1989

G89-941 Financial Planning Form: Income Statement

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Financial Planning Form: Income Statement

This NebGuide provides step-by-step directions for completing the included income statement.

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What Is an Income Statement?

An income statement shows income and expenses over a period of time, usually a year. Like a motion picture, it also can show the movement of income expenses between net worth statements.

This income statement includes five categories of income (salaries, wages, bonuses; investment income; gifts; borrowed money; and other income), and three categories of expenses (taxes; fixed obligations and financing expense; and living expenses). A space to calculate net income (the amount left after all expenses) concludes this form.

Why Do an Income Statement?

An income statement helps determine what amount of money will be available for either savings or investment, or for additional expense during the time period considered. It also can provide the first step in outlining a more detailed budget or cash flow plan. Finally, an income statement can explain the changes between two net worth statements.

Time Period Being Planned

Begin your income statement by deciding just what period of time you want to cover. Enter the beginning and ending dates at the top of the form. While most income statements are done for a year at a time, doing an income statement for shorter or even longer periods of time can make sense in certain situations.

Income

The income section provides space for listing income received from any source. Included are salaries, wages, and bonuses from a job; investment income including cash dividends, interest, net realized capital gains, and rent; gifts; and other income. The line, borrowed money, is explained later under the
section of this publication entitled **Net Income**. Put down only income you are sure of receiving. Use blank lines for listing other types of income you may have.

**Expenses**

Expenses begin with *taxes*. Included here are all income taxes, Social Security payments, property taxes, and any other taxes. Use past records and current statements to get accurate figures.

*Fixed obligations and financing expenses* include payments for mortgage principal or rent payment, mortgage interest, automobile principal and interest, and all principal and interest payments on other debts. Payment amounts multiplied by the number of payments expected during the defined time period will give the amount to include.

Another subcategory of fixed obligations is *insurance premiums*. To project insurance payments, look at records for previous years and develop a figure for each premium, including a factor for inflation.

The next expense category is *living expenses*, including utilities, household operation and maintenance, equipment and furnishings, food, clothing, personal transportation, health and medical not covered by insurance, gifts and contributions, education, recreation and hobbies, entertainment, vacations, and miscellaneous expenses.

Be sure to include expenses specifically appropriate for your situation, such as child care and job-related expenses; support for someone who does not live with you; homeowner's association dues; care of clothing and household furnishings; parking fees; pet expenses; personal expenses such as grooming supplies or allowances for household members; and any irregular expenses such as equipment repair and replacement; fees for professional advisers; and pledges or subscriptions.

Past records of actual expenses plus an allowance for inflation can be used to develop actual numbers for the income statement.

**Net Income**

After finding both the total of income and of expenses, subtract expenses from income to get net income. If you end up with a negative net worth figure because your expenses total more than your income, you have two options:

1. Go back over all income and expense figures. Be sure you have been realistic.

2. If you find no more income nor find any expenses to reduce equal to the difference between the total income and total expenses, you will need to borrow money to get through the time period being planned. Enter that figure under the income category on the appropriate line.

**You're Finished—Now What?**

Study the income statement and use it to plan for the future. Your income statement will be helpful to anticipate income and expenses for the future, as well as to explain the difference between two net worth statements.

Other helpful worksheets for financial planning and decision making include the net worth statement and cash flow planning form. Examples of these worksheets are available from your Extension Service.
Income Statement

Beginning ________________ and ________________ ending

Income

Salaries, wages, and bonuses

________________________ $__________

________________________ __________

Total salaries and bonuses $__________

Investment Income

---Cash dividends $__________

---Interest

---Net realized capital gains

---Rent (net)

---________________________ __________

---________________________ __________

Total Investment Income $__________

Gifts $__________

Borrowed Money $__________ $__________

Other

----________________________ $__________ $__________

Total Gross Income (before taxes) $__________ $__________

Expenses

Taxes

---Incomes taxes (federal, state & local) $__________

---Social Security

---Property taxes

---Other taxes

Total taxes $__________

Fixed Obligations and Financing Expenses

---Payments on mortgage note principal (or rent payment) $__________

---Mortgage note interest $__________

---Payments on automobile principal

---Automobile note interest
---Payments on other debt

Insurance Premiums:
---Life insurance $____
---Health and disability __________
---Automobile __________
---Property and liability insurance __________

Total fixed obligations and financing expenses $____

Living Expenses
---Utilities $____
---Household operation and maintenance __________
---Equipment and furnishings __________
---Food __________
---Clothing __________
---Personal __________
---Transportation __________
---Health and medical __________
---Gifts and contributions __________
---Education __________
---Recreation, entertainment, vacations __________
---Miscellaneous __________

Total Living Expenses $____

Total Expenses $____

Net Income (Amount available for savings and investment) $____