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## NF91-24 A Cash Flow Technique to Use in Household Budgeting

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## A Cash Flow Technique to Use in Household Budgeting

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This technique can help you track the flow of your money. It's explained the easiest by using a simple example:

Bob and Peggy are both employed; Bob at an hourly job which pays every two weeks and Peggy as a secretary paid monthly.

To use this system they chart their income and expenses using the time frame of Bob's paychecks since he is paid the most frequently. Example #1 is a section of their chart. Note the dates at the top. These are Bob's payday. Peggy is paid the first of the month so her income is entered in the appropriate column. The "P" column is for planned figures; the "A" column is for actual figures.

The utilities line includes the codes identifying each separate utility. "T" is for telephone, "C" for cable, "E" for electric, and "G" for gas. Examples #2 and #3 on the reverse side shows how their chart looked after they decided what to do about the negative balance of \$199 for the time period 8/17-8/30.

1. Bob got some overtime so his check was actually \$539.
2. The telephone and cable bills (under utilities) were not due until 9/1 so they decided to pay them with the next checks, (note the blue text).
3. They decided to buy their children one new item each to start school and wait until the next check period to complete their school wardrobes. (Note \$100 is gray text and \$30 entered for 8/17 with \$70 put under 8/31 planned expenses.)
4. The insurance bill could wait until 9/1 so they shifted it to the next period. (Note blue text.)
5. They would spend \$6 less on food for 8/17.

Example 3 shows their chart on 9/13. Note the actual figures that had been entered:

- Bob's paycheck on 8/31 was less than expected.
- They spent more on food, transportation and clothing, but less on recreation.
- They paid all of their utility bills and the insurance bill.

While they still have a surplus of money, it's less than expected and is needed to cover expenses during the next period. To complete their sheet for 9/14, they would enter the surplus \$69 at the top of the planned and actual columns under 9/14.

By looking at planned and actual figures and doing the necessary adjustments, they are able to meet their financial commitments.

Another suggestion would be to enter all planned figures in pencil. Enter actual figures in ink when the paychecks are received and when the bills or other expenses are paid.

**EXAMPLE #1, 8/16**

	8/17		8/31		9/14
	P	A	P	A	P
<b>Income</b>					
Bob	525		525		525
Peggy			743		
Debts					
Mortgage			425		
Car			165		
Truck	195				195
<b>Expenses</b>					
Food	200		200		200
Utilities	T - 32 C - 15		E - 95 G - 18		T - 35 C - 15
Transp.	50		50		50
Clothing	100				50
Rec.	40		40		40
Education	30				
Insurance	62				
<b>Balance</b>					
	- 199		275		-60

**EXAMPLE #2, 8/17**

	8/17		8/31		9/14
	P	A	P	A	P
<b>Income</b>					
Bob	525	539	525		525
Peggy			743		
Debts					
Mortgage			425		
Car			165		
Truck	195	195			195
<b>Expenses</b>					
Food	194 200		200		200
Utilities	T - 32 C - 15		E - 95 G - 18		T - 35 C - 15
Transp.	50		50		50
Clothing	30 100				50
Rec.	40		40		40
Education	30				
Insurance	62				
<b>Balance</b>					
	0		96		-60

**EXAMPLE #3, 9/13**

	8/17		8/31		9/14
	P	A	P	A	P
<b>Income</b>					
Bob	525	539	525	517	525
Peggy			743	743	
Debts					
Mortgage			425	425	
Car			165	165	
Truck	195	195			195
<b>Expenses</b>					
Food	200		200		200
Utilities	T - 32 C - 15		E - 95 G - 18	T - 32 C - 15 G - 18	T - 35 C - 15
Transp.	50	45	50	57	50
Clothing	30 100	30	70	83	50
Rec.	40	38	40	39	40
Education	30	32			
Insurance	62		62	62	
<b>Balance</b>					
	0	0	143	69	-60

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***File NF24 under MONEY MANAGEMENT***

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