Planning : Use of Dollars With Sense

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PLANNING:

use of dollars

with sense

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Have you ever thought: "Where has the money gone? What do we have to show for it?"

Spending money grows more complicated every year. An economist once stated that a century ago not more than 200 kinds of items were offered for sale. Now we are faced with more than 32,000 articles from which to choose. No wonder the family asks "Where has the money gone?"

Income is of two kinds—money and non-money (satisfactions, goods and services). In income management the family uses its resources (human and material) to get what it needs and wants.

What Is A Plan?

1. A pattern or guide to help manage income, savings, and credit for the purpose of achieving family and/or individual goals.
2. A good plan can and will be modified as time goes on.
3. A plan is a guide to help you get more than you can possibly have otherwise.
4. Planning is decision-making in future time. A plan is a whole body of decisions.

Characteristic of decision-making. (a) Future is uncertain—we need to estimate what will happen. (b) Instability prevails more than stability—change is constant. (c) Knowledge at the time of making the decision is oftentimes insufficient—we rarely have all the facts.

Steps in carrying out decision-making. (a) Observe the factors that are important to the decision and get the needed information. (b) Analyze the information and put "first things first." (c) Make the decision. (d) Take the necessary action to carry out the decision. (e) Accept the responsibility for the consequences.
Why Do We Plan?

1. To satisfy as many family and/or individual desires as possible with the income available.

2. Planning gives a sense of direction. With the many choices in the spending and saving of money, and in the use of credit, it is difficult to make sound decisions without a plan. Without this direction, money would be spent for unimportant items.

3. To attain goals. Within each family are family goals and individual goals.

4. Greater peace of mind results from well-managed money. It is one means of obtaining happiness and security.

5. Planning discourages impulsive buying.

6. Planning encourages better spending and saving habits.

7. Planning helps family members to understand individual and mutual problems.

8. Planning helps keep the family solvent.

Who Does the Planning?

The family is a decision-making unit.*

When the family “talks it over” and decides together as a group:

1. Children are cooperative and helpful rather than rebellious and resentful.

2. Children better understand the whole situation when they help to make decisions.

3. A spirit of unity develops because family members understand, share and cooperate in managing the family money.

4. Members have respect for each other as individuals and understand the characteristics which make individuals different.

5. Understanding exists of the needs of each individual and a consideration is given to how they can be met.

6. The children gain valuable experience for adult life in learning to make decisions and in taking responsibilities.

*See discussions on pages 5 and 6 of EC 539, “Family Strength: Getting Along Together.”
How Do We Plan?

1. A plan made by the family gives all members a feeling of ownership in the plan, confidence in the decisions, and an interest in carrying out of the plan.

2. Recognize that each family needs to make and follow its own plan. No two plans will be the same due to differences in type and amount of income, number in family, family spending habits, present debts and obligations, and energy, skills and attitudes of the family. Make the plan flexible—expect to change it as time goes on.

3. List your family and/or individual goals (a) what you want to have, do or become—present and future. (b) Goals are more often accomplished if clearly written out, planned out and worked for. (c) Goals are usually expressed as what the family wants in satisfactions and materials but have not had the time or means to obtain. They are usually expressed as “long time goals” and “short time goals.” (d) Goals are constantly changing as the family situation changes. (e) Goals need to be realistic and/or attainable within given abilities.

4. Analyze the financial situation. (a) List all available income (salary, wages, hobbies, gifts, interest, rent, etc.). Consider family skills, knowledge, energies, time, experience, and abilities. (b) List fixed expenses such as taxes, rent or mortgage payments, savings, insurance, retirement plans, car license, safe deposit box, school tuition, installment payments, and organization dues. Subtract fixed expenses from income. (c) Allow for an emergency fund. Some suggest a fund equal to two or three month’s income. This fund is to be used only to help the family over temporary emergencies. (d) With the money remaining you will need to provide for all expenses of day-to-day living. These expenses may be divided into two sections: first, to include items paid for in a fairly regular amount—tuition, gas for car, newspapers, magazines, beauty shop, laundry, etc., and second, to include variables such as food, clothing, furnishings, equipment, repair and upkeep, enter-
tainment, personal allowances, etc. Each family will place these items differently as they work out the method which best fits their needs.

5. Consider each item carefully and weigh relative values. (a) Decide which items are “must-haves” and which are “would-like-to-have.” (b) Do you really want to change your pattern of expenditure? It may be you are doing very well now with your money and need to recognize this fact. In any case, spending is like other habits: changes will be gradual.

6. Make a plan and review it from time to time. Expect to change it. The plan should be simple enough so it will be workable.

7. Keep records. (a) Make the records simple. (b) Keep and file sales slips and charged purchases. (c) Show purchase date of important items. (d) Reserve a special place for records (home business center). (e) Have a time for recording expenditures. (f) Share the responsibility for keeping records.

8. Study the records and plan and adjust to changes in family situations. Don’t be discouraged: it takes time to form good spending and saving habits.

Is It Worth It?

The most exciting business in the world is your own business—the business of making your dollars buy what you want them to buy and making your wishes come true.

The only time you can manage your money is before you spend it. Budgeting is essentially a matter of making decisions. Count your money. Survey the field of things that can be bought with it. Choose the things you want most and assign your dollars to these most wanted items. A budget is a way of making sure your money is used to the best advantage, buying you real satisfaction.

Families find that planning:

1. Gives direction to what they do
2. Helps to have more with less
3. Helps keep families together
4. Helps avoid worry and family squabbles
5. Is democratic
6. Helps them grow in their ability to make decisions
7. Helps to improve ability to manage because clearer thinking brings about more direct action.

Organized thinking pays off

KEEP TRYING