

### Lesson 3—Counting the Cost: Your Cash Flow Plan (Luke 14:28-30)

Introduction: Financial success does not happen by accident; it requires careful planning. Unless one has an endless supply of wealth, it is *absolutely essential* that household spending be regulated by a thoughtful, flexible budget—a.k.a. Cash Flow Plan.

**Key Concept: Establishing a workable Cash Flow Plan is essential to success.**

- I. Why should you take the time to create a monthly cash flow plan?
  - A. A cash flow plan tells you if you're headed in the right direction financially. It's not smart to drive without a steering wheel.
  - B. A cash flow plan allows you to control your money rather than your money (or lack of it) controlling you.
  - C. A cash flow plan can tell you if you're living within your means. The misuse of credit cards has masked some families to their grim reality.
  - D. A cash flow plan empowers your savings plan.
  - E. A cash flow plan helps you spend money on important things rather than nickel-and-dime it away on trivial, unnecessary expenditures.
  - F. A cash flow plan includes preparation for emergency situations.
  - G. A cash flow plan may improve your marriage by minimizing bickering over money.
  - H. A cash flow plan will help you get out debt and stay out of debt.
  - I. A cash flow plan creates extra money for you to use on thoughtful purchases.
  
- II. How To Create a Successful Cash Flow Plan
  - A. Thoughtfully fill out the budget worksheet provided with this lesson.
    1. For the purpose of a Cash Flow Plan, use "spendable," after-tax and tithe income figures. Gross pay figures do not matter here.
    2. Use only categories that apply to you. Add categories that do not appear on the worksheet.
    3. Be certain to include categories involving unscheduled inevitable expenses: clothing, car repair, license and taxes, etc.
    4. Add expense categories to cover hobbies and habits that you plan to fund on a monthly basis.
    5. Budget some discretionary money from each pay check.
    6. Be realistic in your monthly predictions for each category. Looking back at 2-3 months of check book entries may help.
    7. Be certain to contribute to your emergency fund each month—even if it is beyond \$1,000.00.

- B. Use the envelope system for paying most bills (allocation).
  - 1. Use a business size envelope for each regular bill or monthly expense.
  - 2. Mark on the envelope the name of the bill—ex. “Vectren” and the amount budgeted *per pay check* (the monthly budgeted amount divided by the number of pay periods in a month).
  - 3. When you get paid, go through the envelopes writing checks for the amount indicated on the envelope. (That means that if you’re paid twice per month, you will pay your bills by sending in 2 checks for each bill.)
  - 4. As a variation, you may designate some envelopes for payment in your first pay period and others for payment in your second.
  - 5. Place cash in envelopes to cover expenses related to cash purchases such as groceries, eating out, etc. For example, if your monthly grocery budget is \$400, divide that figure by the number of pay periods and place that amount in the envelope. Spend only that amount during that pay period.
- C. Plan on significantly revising your cash flow plan for about 3 months.
  - 1. Your plan *will not work* the first month. You will discover many expenses you forgot to include. Don’t be discouraged—it’s a work in progress!
  - 2. Record the actual expenditures made each month at the end of that month and adjust your plan (or spending) accordingly.
    - a. Record check book entries.
    - b. Save receipts and record these according to budget category.
    - c. Track cash spending by saving receipts. (Save all receipts in your wallet or purse. After recording the expense, transfer receipts to an envelope marked with the month and year of the expense.)
    - d. If you spent outside your plan (spending didn’t fit an established category), determine if you should make a separate category for that expense. (If the expense will be repeated or if it is predictable, add the category.)

### III. Features of a Successful Cash Flow Plan

- A. *Personalized*—categories specifically fit your family
- B. *Accurate*—income and expenses carefully tracked
- C. *Detailed*—enough categories to paint the picture without being a chore
- D. *Preemptive*—includes the inevitable though not monthly expenses
- E. *Reviewed*—categories are updated and spending strategies are revised
- F. *Complete*—includes recording of cash expenditures, retaining receipts
- G. *Rewarding*—involves saving on a monthly basis
- H. *Revealing*—uncovers dangerous spending habits
- I. *Realistic*—avoids extremes while accomplishing goals

## Monthly Cash Flow Plan

CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
<b>INCOME: (Net Spendable)</b>			
Wages and Bonuses			
Interest Income			
Investment Income			
Miscellaneous Income			
Income Total:			
<b>EXPENSES:</b>			
<b>GIVING:</b>			
Tithe			
Offerings			
Missions			
Other			
<b>HOME:</b>			
Mortgage or Rent			
Homeowners/Renters Insurance			
Property Taxes			
Home Repairs/Maintenance/HOA Dues			
Home Improvements			
<b>UTILITIES:</b>			
Electricity			
Water and Sewer			
Natural Gas or Oil			
Telephone (Land Line, Cell)			
<b>FOOD:</b>			
Groceries			
Eating Out, Lunches, Snacks			
<b>FAMILY OBLIGATIONS:</b>			
Child Support			
Alimony			
Day Care, Babysitting			
<b>HEALTH AND MEDICAL:</b>			
Insurance (Medical, Dental, Vision)			
Unreimbursed Medical Expenses, Copays			
Fitness (Yoga, Massage, etc.)			
<b>DEBT PAYMENTS:</b>			
Credit Cards			
Student Loans			
Other Loans			
<b>ENTERTAINMENT/RECREATION:</b>			
Cable TV/Videos/Movies			
Computer Expense			
Hobbies			
Subscriptions and Dues			
Vacations			
<b>PETS:</b>			
Food			
Grooming, Boarding, Vet			
<b>CLOTHING:</b>			
<b>INVESTMENTS AND SAVINGS:</b>			
401(k) or IRA			
Stocks/Bonds/Mutual Funds			
College Fund			
Savings			

CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
Emergency Fund			
MISCELLANEOUS:			
Toiletries, Household Products			
Gifts/Donations			
Grooming (Hair, Makeup, Other)			
Miscellaneous Expense			
Total Investments and Expenses			
Surplus or Shortage (Spensible Income Minus Total Expenses and Investments)			

For expenses incurred more or less often than monthly, convert the payment to a monthly amount when calculating the monthly budget. For instance, convert auto expense that's billed every six months to a monthly amount by dividing the six-month premium by six. This money should be kept separate from you other money so it's available when the bill becomes due.

The grand total of the monthly expense budget should be equal to your net spendable income. In other words, you should allocate every penny of your paycheck on paper before you actually receive the check.

Remember, be flexible! Your plan won't work perfectly the first couple of months!