

## Money Management

### Introduction

Welcome to the Money Management session of the *Living in Balance* program. This session will help you learn to do some basic financial planning, starting with determining your financial priorities and goals. You will also learn how to prepare monthly and yearly budgets. In active addiction, managing your money was very difficult. In sobriety, it will take some work to sort things out, and this session will help you organize your finances.

### *What is in this session?*

This session has two major parts: (1) Determining Your Financial Goals and (2) Preparing a Budget.

- ✓ After participating in part 1, you will be able to
  - Understand more clearly what your financial priorities are
  - Plan your short-term, intermediate, and long-term financial goals
- ✓ After participating in part 2, you will be able to
  - Prepare a monthly and yearly budget



### **SESSION 26 HAS TWO MAJOR PARTS:**

1. Determining Your Financial Goals
2. Preparing a Budget



#### LEARNER OBJECTIVES FOR PART 1:

You will

- Understand more clearly what your financial priorities are
- Plan your short-term, intermediate, and long-term financial goals

**Money management includes keeping track of your money, living within your budget, and balancing your checkbook.**

### *What will be asked of you?*

You will be asked to think about and examine your financial goals. You will be asked to examine your living expenses. You will be asked to examine and determine your financial priorities and plan your goals. Finally, you will be asked to prepare a budget that shows your monthly and yearly expenses. This experience may be personal, awkward, and difficult. But time spent working on your financial situation, goals, and budget will be time well spent. Participating in this session can be a very important step in taking control over your financial well-being and will help you to live in financial balance.



## Part 1: Determining Your Financial Goals

### Money Management Skills

Money management includes several skills that many people accept as part of daily living—skills like keeping track of your money, living within your budget, and balancing your checkbook. These skills, however, are generally not taught in school, and even if you knew how to do them at one time, you may be out of practice after years of addiction.

During recovery, you learn to identify your strengths and weaknesses and to develop personal goals. During recovery, you learn that it's okay to ask for help, whether from a friend, sponsor, counselor, group, or your Higher Power. While you may feel comfortable asking for help with staying sober, it may be difficult asking for help with managing your money. Many people don't like to talk about their personal finances and would rather not think about them. This approach won't make the problem any better, while asking for help can.

It is common for people to find themselves in poor financial shape after they get sober, and many also continue to have problems with money in sobriety. Learning some simple tips and tricks to help you budget your money, save money, and become a more educated consumer can greatly improve your financial situation.



**EXERCISE 1**

*Please answer the following questions:*

1. How have alcohol and other drugs affected your financial situation?

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2. Do you find it uncomfortable to talk about your finances?

Yes     No    *(If yes, please explain.)*

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3. Is money a problem for you and your family?

Yes     No    *(If yes, please explain.)*

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4. Are there money management skills that you think you might need?

Yes     No    *(If yes, what are they?)*

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### Your Priorities

People have different personal priorities that affect how they determine their financial goals. Part of the recovery process is to look at your personal priorities and think about how important these things are to you and your family.



#### EXERCISE 2

*Place a number from 1 to 3 next to each of the following items. Place a 1 beside the items that are very important to you or your family. Place a 2 beside the items that are somewhat important. Place a 3 beside the items that are not very important to you or your family. Feel free to add other items to the list.*

- |                                       |                              |
|---------------------------------------|------------------------------|
| _____ Religion                        | _____ Saving money           |
| _____ Your education                  | _____ Making more money      |
| _____ Your children's education       | _____ Personal appearance    |
| _____ Basic household furnishings     | _____ Good health            |
| _____ Expensive household furnishings | _____ Nice clothes           |
| _____ Expensive car                   | _____ Decent clothes         |
| _____ Reliable transportation         | _____ Job prestige           |
| _____ Better apartment or house       | _____ Job security           |
| _____ Partying/entertaining people    | _____ Health insurance       |
| _____ Family activities               | _____ Paying off debts       |
| _____ Food for eating at home         | _____ Life insurance         |
| _____ Eating out                      | _____ Savings or investments |
| _____ Nice jewelry                    | _____ _____                  |
| _____ Children's toys                 | _____ _____                  |
| _____ Attracting the opposite sex     | _____ _____                  |
| _____ Entertainment                   | _____ _____                  |
| _____ Recreation                      | _____ _____                  |
| _____ Family vacations                | _____ _____                  |

## What Are Your Financial Goals?

Whether you're a wealthy businessperson or struggling from paycheck to paycheck, the first steps toward better financial management are to (1) take stock of the situation and (2) organize your goals and objectives. This may sound complicated, but in reality, money management involves three simple questions.

**What do you have now?** The first step in sorting out your finances is to figure out exactly how much money you and your family earn. For most people, this simply means listing the amount of money made each week or month through a job or other source of income, such as Social Security and child support. It also means listing the amount of money you have in checking and savings accounts, as well as major possessions, such as a car or a house (these are considered *assets*).

**What do you want to have?** The financial goals for people in recovery often include reducing debts, paying bills on time, keeping the possessions they have, starting a savings account, paying for school tuition, getting health insurance, getting an apartment or home, or buying a car.

**How can you get it?** Unless you're going to win the lottery (which is very unlikely), you will need to meet your financial goals by organizing your money, budgeting, and saving. This session will help you learn how to develop a budget.



### EXERCISE 3

Filling out the worksheet on the next page will help you to organize your goals into **short-term goals** (to be met within the next week, month, or year), **intermediate goals** (to be done one to five years from now), and **long-term goals** (to be done five or more years from now).



The first steps are  
**(1) take stock of the situation and**  
**(2) organize your goals and objectives.**

1. Describe your most important short-term (within the year) family financial goals.

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2. Describe your most important intermediate (one to five years from now) family financial goals.

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3. Describe your most important long-term (five or more years from now) family financial goals.

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## Family Goals

Use the information you described on the previous page to complete the worksheet on page 8. It will help you to organize your family financial goals into short-term, intermediate, and long-term goals and to consider other important factors, such as cost and when you would like to achieve these goals.



### EXERCISE 4

*Please fill in the worksheet (shown on page 8) with information on your financial goals, when you wish to meet them, and how much they will cost (on a total and monthly basis).*



## Part 2: Preparing a Budget

### Expenses

Many people have never made a budget. If you have debts or financial troubles, making a budget can seem frightening. Many people would rather not know their financial situation. However, making a budget will allow you to clearly understand your present financial situation and to make changes to improve the situation. When you break it down into manageable steps, it's really not hard.

The first step in making a budget is quite easy: identify your expenses.

There are five basic types of expenses: (1) fixed monthly expenses, (2) variable monthly expenses, (3) fixed yearly expenses, (4) seasonal expenses, and (5) emergency expenses. In addition, people will have future goals—things they wish to spend money on at a future date, which will typically require saving some money.



### LEARNER OBJECTIVES FOR PART 2:

You will

- Prepare a monthly and yearly budget

### There are five basic types of expenses:

1. fixed monthly expenses
2. variable monthly expenses
3. fixed yearly expenses
4. seasonal expenses
5. emergency expenses

## Family Financial Goals

Fill in this worksheet with information on your short-term, intermediate, and long-term financial goals.

	Goals	When	Total Cost	Amount / Month
<b>SHORT-TERM</b> (Within 1 year)	1.			
	2.			
	3.			
<b>INTERMEDIATE</b> (1 to 5 years)	1.			
	2.			
	3.			
<b>LONG-TERM</b> (More than 5 years)	1.			
	2.			
	3.			



### ***Fixed Monthly Expenses***

Some bills are almost always the same each month, such as rent, car payments, monthly bus fare card, or child support payments. Because these bills don't vary from month to month, they are called *fixed monthly expenses*.



#### **EXERCISE 5**

List your fixed monthly expenses on the worksheet shown on page 10. Multiply the monthly expense by twelve to get the yearly cost. Feel free to add items.

### ***Variable Monthly Expenses***

Some expenses and bills change each month, depending upon how much of a utility was used, or how much was purchased. Some examples include electricity, water, telephone, food, and clothing. Because these bills fluctuate each month, they are called *variable monthly expenses*.



#### **EXERCISE 6**

Estimate your variable expenses over a **year's** time (using the worksheet shown on page 11). Then divide each number by twelve to find the **average monthly cost**. Feel free to add items.

### Figuring Out Your Fixed Monthly Expenses

List your fixed monthly expenses under the cost per month column.  
Then, multiply the monthly expense by twelve to get the cost per year.

Item	Cost per Month	Cost per Year
Rent/mortgage		
Car payment		
Car insurance		
Loan payment		
Debt payment		
Garbage pickup		
Cable television		
Child support		
Transportation		
Alimony		
Health insurance		
Other:		
Other:		
Other:		
Other:		
Other:		
<b>TOTAL FIXED EXPENSES</b>	<b>Per Month</b>	<b>Per Year</b>

### Figuring Out Your Variable Monthly Expenses

Estimate your variable expenses over a year's time. Divide each yearly expense by twelve to find the average monthly cost.

Item	Cost per Year	Average Cost per Month
Telephone		
Gas		
Electric		
Food and other groceries		
Clothes		
Car fuel		
Child care		
Laundry/cleaning		
Entertainment		
Auto repair		
Pet care		
Medical		
Other:		
Other:		
Other:		
Other:		
<b>TOTAL VARIABLE EXPENSES</b>	<b>Per Year</b>	<b>Per Month</b>

### Fixed Yearly Expenses

There are a few expenses that occur once or several times per year, such as local or state taxes. These are called *fixed yearly expenses*. Some people also pay their car insurance on an annual basis, even though they may spread it out over four payments.



#### EXERCISE 7

List your fixed yearly expenses on the worksheet shown on the next page. Then divide each expense by twelve to find the average monthly cost. Feel free to add items.



### Seasonal Expenses

A few expenses occur each year at about the same time, such as holiday gifts. These are called *seasonal expenses*. Especially for parents with children, holiday presents can be a significant expense. Other examples might include school clothes and summer vacations.



#### EXERCISE 8

List your seasonal expenses by the month in which you normally have the expense, using the worksheet shown on page 14. Add all seasonal expenses and divide the total by twelve to find the average monthly cost. Feel free to add items.

### Figuring Out Your Fixed Yearly Expenses

List your fixed yearly expenses, then divide them by twelve to find the average monthly cost. Feel free to add items.

Item	Cost per Year	Average Cost per Month
Property tax (home)		
Car property tax/license fees		
Car insurance		
Annual car checkup		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
<b>TOTAL FIXED YEARLY EXPENSES</b>	<b>Per Year</b>	<b>Per Month</b>

### Figuring Out Your Seasonal Expenses

List your seasonal expenses by the month in which you normally have the expense. Add all seasonal expenses and divide the total by twelve to find the average monthly cost.

Month	Type of Expense	Cost
January		
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		
<b>TOTAL SEASONAL EXPENSES</b>		
<b>MONTHLY (Divide total by 12)</b>		

## Emergency Expenses

Unfortunately, there are always a few bills and expenses that you don't anticipate. These are *emergency expenses*, such as medical problems, broken eyeglasses, being burglarized, and repairing broken appliances. While you can't know for certain what emergency expenses you'll have, you can estimate how much you'll need this year for emergency expenses by figuring out how much you had to pay last year.



### EXERCISE 9

*Write last year's emergency expenses on the worksheet shown on page 16. Then divide the total by twelve to find the average monthly cost. Use last year's expenses as an estimate for this year's expenses.*



**Unfortunately, there are always a few expenses that you don't anticipate, such as replacing items that have been damaged or burglarized.**

### Figuring Out Your Emergency Expenses

Estimate your yearly emergency expenses by using what you paid last year. Write each expense on the chart. Then divide each expense by twelve to find the average monthly cost. Feel free to add items.

Item	Cost per Year	Average Cost per Month
Automobile emergency		
Medical emergency		
Children's emergency		
Legal emergency		
Pet emergency		
Home repair		
Parking tickets		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
<b>TOTAL EMERGENCY EXPENSES</b>	<b>Per Year</b>	<b>Per Month</b>



### Adding All Expenses

Now add all your expenses together. Any money you have in income over this amount can be used to save toward future goals (see page 22) or on luxuries.



#### EXERCISE 10

Using the information you gathered on previous worksheets, list each type of expense below and add up your total monthly and yearly expenses.

### Adding Your Expenses

Using the information you gathered on previous worksheets, list each type of expense and add up your total monthly and yearly expenses.

Item	Cost per Month	Cost per Year
Fixed expenses		
Variable expenses		
Fixed yearly expenses		
Seasonal expenses		
Emergency expenses		
<b>TOTAL EXPENSES</b>	Per Month	Per Year

**Putting It All Together**

Many people in treatment and early recovery have lost control of various parts of their lives. Addicted people often learn to ignore problems as a way of dealing with them. As a result, you may prefer to not do the following exercise, which is to total your income and compare it with your total expenses. However, doing so can help you to better understand your financial situation and provides a basis for improving it.



**EXERCISE 11**

*In the worksheet below, estimate your monthly and annual income, the income of your spouse, if appropriate, and any other income that you might have, such as child support.*

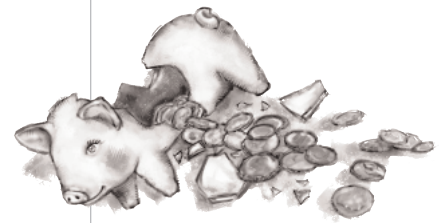
Item	Monthly	Yearly
Your total income		
Your spouse's total income		
Other income		
<b>TOTAL INCOME</b>	<b>Per Month</b>	<b>Per Year</b>

**EXERCISE 12**

In the worksheet below, list your total income and your total expenses.

Subtract your total expenses from your total income. If your total income is greater than your total expenses, you will have an amount remaining, called a *surplus*. Enter that amount in the box labeled Total Amount Remaining or Debt. For example, if you have \$20,000 in income and \$15,000 in expenses, you have a \$5,000 surplus.

If your expenses are greater than your income, you will get a negative number. This means that you have a debt. Enter the amount of your debt in the box labeled Total Amount Remaining or Debt. For example, \$28,000 in income minus \$30,000 in expenses equals \$2,000 of debt. If your expenses are greater than your income, you have to (1) reduce your expenses, (2) increase your income, or (3) both.



Item	Monthly	Yearly
Total income		
Total expenses		
<b>TOTAL AMOUNT REMAINING OR DEBT</b>	<b>Per Month</b>	<b>Per Year</b>



**EXERCISE 13**

*Please answer the following questions:*

1. Is your income greater than your expenses?

- Yes     No

If yes, how much money do you have left over each month?

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What is the best use of that money?

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2. Is your income less than your expenses?

- Yes     No

If yes, what are some ways you can reduce your expenses or increase your income? What are some ways you can change your monthly budget?

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### Future Goals

Future financial goals are things you cannot pay for right now but hope to take care of at some future date. These are things you will need to save money for. Many people in early recovery will want to pay off debts. Others may want to move to a different apartment or buy a car.



### EXERCISE 14

*Please answer the following questions:*

1. What are your top one or two financial goals?

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2. What is the total cost of reaching these financial goals?

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3. To meet these goals, how much would you have to save in a year? Dividing that number by twelve, how much would you need to save each month?

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**Next Steps**

As stated earlier in this session, recovery involves asking for help. Do you feel that you need professional assistance to help you live in financial balance? There are many organizations and individuals that provide professional assistance. These include consumer credit counseling services. Most are trustworthy, but a few are not. The National Foundation for Credit Counseling represents a national network of nonprofit agencies that provide free or low-cost consumer counseling and education on budgeting, money management, debt reduction, and credit. You can contact them regarding the counseling and education center in your area.

National Foundation for Credit Counseling  
801 Roeder Road, Suite 900  
Silver Spring, MD 20910  
Phone: (301) 589-5600; (800) 388-2227  
Web site: [www.debtadvice.org](http://www.debtadvice.org)



### **Session 26 Summary**

In this session you have learned some basic techniques for money management. You have considered your financial priorities and determined short-term, intermediate, and long-term financial goals. Finally, you have learned how to prepare a monthly and yearly budget that showed you how much money you could spare for future financial goals.