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# Managing Money in the United States-

## Creating a Spending Plan

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The Northeast Farm and Ranch  
Stress Assistance Network

Making sound decisions about money is the key to success in the United States. Planning on how to spend your hard-earned dollars is important. You want to be sure you can cover your basic living **needs**, purchase items you **want**, care for family **and pay for obligations or debts**. With a bit of planning, you can allocate your dollars effectively.

### What Types of Expenses Will I have?

Typically, individuals and families have **fixed, flexible, periodic, and unexpected expenses**. Developing and following a spending plan will help you best manage your money. Some of your costs are easy to know, some you will have to estimate. The key is to think about when and how you spend money and write down your expense types.



As you create your spending plan, start by thinking about your typical fixed weekly or monthly expenses. These expenses might include rent, car payments, childcare, car, health insurance, or money you send to your home country. There may also be expenses you must pay, examples of these obligations include taxes, phone bills, debt payments, credit card payments, child support, or alimony.

Next think about the expenses that change every week or month but reoccur often. These flexible expenses may be needs or wants and examples could include food, gas/fuel, snacks, recreation, utilities, childcare, or medicines. Start a list of these expense categories and write them down.

**Periodic expenses** occur occasionally, but you know they exist. Examples include car registration and inspection, car maintenance, clothing, haircuts/personal care, vacation, birthday presents, holiday celebrations, or transportation back and forth to a home country.

**Unexpected expenses** are surprises. You may not know when they are coming, but you can plan for them. Examples might include doctor or health care bills, car repairs, phone repairs, and or even funeral expenses.

### What Timeframe Should My Plan Use?

Most people create a spending plan based on a month as most fixed expenses are paid monthly. But you can create a plan based on a week or even bi-weekly. Whichever helps you to succeed is the best approach!

### Here Is an Example

Dani lives in the U.S part-time and has family in his/her home country. Dani has come to the U.S. to help support his/her family and pay down some debt that occurred coming to the United States. Weekly **gross wages** are \$450. Dani shares a house with other farmworkers; they share the housing expenses. One of the housemates owns a car and often drives Dani to the store or into town when needed. Dani contributes by helping to pay some of the gas cost

each week. Food can be prepared in the home; sometimes the housemates cook together, and sometimes they prepare meals for breakfast, snacks, and lunch for just themselves. Two months ago, Dani hurt his/her back and had to go to the doctor for a visit and medicine. Dani wants to go home during the off-season to see his/her family and knows there will be transportation costs and gifts to purchase for family. There are other expenses too.

After thinking about their spending, Dani wrote down the following expenses organized in **spending categories**.

<b>Type of Expense</b>	<b>How Often</b>	<b>Amount</b>
Taxes – Federal, State, County/City, FICA Social Security, FICA Medicare	Every pay period	\$91
Insurance – Health and Disability	Monthly	\$75
Housing - Rent, Electric, Gas	Monthly	\$250
Cable TV /Internet	Monthly	\$25
Cell Phone	Monthly	\$65
Food – Groceries for Home Prepared Meals, Snacks	Weekly	\$55
Eating in Restaurants	Weekly	\$35
Gas for Occasional Trips into Town for Shopping & Recreation	Monthly	\$35
Debt Payment at Home	Monthly	\$50
Money for Family	Weekly	\$50
Clothing	Periodically	\$75
Haircut/Personal Care	Weekly	\$20
Medicine/Prescriptions	Periodically	\$15
Doctor Visit	Unexpected	\$50
Saving for Trip Home and Transportation Costs	Weekly	\$25

What are your Expenses?

<b>Type of Expense?</b>	<b>How Often?</b>	<b>Amount?</b>

## Once I Know What My Expenses Are How Do I Create a Spending Plan?

The steps are not hard:

- 1) Choose if your spending plan will be based on the week, pay period, or monthly time frame. Find or create a tool to help you organize your spending plan. A monthly plan is provided below.
- 2) Identify your income from all sources.
- 3) Identify the expenses that are deducted or automatically taken out of your pay. This may include taxes and employer benefits (for example, health insurance or disability insurance).
- 4) List the types of fixed expenses and obligations and the amounts.
- 5) List the types of expenses and the estimated amount you need to save for your needs and your goals. Examples might be covering unexpected costs like health care costs, auto repairs, or travel home. For goals, it might include that trip home to visit family.
- 6) List the expenses and the amounts you need to set aside for periodic expenses that you know you will have. Examples could include medications, clothing, auto repairs, or auto insurance.
- 7) List your flexible expenses and the estimated amounts.
- 8) Now it is time to compare your income with your expense. Use the calculation below to help you see if you need to make adjustments to how you spend money. Use the total amounts from filling out the monthly plan to complete this calculation. You will need to add all the expense categories to fill in the "Expenses" in this calculation. Now subtract all the different expense categories from your gross income to see how much money you have remaining.



$$\text{Total Income} - \text{Total Deductions} - \text{Expenses} - \text{Savings} - \text{Debt Payments} = \text{Remaining Amount}$$

If you have more expenses than income, decide which expense categories need to be reduced to prevent overspending. Or you might try to make some additional income.

If you have more income than expenses, decide how to spend or save this money. You might add additional expense categories like gifts for family or choose to pay more towards your debt or save for unexpected expenses.

By creating a spending plan, you control where your money goes. It can help you be successful in accomplishing your goals, paying down debt and feeling more confident in your money management.

## Monthly Expenses for Dani

Based on the list of expenses that Dani wrote down, the following monthly plan was created. The period expenses were estimated based on how often that expense occurred, and a monthly amount was created. It is best if money is saved for these periodic expenses, so you have it when you need it.

<b>Monthly Income - Gross Pay Before Any Deductions</b>		<b>Food</b>	
Wages/Salary	1800	Groceries	220.00
Other Sources:		Food Away from Home/Restaurant	140.00
<b>Total Income</b>	<b>\$ 1800</b>	Other	
		<b>Total</b>	<b>360.00</b>
<b>Deductions From Your Pay</b>		<b>Transportation</b>	
Federal Taxes	116.94	Car/truck payment	
State Taxes	80.72	Car Insurance	
County/City Taxes	30.00	Maintenance/repairs	
FICA - Medicare	26.10	Gasoline, oil, etc.	35.00
FICA - Social Security	111.60	Other	
Life Insurance		<b>Total</b>	<b>35.00</b>
Health Insurance		<b>Personal</b>	
Disability Insurance		Clothing	25.00
Retirement Savings		Personal Care	80.00
Other Savings		Tobacco/Alcohol	55.00
Other Deductions		<b>Total</b>	<b>160.00</b>
<b>Total Deductions</b>	<b>365.00</b>		
<b>Savings</b>		<b>Family Care</b>	
Emergency Fund – Doctor visit	35.00	Child Care or Dependent Care	
Goal 1 Travel home to see family	100.00	Money Sent Home to Family	200.00
Goal 2 Presents for the family	10.00	<b>Total</b>	<b>200.00</b>
Goal 3			
<b>Total Savings</b>	<b>145.00</b>	<b>Health and Medical</b>	
<b>Expenses: Housing</b>		Insurance premium (if not deducted from paycheck)	75.00
Rent or Mortgage	250.00	Copayments or Co-insurance or Cash Payments for Medical Services	
Insurance - (homeowners or Renters)		Prescription	
Property Taxes		Over-the-counter medicines	5.00
Maintenance/Repairs		Vision	
<b>Total</b>	<b>250.00</b>	Dental	
		<b>Total</b>	<b>80.00</b>
<b>Utilities</b>		<b>Other Expenses</b>	
Electric		Education	
Heating Oil or Gas		Pet Food/Care	
Trash/Garbage		<b>Total</b>	
Water and Sewer		<b>Debt Payments</b>	
Telephone		Credit Card 1	
Cable TV/ Internet	25.00	Other	50.00
Cell phone	65.00	<b>Total</b>	<b>50.00</b>
<b>Total</b>	<b>90.00</b>		

Based on this spending plan, Dani has \$65 that could be used to save more money, pay more towards debt, or use for other spending categories.

$$\frac{\$1800}{\text{Total Income}} - \frac{\$365}{\text{Total Deductions}} - \frac{\$1175}{\text{Expenses}} - \frac{\$145}{\text{Savings}} - \frac{\$50}{\text{Debt Payments}} = \frac{\$65}{\text{Remaining Amount}}$$

## MONTHLY SPENDING PLAN

<b>Monthly Income - Gross Pay Before Deductions</b>		<b>Food</b>	
Wages/Salary		Groceries	
Other Sources:		Food Away from Home/Restaurant	
<b>Total Income</b>		Other	
		<b>Total</b>	
<b>Deductions From Your Pay</b>			
Federal Taxes		<b>Transportation</b>	
State Taxes		Car/truck payment	
FICA - Medicare		Car Insurance	
FICA - Social Security		Maintenance/repairs	
Life Insurance		Gasoline, oil, etc.	
Health Insurance		Other	
Disability Insurance		<b>Total</b>	
Retirement Savings			
Other Savings		<b>Personal</b>	
Other Deductions		Clothing	
<b>Total Deductions</b>		Personal Care/ Haircuts	
		Tobacco/Alcohol	
<b>Savings</b>		<b>Total</b>	
Emergency Fund			
Goal 1		<b>Family Care</b>	
Goal 2		Child Care or other Dependent Care	
<b>Total Savings</b>		Money Sent Home to Family	
		<b>Total</b>	
<b>Expenses: Housing</b>			
Rent or Mortgage		<b>Health and Medical</b>	
Insurance - (homeowners or Renters)		Insurance premium (if not deducted from paycheck)	
Property Taxes		Copayments, Coinsurance or Cash Payments for Medical Services	
Maintenance/Repairs		Prescriptions	
<b>Total</b>		Over-the-counter medicines	
		Vision	
<b>Utilities</b>		Dental	
Electric		<b>Total</b>	
Heating Oil or Gas			
Trash/Garbage		<b>Other Expenses</b>	
Water and Sewer		Education	
Telephone		Pet Food/Care	
Cable TV/ Internet		<b>Total</b>	
Cell phone			
Other		<b>Debt Payments</b>	
<b>Total</b>		Credit Card 1	
		<b>Total</b>	

$$\text{Total Income} - \text{Total Deductions} - \text{Expenses} - \text{Savings} - \text{Debt Payments} = \text{Remaining Amount}$$

### Important Words to Know

**Needs** – items or circumstances that are necessary and required for health, financial security, and safety.

**Wants** – items or circumstances that are desired.

**Obligations** - An obligation is the responsibility to meet the terms of a financial contract. If an obligation is not met, the legal system often provides recourse for the injured party. Examples include debt or rent.

**Fixed Expense** - An expense that is consistent and recurring and usually is a necessity. It may be the same amount each month or it may vary but you know there will always be this expense.

**Flexible Expense**– an expense that can change from month to month; it could be the amount that changes or it may not occur each month. This type of expense may or may not be something that can be reduced or eliminated from a spending plan.

**Periodic Expense** – an expense that happens occasionally throughout a year.

**Unexpected Expense** – an expense that you did not plan for.

**Spending Categories** - means a grouping of similar expenditures within the spending plan. Examples include insurances, medical costs, savings goals, or utilities where you might have more than one type of expense under each title.

**Savings** - the money one has set aside to achieve a specific goal or to pay for a specific product/service.

**Gross Wages** – the total amount earned for working that does not include deductions for taxes or benefits.

**Emergency Fund** – money set aside to cover unexpected expenses. Create a savings category for emergencies and put money aside in safe place or savings account.

Additional documents in this Managing Money in the US series in English and Spanish can be found at this website: [farmaid.org/cultivemos](http://farmaid.org/cultivemos)

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