

# Tenant Relations in Your Community

## *Helping Community Members Develop Spending Plans*



### A SPENDING PLAN IS ESSENTIALLY A BUDGET

**A projection of how you will spend your money over a specific time period.**

For most people, the term "budget" implies tight, unpleasant restrictions on their spending—something to be avoided. Some community members may say that they don't need a spending plan or that they have tried budgeting before. This is not unusual, as many people don't recognize the benefits of a spending plan.

Here are some of the benefits of a spending plan that you may wish to share with them. A spending plan can:

- help people keep track of their money and identify where and how it is spent;
- help to reduce worry and/or disagreements over money; and
- help them save for a special purchase or occasion.

**Spending plans will fail if they are not personalized, realistic, or given a fair chance to succeed.**

Some people will say they have tried budgeting before and it doesn't work. A spending plan must be personalized, which means it must be based on each person's or household's income, living costs and spending priorities. The plan will tell you exactly how much money there is to work with, what the fixed expenses are, and how much money will be left over.

### FOUR STEPS TO DEVELOPING A SPENDING PLAN

#### **1. Listing all household expenses and net income.**

Net income is what people actually have left to spend each month after deductions. Complete a list of all household expenses, such as rent, groceries, child care, entertainment and transportation. At first, members may have to estimate some expenses. Be sure the estimates are realistic. Remind them of annual expenses, such as home insurance or vehicle licences. These annual costs should be divided by 12 and then included in the list of monthly expenses.

**2. Reviewing the list of expenses and discuss ways to reduce spending or, perhaps, increase income.**

Expenses will fall into two categories: *fixed* and *variable* expenses. Fixed expenses are those that do not change for a set amount of time. They include items such as house payments, car/loan payments and insurance payments. Variable expenses are those that change continuously. They include food, clothing, phone bills and entertainment. When looking at ways to pay off bills or save for special purchases, the fixed expenses will remain the same, but changes can be made to the amount spent on the variable expenses.

You may have some suggestions on how members could reduce living expenses or utility costs. When discussing this with them, it is important to discuss wants versus needs.

Discuss the importance of setting aside money for savings and financial emergencies. Everyone has unplanned expenses that must be accommodated, such as car repairs, loss of employment, or an addition to the family.



**3. Implementing and monitoring the spending plan.**

It's necessary to keep track of all spending. The monthly spending plan includes a category for planned and actual monthly expenses. Some of the more common ways to track spending are: when paying with cash, writing everything down in a notebook, or saving all receipts. If paying by cheque, recording all purchases. Most people find that, by tracking expenses over a specific amount of time, they can identify and change spending habits.

**4. Making adjustments.**

At the end of the first month (and for the next two or three months), members should list their actual expenses in each category. They may find they have underestimated spending in some categories and need to make adjustments to their spending plan.

Follow up with them at the end of the month to see how the plan went and discuss any problems. Was the spending plan realistic? Did spending in some categories go over or under the spending plan? Were members able to keep good records of expenses and spending? Did they learn anything surprising about their expenses?

**For more information on this and other housing management topics, be sure to contact your CMHC Specialist.**

**CONTACT INFORMATION**

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