly, you lose; hence the long-term effect. For your house, land or other real estate, note the net amount you would receive after paying commissions, fees and other expenses. Be realistic in noting the value of any real estate, as it fluctuates in value.

Personal Property—Include everything you own except real estate and the cash-worthy assets noted above. Estimate realistically the value of your car, stamp collection, antiques—everything. You'll need to estimate the value of a boat, household goods, jewelry and similar possessions. Don't put down the quick-sale value of appliances and furniture, for example. Such items are worth more to you than their sale price in the used market. One plan for valuing such items is to start with their original cost and depreciate them on a straight-line basis. For example, if you paid $300 for an automatic washing machine and you expect to keep it for 10 years, figure the cost at $30/year. If it is now five years old, value it at $150. You might not be able to buy a replacement for $150, but you couldn't sell it for $150 either. Use your best judgment in arriving at reasonable figures, and work up the total by listing and valuing individual items rather than making a SWEG (that's a Sweeping Wild-Eyed Guess) for everything you own. When comparing year-to-year values, depreciation reflects personal property's reduced value over the year.

Liabilities—What you owe can usually be compiled easier than what you own. Include all of the bills you have in hand that are not paid. Don't anticipate bills that may come in later. Remember, your Balance Sheet represents your financial condition at one time. Note the remaining payments due on installment contracts, loans and notes payable. Also, include the amounts remaining to be paid on your house mortgage, but not the interest that will be included in each payment. List the outstanding loan amounts for land or other real estate plus any taxes accrued on income, real estate and personal property, such as a boat. The breakdown on the list will help you to include all liabilities.

To compute your net worth, subtract total liabilities from total assets. Hopefully, the difference will be positive; that is, your assets will exceed your liabilities. You will likely find, as many families do, that your net worth amounts to a surprisingly large sum—a collection of assets worth managing effectively.

How Much Debt Can You Afford?

Are you spending too much of your income to pay back installment purchases?

Would you be able to continue paying installment bills if your spouse lost his/her job? If you lost your job? If you worked fewer hours per week?

Would you rather buy something with the money you are now paying for interest at 18-22 percent rates?

If any of these questions raise doubts about how much you or your family may be "in debt," spend a few minutes taking this little test. You can find your debt exposure by answering three questions:

1. How much cash could you lay your hands on in an emergency? Quick cash may be in a savings account, savings bonds, money fund, credit union or an excess over your usual needs in a checking account. According to one survey, half of the respondents reported at least $300 readily available for emergencies.

Score—If you can put your hands on $300 or more in quick cash, give yourself a plus. If your quick cash totals less than $300, give yourself a minus.

2. How long will it take you to pay off your present installment loan balances? That is, your short-term

debt. A house mortgage is a long-term debt so don't include that. Also, leave out current bills for utilities, unless your bills are delinquent. Installment debts are those that draw interest and that you pay on over several months or longer. Payments on a car contract, revolving credit accounts at one or more stores, bank credit card balances, a personal loan or a credit union loan are typical of installment debt. Total the dollars still to be paid and divide the total by the average amount you pay each month. The answer will be the number of months needed to pay off your existing short-term debt if you do not borrow or charge more in the meantime. For example, suppose your short-term debt totaled $1,000. If you are paying an average of $100 per month on all of the debts, you would be paid up within 10 months.

Score—Give yourself a plus if you can pay off all of your installment or short-term debts within 12 months or less. If your debt repayment period extends beyond 12 months, give yourself a minus.

3. What percentage of your take-home pay do you pay monthly on installment debts? Your take-home pay is your gross earnings less income tax and social security withholding. Your take-home pay includes any deductions for medical insurance, savings or other. Total the dollars you pay on installment debts over a month's period, since payments are usually scheduled monthly. Then figure that total as a percentage of your monthly take-home pay. For example, if you pay $150 monthly on installment debts and your take-home pay is $1,000 monthly, then you are committed to pay 15 percent of your take-home pay each month on your short-term debts.

Score—Give yourself a plus if you pay out less than 20 percent of your take-home pay on installment debts. If you pay out more than 20 percent, give yourself a minus.

How did you score?

1. If you scored a minus on all three questions, you or your family may be in a very vulnerable position. Any financial setback from a layoff, long illness or change in income level could leave you in a tight money position, meaning you might miss payments and subject yourself to penalties and, possibly, eventual bankruptcy.

2. A two-minus, one-plus score still leaves you in a vulnerable, though less serious, position. A minus on questions 2 and 3 indicates you have committed income far into the future.

3. With only one minus score, your situation is probably not serious.

4. If you scored pluses all the way, rate yourself as a better-than-average money manager with firm control of your installment debts.

GOAL PLANNING

Different people approach goal planning from widely varying viewpoints. For some, goal planning is a "turn off," just as "budget" is a turn-off for many who could benefit immensely from planned spending. For others, goal planning supplies the motivation for managing their money effectively because that is how they get what they want. Let's look at a related example—

College students spend tons of money, untold hours and immeasurable effort attending classes for from two to eight years. Some allegedly attend for the sheer joy of learning. But, most students attend to learn a profession or occupational skill. Whatever the reasons, these striving, mostly young people spend scarce cash, critical time and energy with a goal in mind—the attainment of that college degree and its expected long-term payoff.

Goal-oriented money management falls into the same category. Without a reason, a "what's in it for me?" attitude, few persons will shop effectively, devise and revise an overall Spending Plan or keep adequate records. Goals provide the reason for doing something, and effective money management is the key to achieving those goals we set for ourselves.

The cliche of goal-oriented motivation is the donkey pulling a cart with a carrot dangling in front of his nose. If the donkey is hungry enough and the carrot succulent enough and the cart light enough, the donkey is motivated to pull the cart forward. Positive motivation in the form of a carrot (reward) produces far more long-term effort than a stick applied to the donkey's rear. For your money management plan to work for you and/or your family, you must devise goals attractive enough (the succulent carrot) to cause you to generate the energy and will to work toward achieving them. For goals to motivate you and others to action, they must be your own goals. Somebody else's goals won't work for you or your family. If you don't know what you want, you won't be motivated to manage your money effectively. It's that simple.

What Do You Want?

All of us think we know what we want—and what others want. But, until you write out your own goals and others write out theirs, you may not be aware of conflicts in your family's ideas of how money should be spent. If you are single, you must sort out your short- and long-term goals. No one likes to be shackled to a Spending Plan dictated by someone else. For a family, begin with conference. If your family includes teenagers, bring them into the conference. They don't like living under a dictatorship any more than you do.

Brainstorming is a creative, idea-generating strategy that can bring out into the open what each member of the family considers important—now and later. Brainstorming is a two-step creative process—

1. Call for ideas. Write each one down on a blackboard or large sheet of paper where all can see. Don't knock down or comment on any idea offered at this

stage. Allow every family member to express his or her own wants and needs freely. Remember, until you develop a full range of alternatives, you can't begin to choose. Don't limit your thinking to necessities. Include fun things and activities too—vacation trips, a new fishing rod, new clothes, records, improved stereo, higher church contributions, more education, charities— or whatever. Everyone expresses their ideas freely at this stage. If you are single, let your mind roam freely to discover what you really would like to have—and write those wants down on paper.

2. When you run out of ideas, you can begin to evaluate your needs and wants. Look at each one as a specific goal to be achieved. Some will obviously be impossible, so you can move them temporarily to the bottom of your list. Other expressed wants may begin to seem more reasonable as you and the others think more and more about them. As you evaluate your ideas, consider these goal-planning concepts:

• What is a goal? You may want a thing—a new car or better skis, for example. You may want a service—regular hair styling, house cleaning by an outsider, access to a golf course—any number of desirable options. Basically, a goal is something you want. Whether you "need" it or not is irrelevant—not important.

• Goals may be tangible or intangible. Tangible goals are those you can see, feel, hear or touch. They exist. A tangible goal represents something you can measure precisely in terms of cost, size or some other physical means. A car represents a tangible goal, for example. So does a stereo system. Intangible goals can be just as important as tangible goals—possibly more so. But, intangible goals may be more difficult to measure or define. Acquiring more education, developing a more outgoing personality, learning to control one's temper or becoming a dynamic public speaker are typical intangible goals. Achieving tangible goals typically calls for money. Achieving intangible goals usually calls mainly for expenditures of time and energy plus some money. Both tangible and intangible goals deserve a place in your goal-planning sessions.

• Time affects goal planning too. Short-range goals are those you might want to achieve within two or three months. Intermediate-range goals might extend up to one year. Long-range goals are those that extend beyond one year. You may notice a funny thing about goals and their timing. Long-range goals, such as saving for children's education, retirement for you and your spouse or building a cabin on a lake in the woods, are easy to set because they are typically far in the future. "There's always more time for those." Short-range goals come harder because they demand action—NOW. You can plan a trip to Mexico next year and you really don't have to do anything about it this week. But, if you plan to fly to Chicago next week, you'd better reserve space and buy a ticket right away. You can take action on long-range goals by breaking them into numerous, scheduled short-range goals. If you want to enjoy X-number of dollars of supplemental income from collected assets when you retire (long-range goal), plan to put aside Y-number of dollars every month (short-range goal).

• Not all goals are equally achievable or equally desirable or important. Only by examining their cost in terms of money, time and effort and looking at the importance of each goal relative to the others can you come up with a meaningful set of goals. Use the Goal Planning Worksheet to help you prioritize your goals; that is, to help you decide which ones are most important to you and to each member of your family. You can prioritize your goals by first estimating the dollar cost of each. If you find the dollar total staggering and obviously beyond your immediate means, as most individuals and families do, here's where you can begin choosing. After all, most of us would like to have more goods and services than we can afford, so choosing is important. One system uses a three-stage priority rating—1 for "Urgent," 2 for "Needed but postponable," and 3 for "Desirable when money is available." Hopefully, not all of your goals will fall into the "Urgent" category. By pricing out the cost of each goal, you may find you can achieve two or three smaller (less costly) goals for the price of one big goal.

Refine and rework your goals and your goal plan for several days or weeks, but don't put off going on to the next step in developing your Personal Money Plan for longer than two or three weeks.

SPENDING PLAN

Notice that I use the term, "Spending Plan." You won't find the word, "budget," in this PLANNER because—

• Budget is a turn-off word. Budget is a negative term. In many people's minds, budget means skimping—doing without—pinching pennies—and wanting things a piece of paper says they can't have.

• Spending Plan is positive. We all like to spend and a plan that increases spending can be fun and rewarding. A Spending Plan helps you to gain the goods and services you or you and your family want most. The PLANNER helps you concentrate on spending money—not withholding or saving it.

• Learning to spend money effectively means gaining more REAL income.

Income Analysis

Before you can begin to develop your Spending Plan, you need to know how much income you will have to work with. Already mentioned is your after-tax income or take-home pay. Income tax withholding and social security taxes come out of your gross income before you get it. You may find that medical and/or life insurance contributions that you make, voluntary savings plans and other deductions are also withheld from your paycheck. Consider all of these deductions as part of your after-tax income and figure their amounts into your Spending Plan as it develops.

DEVELOPING A SPENDING PLAN

This is where it all happens!

- Acquiring capital for investment calls for spending less than you earn unless you have a rich uncle with a bad heart. Even the best investment opportunities go begging without capital. To achieve long-term goals, you need to set aside part of your earnings to build capital reserves. Call these set-asides savings or capital, as you will. But, you can expect nothing in the future if you spend everything you earn as fast as it comes in. Or worse, spending faster than your after-tax income and going into debt.
- Getting out of debt also calls for spending less than you earn and using the difference to pay on debts acquired in the past.
- Achieving one or more of the goals that may now be out of reach for lack of money calls for tightening current spending on less important activities so you will have the cash to achieve the goals you have set your heart on.
- Control—keeping control of your spending is like managing your life, and you achieve spending control by first developing your Spending Plan.

Use the accompanying worksheet labeled "Spending Plan Analysis Worksheet" to help you pull it all together. Look first at how it is organized. You'll see that it is divided into 12 major spending categories. These will help you block out specific areas of spending. Within each major category are minor reminders of related spending. You will also see two major divisions labeled as Current Spending and Desired Spending.

Work through the Current Spending portion first to help you find out where you are moneywise. You really can't begin to change any part of your current spending until you know where your money is now going. If you keep some records of spending, you should be able to fill in most of the blanks with little trouble. Examine check stubs, bills paid, installment contract payments and similar records to help account for big chunks of your current spending. Hardest to define will be your out-of-pocket or cash spending. If you have no idea of where your cash is being spent, keep a detailed record of your cash spending for one or several weeks—until you begin seeing a pattern develop. Each day write down the cash you spend for lunches, cigarettes, coffee, bus fares, newspaper—everything! At the end of the day, divide these small cash expenditures into the categories labeled on the Spending Plan worksheet. Resort to a SWEG if you must, but try to account for at least 95 percent of your after-tax income. If yours is a family, ask every spending member to help you find out where all the money goes. You gain two benefits from this exercise: 1. Every member can contribute information that helps to account for all spending. 2. Everyone begins to understand the principles of operating a Spending Plan. Recognize that this nitty-gritty, detail work of accounting for cash spending is a one-time exercise. Nothing will devastate a Spending Plan quicker than having to keep track of pennies forever. You'll see how simple it is later.

Now—you're ready to begin choosing and changing; that is, you're ready to begin managing your money. At your first look, you'll likely find too little cash to achieve the important goals you discovered earlier. With less cash than you need to cover all of your presently defined spending plus the achievement of goals you have already determined to be significant and important, you face the following options:

1. You might expand your overall income. But, earning more income may prove difficult over the short term. Also, you will likely keep only 50 to 80 cents out of every added income dollar earned after taxes depending on your income. You can earn more equivalent income—without increasing your income taxes—by doing more things for yourself to avoid spending after-tax cash. This equivalent income I call SuperIncome because it isn't taxed. (See section called "Earning SuperIncome.")

2. Continue as you are—doing without some or all of the desirable goals you have identified in your own thinking or in your family council and goal planning sessions. This no-action program can be a real "downer," as it seems to lock you into what you may have determined is a hopeless rut.

3. Change your pattern of spending the resources you have now. Changes may come hard, as we tend to cling to old habits. Every person or family needs to make its own decisions, as there are few meaningful guidelines. Your spending pattern need not conform to some other person's or family's pattern or to any published averages. Neither is there any reason to consider your present spending pattern as set in concrete or unchangeable.

If you have truly decided that some changes are necessary—that you are not satisfied with what you are getting now from your resources, you will probably combine portions of all three options. You may increase your income through merit or cost-of-living increases. If such increases are unlikely over the short term, consider earning SuperIncome by spending more of your nonmoney resources—time, talent and energy—to avoid spending after-tax cash on goods or services you could easily provide for yourself. Shopping for food offers a good example—

Say you spend $100 each week for food and other products you ordinarily buy in a supermarket. By using coupons for "cents off" specials and mail-in coupons for foods, paper products and cleaning supplies, you reduce the $100 by $25. You substitute $25 in coupons for $25 in cash. You have saved $25 in after-tax income, but you have earned as much as $50 in gross equivalent income. Here's why—

If you and/or your spouse earn enough to pay 34 percent marginal federal income tax (the percent of tax you pay on the next dollar earned), you also pay 7 percent in social security taxes. You may also pay 5 to 7 percent in state income taxes plus another 4 to 8 percent in sales taxes. The combination of these taxes can easily equal half of your gross earnings. Thus, to have $25 to spend at the supermarket, you must earn $50 in gross income. By using the $25 in coupons, you have effectively earned $50 because the after-tax equivalent is the $25 worth of coupons used—and these are not taxable. For the time you spend clipping, sorting and mailing coupons, you can easily earn the equivalent of $15 to $20 per hour without leaving home. The $25 of after-tax income you displace by using coupons are $25 you can use for a dinner out or some other "fun" activity. By practicing the many dollar-saving tactics detailed in two of my books, you can cut your food shopping by as much as 20 percent. So, if you spend $100 per week or $5,000 per year, you can pocket $1,000 for some other use. That's additional income you can earn outside of your job.

The sorts of things you can do to avoid spending your scarce after-tax dollars and the dollar advantages of doing things for yourself are explained in detail in my books, "How To Earn Tax-Free SuperIncome," available at bookstores for $9.95 and "How To Live Better and Spend 20% Less," a Ballantine paperback priced at $2.50. Both books are available by mail. See mail order form and instructions later in this PLANNER. Either or both could be the best investment you will make for some time.

Your biggest opportunity to achieve more of your goals immediately may come from changing your present spending patterns in order to gain more spending power from current income dollars. Here's how—

Examine every category in the Spending Plan worksheet. When you allocate all income into categories (including savings), you break your spending into smaller and more manageable pieces. Further, with all income allocated, you can increase spending in one category only by decreasing spending in one or more other categories. Certain spending can be difficult to change—mortgage payments, for example. If you are renting, you may look at moving to reduce or increase the amount you spend on housing in accordance with your goals. The whole idea of planning your spending is not necessarily to cut spending but to match spending to your identified goals. Organization dues, life insurance premiums and payments on installment contracts, such as car payments, will also be difficult or impossible to change over the short term. Discretionary categories where you can change fairly easily include spending for food, clothing, recreation, and gifts and contributions.

As you look for ways and places to change the pattern of your spending, try to spend less on those elements that provide the least benefits or are least important to your well being. Your house represents a valuable asset, but spending more than needed for utilities, grounds upkeep or maintenance uses up cash you might prefer to spend on clothing, recreation, savings, investments or gifts.

Remember these ideas while you examine your spending critically—

- You can only save big money by attacking those categories where you are already spending major chunks of your income. Reducing a large expenditure by a small percentage will be easier than reducing a small expenditure by a large percentage—and spending reductions would be comparable.
- A small reduction in spending achieved frequently will account for a sizable amount over a long period—say a year.
- No spending category should escape critical scrutiny.

Consider food shopping for starters. Food buying accounts for a sizable part of your necessary spending and you buy food often. Aggressive shopping tactics can cut your spending for food by 10 to 20 percent with little change in eating habits. If you eat to live rather than live to eat, then gourmet meals will likely be less important than some other goals. You may choose to gain further savings by changing your eating habits—and those of your family if you are feeding a group. Money spent on food varies widely for families with about the same after-tax income.

Most of the other categories offer similar opportunities for changing spending patterns according to your own ideas of what is important and what is less important. All of us have certain "hot buttons." That is, some things, services or activities are high on any priority list. Concentrate on shifting available cash into spending for those items and away from necessities that offer fewer benefits. This is the one key element of managing your money—spending less on necessities and more on "fun."

You'll find that changing established spending habits is no one-night proposition. The more your mind tunes in on ways and means of changing your spending habits, the more opportunities will open up for you. Not every change will be easy. You may slip or become discouraged. But, remember—no beginner skier parallels down the fall line on his first try either.

Try several different spending plans before settling on your new "Desired Spending" allocations. Developing your new, desired Spending Plan may call for shifting and switching—cutting back on some categories in order to channel more cash into others. Try to allocate all of your monthly income so there is no miscellaneous or slush fund. You may want to include additional amounts in your Savings category with the idea of using that portion for unanticipated emergencies—a breakdown in the clothes washer, for example. An emergency fund for such spending can be a life saver, and you know there will be emergencies from time to time. But, don't count on your slush fund to bail you out of overspending at Christmas or on a vacation. Your final allocation in the "Desired Spending" columns will be used in the next section as a start for record keeping.

One more thought— Your Spending Plan need not be cast in concrete. It can and should be reviewed and changed occasionally, possibly twice a year. Certainly, at least once each year as conditions, income and priorities change. You may find yourself changing the allocations after three or four months as you gain experience. Such changes are to be expected. But, don't change your plan every month to match your spending. You are really trying to change your spending to fit your desired Spending Plan.

"How To Live Better and Spend 20% Less" is a book that I first wrote in 1966. Over the years I have updated it three times, the last time in a Ballantine paperback edition. You may find this book in a local bookstore or library. You will find many practical ideas for cutting spending in all of the categories in the Spending Plan. In fact, this Spending Plan is an outgrowth of one chapter in that book. If you are unable to find a copy locally, see the order form at the end of this PLANNER for my address to obtain a copy by mail.

RECORD KEEPING SYSTEM—HOWGOZIT CHARTS

You have decided how to allocate your income into the 12 spending categories in the Spending Plan worksheet. Now—how do you track your day- to-day spending to see if it actually matches your plan? For this task you need a simple record-keeping system. If your new Spending Plan calls for spending $200 or $400 each month for food (it's your decision), how can you be sure you are not spending some of that cash for something else? Until you know how much you spend on each category, you can't be sure you are matching spending to meet your goals or how you might want to change your spending.

But, record keeping takes a little time and a little effort. Many individuals and/or families find that keeping a record of their spending can be disheartening— like the upset matron who confided in her banker. "I don't have my cancelled checks. I threw them away because I get sick when I see how much money I spent!" But, psychologists recognize a principle of behavior modification that states, "When you monitor specific behavior, you effectively change that behavior." Thus, when you keep track of your spending by category, you tend to change spending habits to gain more of the goods and services you want—to actually achieve the goals you have defined as important.

To monitor spending, you need a record-keeping system that—

- Requires little time and effort.
- Provides current information at a glance.
- Helps you discipline spending by category.
- Ties in your records with your Spending Plan.

The Howgozit Charting system in this PLANNER fulfills all of these four requirements. The system derives its name from the function of tracking accounts and keeping information current on how each one is going—How Goes It—with each category or fund. So, How Goes It becomes Howgozit. Here's how it works—

The Howgozit Charting system includes two related sections—

1. An accounting for checks and deposits in your bank checking account.

2. A money management information system or MIS to help you control and track spending by category.

Part One is a variation of the system most of you are now using to make sure you know how much money is in your checking account. It consists of a Check Register for noting deposits and checks with a running balance to indicate uncommitted funds. You are probably already keeping a check register in the back of your checkbook.

Part Two is the system for tracking spending by category. In this system, you set up a Howgozit Chart for each category in your Spending Plan and operate it on a monthly cycle. Each of the Howgozit Charts functions like a separate check register for that fund or spending category. You use the Howgozit Charts like a game—every month you pass "Go" and collect that month's dollar allocation from your monthly income. You will note that the Spending Plan includes a place to note income tax withholding and social security tax deductions. So, the total of all categories will equal your gross income. Or if you wish, you may ignore the two tax withholdings and work only with your after-tax income. The Howgozit Chart system depends on keeping your after-tax income in a checking account and writing checks for many of your purchases. As you pay bills throughout the month, you charge each fund set up for that category of spending.

If the Howgozit Chart system seems familiar, you're right. It is based on a tried and proved system your parents may have used and called the "envelope system." When many transactions, sometimes even payment of wages or salaries, were in cash, your parents may have divided the cash into several envelopes labeled "Rent," "Food," "Clothing," "Transportation," "Doctor," and others. When it came time to pay the rent, your mother or father dipped into the "Rent" envelope, took out the cash and paid the rent. As she bought food, she dipped regularly into the envelope marked "Food." The envelope system worked because it was simple, and it offered another big advantage. The person using the system could see the cash. When it was gone, the person managing the money knew it was time to stop spending.

If the cash in the "Food" envelope was gone before the end of the month, she made do by eating out of her pantry—or she borrowed from one of the other envelopes (and paid it back at the beginning of the next month). Seeing and spending cash in the various envelopes provided a measure of discipline to the spending. If the distribution of cash didn't match the individual's or family's spending pattern, the distribution of the cash could be changed. The envelope system worked very well for an earlier time.

The PLANNER with the Spending Plan and Howgozit Charts works like the envelope system except money is distributed to a number of different funds representing spending categories. You will see the Market, Housing, Transportation and other categories. Each month your income can be spread into the separate funds according to your Spending Plan. Instead of actual currency and coins in envelopes, you have marked bookkeeping entries in each fund's Howgozit Chart. Around the first of each month you "deposit" your spending allocation for each fund in that fund's Howgozit Chart. As you write checks or spend cash throughout the month, you deduct those amounts from the running balance of each fund. Look at the following example to help you understand the workings of the Howgozit Charts:

One common spending category is Transportation, mainly to account for car buying and operating expenses. If you should commute to work by bus or other form of public transportation, include an amount for fares in your Personal Spending fund rather than attempt to track it in Transportation. Suppose you decide that, over a year's time, you will spend an average of $120 monthly for gasoline, repairs, insurance and expendables such as tires, brake linings, parking, car washes and miscellany related to car operations. The $120 might include a car payment too, but it is selected only as a round number for this example. The monthly allocation you would use depends on how much you decide to spend on Transportation at the time you develop the Desired Spending portion of your Spending Plan worksheet. If you are paying installments on a car contract, that money should be included in the allocation for Transportation. Money you might spend for airline tickets as part of a vacation should be charged to Recreation rather than Transportation.

Around the first of each month you would "deposit" $120 in the "Add" column of the Howgozit Chart labeled Transportation. This action is similar to putting currency in an envelope marked Transportation. As you write checks for items chargeable to Transportation, note those amounts in the "Minus" or debit column. Deducting check amounts is like dipping into the envelope for cash. The Balance reflects the results of each of these transactions. The running Balance tells you at a glance how many dollars remain available for spending at any one time. The Balance may be "in the red" indicating overspending or "in the black." The Balance increases each month when you transfer or allocate funds to Transportation. The Balance declines each time you spend money for something that affects Transportation—either by a separate check or by a cash notation. Other Howgozit Charts function the same way. More on operational details later.

Each category in your Spending Plan rates its own Howgozit Chart and may be called a "fund," as a "fun fund" or a "food fund." You treat each fund as if it were a separate check register. Only by disciplining spending in small portions is it possible to control your overall spending. Slow-moving funds may hold several years' transactions on a single sheet. Other, faster-moving funds may require several sheets each year. The worksheets provided in the PLANNER are starter pages. You can use photocopies of those sheets to expand your file or simply rule notebook paper into three columns and label them "Add," "Subtract" and "Balance." Note these points as you become familiar with the system:

- There is no rewriting or recopying from one month to the next. Each fund's running Balance continues with each entry using one line.
- The running Balance indicates how you're doing compared to your planned spending rate. If you spend faster than your Spending Plan provides, your running Balance will show an increasing "red" total as allocations fail to match spending. If you spend less than your plan, the running Balance will gradually increase as funds remain unspent in that category. These out-of-balance spending rates can be adjusted once or twice a year. A fund chronically "in the red" might be adjusted to receive a higher deposit each month from another fund that develops a surplus over time. If several funds continue to run "in the red," you will need to restructure the Spending Plan, tighten your spending discipline or generate more income—either cash income from another job or SuperIncome from do-it-yourself activities, as noted elsewhere.
- The total of the balance in all funds should equal the running balance in your Check Register even though some of the funds may be "in the red." If the "red" balances exceed the "black" balances, your checking account will be overdrawn, assuming your arithmetic is correct.
- Uncommitted funds remaining in the Balance for each Howgozit Chart provide a measure of discipline to control spending. If your Transportation fund is "in the red," for example, you may have to drive less, perform some of the maintenance yourself or find some lower-cost alternative. You may find that your allocations for Transportation will not cover actual expenses over a six-month period—or longer. If you increase the allocation to Transportation, you must decrease spending in some other category—or reduce savings, which means juggling your Spending Plan.

If you can count on a reasonably regular monthly income, you can bypass the Allocation Fund that is included among the worksheets. It is intended to help persons with irregular incomes or incomes from a variety of sources to collect those incomes into one place from which they can be allocated to the various spending categories monthly. Using the Allocation Fund allows those persons with a concern for bookkeeping discipline to reconcile the collective balances of the Howgozit Charts with their bank statements. Such a check assures you that arithmetic is correct and that you are not misleading yourself about how much you might be spending. Operation of the Allocation Chart and its relation to the Howgozit Charts is detailed in a separate section.

CREDIT

Keeping track of credit obligations continues to bother some users of Your Personal Money Plan. You could keep track of your credit obligations informally according to category as noted elsewhere. While this plan may work for some individuals or families, it won't provide enough control for others because—

1. Keeping track of credit commitments and payments informally can be clumsy and could lead to overspending.

2. Total credit commitments must be totaled when charges are spread out among several Howgozit Charts or you will not have a complete picture.

To correct these deficiencies and control purchases more closely when credit is a big factor in spending, you can use the special Howgozit Chart labeled Credit. With this chart, you track credit obligations in the same way as you track individual spending categories—but in total. Notations for credit purchases will not appear on other Howgozit Charts until you pay cash or write a check. Tracking Credit works like this—step-by-step:

1. When you purchase anything on credit, enter the amount in the Add column on the Credit chart. Carry the amount over to the Balance column. Note each additional credit purchase in the Add column and increase the running Balance by the same amount. Now you know how much credit you are obligated to pay for by looking at the Balance. Interest will be tacked on if the amount is not paid in full within 25 days in most cases. Or, check the rules that apply where you use the credit.

2. When you pay for a charged item or make a payment on an account, enter the amount of the payment on the principal in the Subtract column and reduce the Balance by only the amount of the payment that applies to the principal amount. Thus, the Balance continues to tell you how much is still owed. You will also need to charge the appropriate fund with the total payment, including interest, if any.

An example will clarify the system. Suppose you charge four tires costing $280 at Sears. Enter the $280 in the Add and Balance columns of the Credit chart. Later, you buy a dress for $120 from a boutique using a bank credit card. Enter the $120 in the Add column and increase the Balance by $120 to $400. The following month you pay $70 to Sears and $20 to the bank servicing the credit card. Finance charges would probably total $6 at 1.5 percent/month. (Different policies govern how finance charges are figured.) Instead of entering $90 in the Subtract column, enter $84 and reduce the balance to $316—the principal amount still owed. However, in the Howgozit Chart for Transportation, enter $70 in the Subtract column and reduce the running balance by $70. In the Clothing fund, enter $20 in the Subtract column and reduce the Balance by $20.

To account for all your Credit obligations, add the amount charged to increase the total whenever you charge a new purchase. Whenever you make a payment, subtract only the principal amount of the payment from the Balance. The running Balance in the Howgozit Chart for Credit tells you at a glance the total amount of future income you have committed to pay—plus interest that will depend on how quickly you pay off the balance. If you add new purchases as fast as you pay down the total, the interest amount will remain constant and will continue to drain purchasing power.

Operating Questions

During start-up or continuing operation of your Howgozit Chart system, you will likely run into a few questions when handling specific transactions. The most frequently asked questions are:

• How do you account for pocket money? As noted earlier, nothing is quite as boring or unproductive as tracking every penny. So—in the Spending Plan you will note two categories for Personal Spending for a couple. If you are single, use only the one. Simply allocate so many dollars each week or month for pocket money and don't bother accounting for each minor purchase, as for a newspaper or cup of coffee. Account only for the total spent each week or month. As long as you keep your personal spending within the allowed amount, you're "on target."

• How do you charge different funds when one check covers expenditures in two or more categories? To keep accurate records of your spending, you should divide each check into the amounts spent for each category. Here's how—First, record the check amount in the Check Register, as usual. Then, charge each of the funds by entering a portion of the check amount in the Minus column. For example, if you wrote a check to a mail-order house to pay for tires and a dress, enter the amount spent for tires in the Transportation fund and the amount spent for the dress in the Clothing fund. The total of the amounts charged to both accounts should equal the check amount; otherwise, you introduce an error into your records. Divide any extra charges for delivery or sales tax in proportion to the basic amounts. When you have the opportunity, you will probably find it easier to write separate checks.

If you are concerned about the cost of writing many checks because of bank charges and cost of the printed check blanks, take advantage of these two ideas: 1. Your bank will supply you with free check blanks printed with your name and account number. They will be plain and will not include your address and/or driver's license number. But, they are adequate for paying bills by mail or for personal use where you are known. Banks must use blanks with the machine-readable numbers at the bottom to permit computer processing. They will try to sell you the imprinted checks with pretty picture backgrounds, but if you request free checks, the bank must give them to you or refuse your account. Most banks prefer to open your account. 2. Investigate the options for unlimited check processing. Some banks offer free checking if you maintain a minimum balance in the checking account or if you keep a minimum amount in a related savings account. Generally, the money you keep in an account will earn more than it would somewhere else by avoiding the cost of check charges. This concept is explained in my book, "How To Earn Tax-Free SuperIncome." See ordering information at the end of this PLANNER.

• How do you account for credit purchases, as on a bank credit card? Howgozit Charts and the Check Register are affected only when you spend cash or write a check. Credit purchases enter the system later when you write a check to pay for items bought earlier on credit. If you wish to indicate that items have been charged to show that the running Balance in one or more of the funds is not really uncommitted, you may note charged amounts informally in the item description columns and cross them out when they are actually paid for. These are notes to yourself to remind you of credit purchases and do not affect actual check entries. Also included among the Howgozit Charts is one labeled Credit. You can track all of your credit purchases on this one chart to keep track of total credit obligations to be paid off in the future. Instructions for using the Credit chart were included earlier.

• How can I allocate funds to each spending category when I start if I don't have that much cash in the bank? You can begin your Howgozit Chart system at the beginning of a month and simply assume that the money is there. Allocate your month's spending to each fund based on how much income you expect for the month. If you are paid weekly or twice a month, the additional deposits to your Check Register will equal your month's allocations if you have estimated your monthly income correctly. You may need to make some minor adjustments or hold off spending in some categories until the system has operated over a full cycle, but those adjustments will be minor. If you use the Allocation Chart to collect income for the month, simply use a credit (red) entry to keep the system in balance until it has run through a full cycle.

Controlling Spending

There's little point in tracking spending and income unless your efforts help you control spending according to the plan you (and your family) have developed. Instead of trying to control spending by using only the running Balance in your Check Register, use the Balance in each Howgozit Chart as a guide for spending. When a fund shows a "red" balance or your informal tally of charged purchases to be paid later shows an overdrawn condition for that fund, you are alerted to "go slow." Learn to pace your spending in each category according to the running balances in each fund.

Controlling Personal Spending offers a ready example of pacing. When you run out of pocket money, what do you do? You may have already spent the cash allotted for that week's spending. Examine your alternatives—

1. Exist for the rest of the week with no pocket money. 2. Borrow temporarily from your spouse. 3. Draw an advance against next week's allotment by writing a check for cash. If you elect to draw an advance, reduce the normal amount next week to bring spending back into balance. Or, you might look ahead and see an expensive week coming up. So, you save part of this week's cash for next week. After a little experience along with some trial and error, you will learn to pace your spending and keep within the planned limits. Another way to average out personal spending is to stash a $10 or $20 bill in a separate pocket of your billfold. This is your reserve. If you find yourself dipping into the reserve, you know you're overspending. Next week, replace the $10 or $20 bill in its separate pocket and decrease your rate of spending until you're even again. Obviously, pacing your spending to a specific amount calls for many decisions. As you learn to bypass spending on something of little importance in order to have the cash to spend on something you want badly, you will be learning how to control spending in every category.

Pacing is important, but few categories are adapted to an even rate of spending. The Howgozit Chart system allows you to overspend in one category as long as you balance it out later, or preferably, ahead by underspending in other categories. Don't expect to spend uniformly in each category every month. But, if one or more funds constantly run "in the red," you may need to reallocate spending by revising your Spending Plan. To increase spending in one category, you must decrease spending in some other category or several other categories, reduce savings (or go farther into debt) or increase income. The point is—don't attempt to increase spending in one category without figuring where the additional cash will be coming from. Otherwise, you bankrupt the system.

Changing Your Spending Plan

About once a year and preferably not more often than every six months, you should re-examine your

Spending Plan. An increase in income, a change in spending priorities or completion of payments on a major debt, such as a car contract, are a few of the reasons for reallocating your spending. You may find that your first Spending Plan will not fit—too tight in one or more categories. You may want to reallocate your resources after trying your first Spending Plan for six months or more. As you re-examine each category of spending, you'll find your interests, priorities and goals changing.

I have discovered after working with hundreds of couples and individuals who exhibit widely varying spending habits and goals that some don't have the time or discipline to work through all three of the steps outlined in this PLANNER—goal planning, developing a Spending Plan and establishing a working Howgozit Chart system. If you should be limited in time and interest, concentrate on keeping the Howgozit Chart system operating. You'll find that tracking your spending, learning the limits of your resources and learning to pace your spending will automatically help you manage your money more effectively. Add the goal planning and formal Spending Plan later. Or, if you want to start your program easily, start tracking spending by category without worrying about staying within predetermined limits. Once you have accumulated a data base of actual spending, you will begin to refine your spending patterns subconsciously. Believe me—it works!

PUTTING IT ALL TOGETHER

Now you know the essentials for a practical system of managing and controlling your money. The rest is up to you. Controlling spending is the key to acquiring a nest egg of capital that can be put to work for you. Successful money managers aim to let money work for them instead of constantly working for money. Like any business, capital for investment comes from earnings—in your case the money left over from income after spending. By learning to control spending, you gain these benefits:

- Money to help you do the things you want to do in your life.
- Money to help you feel secure now and to supplement your retirement income later.
- Money to help pay for your children's education.
- Money to contribute to your church or favorite charity.
- Money to improve your family's present position and help you achieve the future goals defined in your goal planning sessions.

At this point it is your ballgame. Play it to the limit!

Using the Allocation Fund

Earlier I noted that most individuals or families could distribute their monthly income to the 12 Howgozit Charts. Each of the 12 Howgozit Charts or funds would receive the amounts previously planned in the Spending Plan you developed. While this procedure is simple, it amounts to a single-entry system and affords no check and balance for accuracy. Further, if your income should vary from month to month, as is common for salespersons working on commission, or for others who may work at piece rates or varying amounts of time, you don't have a consistent amount of income for distribution to the Howgozit Charts. The Allocation Chart will help you to tie up these two loose ends.

The Allocation Fund is used as an interim fund to collect various incomes over a month's period. This collection of income is then distributed to the Howgozit Charts once a month. If your income varies irregularly, use the Allocation Fund to average out earnings. You can do this by estimating your annual earnings based on previous years and your best guess for the current year. Then, plan to spend no more than 85 percent of your estimate. Divide the 85-percent of estimate figure by 12 to find the amount you can plan to spend monthly. The 15-percent amount can be the buffer or margin in case you guessed wrong or conditions change. If the 15-percent reserve remains unspent at the end of the year, add the amount to next year's spending total. Persons earning irregular incomes must learn to spend conservatively to avoid running out of cash or going into debt.

The Allocation Fund permits you to check the Balances of all Howgozit Charts with your bank balance. Even if one or more of the Howgozit Charts is "in the red," they should total to the balance in your check book as reconciled with the bank. When starting out, distribution to the 12 funds may leave a negative or credit balance in the Allocation Fund. But, the total of all funds should still equal your bank balance.

Refer to the Howgozit Chart Operation diagram to follow the trail of specific transactions. Each deposit or withdrawal from your checking account calls for two entries—once in the Check Register and once in the Howgozit Charts. This double- entry system provides the check needed to assure accuracy.

Step No. 1—Starting with a paycheck, enter the net amount in the Add column of the Check Register. Increase the running Balance accordingly.

Step No. 2—Enter the same paycheck amount in the Add column of the Allocation Fund. Since you have added the same amount to both the Check Register and the Allocation Fund, your system remains in balance.

Around the beginning of each month, distribute allocations to each of the funds as determined in your Spending Plan.

Step No. 3—Enter the total of all monthly fund allocations in the Minus column and decrease the running Balance of the Allocation by the same amount.

Step No. 4—Enter the allocation for each fund to the Howgozit Chart for that fund and increase the running Balance of each fund accordingly. Again, the system remains in balance because the amount transferred out of the Allocation Fund equals the total of the amounts added to the individual Howgozit Charts.

When you write a check to pay a bill or to buy something, enter the amount in two places.

Step No. 5—Enter the amount of the check in the Minus column of the Check Register and decrease the running Balance by the amount of the check.

Step No. 6—Enter the same check amount in the Minus column of the fund representing that category of spending and decrease the running Balance accordingly. You may perform these steps each time a check is written or post all of the entries to the Howgozit Charts once a week to conserve time. Only when all of the transactions are posted will the total balance of all Howgozit Charts equal the Balance in the Check Register.

As noted earlier, use of the Allocation Fund is optional and works best when income is either irregular or comes from a variety of sources. You can also use the Allocation Fund to help you get started on the system. You might ask, "How can I allocate funds to each spending category when I start if I don't have that much cash in the bank?" Truly, you need not accumulate a full month's spending cash to start the system.

Suppose you begin your system on the first of a month with $200 in your checking account. For this example, assume your total spending calls for a transfer from the Allocation Fund of $1,500 at the beginning of the month, as noted in Step No. 3 earlier. Before transferring $1,500 of allocated funds, the $200 shows as a "black" running Balance in the Allocation Fund. After transferring the $1,500 to the Howgozit Charts, the Allocation Fund will show a running Balance of $1,300 "in the red." You have, in effect, overdrawn the Allocation Fund by $1,300. Note that the system remains in balance; the $1,500 transferred the Howgozit Charts equals the $200 original Balance on the Allocation Fund plus the $1,300 overdraft. The balance for all Howgozit Charts equals $200, and that should be the amount showing as available for spending in your Check Register. As your income accrues during the month, the "red" or overdrawn balance in the Allocation Fund gradually disappears. The Allocation Fund acts as a balance wheel for the system and may operate "in the red" much of the time.