

OHIO STATE UNIVERSITY EXTENSION

A SIX LESSON SERIES

# MANAGE *YOUR* MONEY

## Lesson 1: *Getting Started*



THE OHIO STATE UNIVERSITY



# MANAGE YOUR MONEY

## Lesson 1

This lesson uses Worksheets: A - D and Activities 1-1 and 1-2

### Getting Started

Wouldn't it be great to win the lottery or inherit a fortune and suddenly have enough money to pay off all your debts and enjoy being rich for the rest of your life?! Even if that dream came true, you would discover that money management skills are needed no matter how much money you have. Everyone needs to plan for their financial future.

While it is difficult to think about planning for the future when money is tight, learning basic money management skills will strengthen your independence, give you peace of mind, and improve your future financial security. This lesson series is about learning to better manage money. These lessons will equip you with the basic tools and skills to become financially stable. The material often refers to a two-adult household but can be adapted for a larger household, or for a single person.

The six-part *Manage Your Money* series will help you:

- Know what you want to do with your money
- Know where your money goes and how much you owe
- Manage your habits so your spending matches your goals
- Understand debt and know your credit limits
- Develop a personalized plan for monthly spending
- Know your financial net worth
- Learn how to organize your financial records

Lesson 1 will introduce you to the personal values and emotions you and your co-spender have about money and how these impact your goals and how you currently use and spend money.

*Manage Your Money* includes six lessons, numbered 1 through 6. Pages in each lesson are numbered with the lesson indicated, followed by the page number. For example, this is Lesson 1, page 1 (1-1). There are a total of 13 worksheets in the six lesson series. These worksheets are titled with letters: A through N.

### What's Important to You?

If ten people were given a \$100 bill, they would spend it in ten different ways. Why? Because people spend money on things that are important to them and no two people have the same set of values. Values are the deeply-rooted beliefs you have about what is desirable and good. Values grow from personal experience. Many people spend a lot of time and effort trying to convince others that their personal values are "right." And while it is natural to defend our choices, values are not necessarily right or wrong; they simply reflect what is important to one particular person.

Families set goals based on their shared values. A common reason many couples argue about money involves differing values and conflicting

### Activity 1-1 Your Thoughts on Money

1. You've just won \$10,000 in the lottery. What will you do with the money?

\$ \_\_\_\_\_ for \_\_\_\_\_  
\$ \_\_\_\_\_ for \_\_\_\_\_  
\$ \_\_\_\_\_ for \_\_\_\_\_  
\$ \_\_\_\_\_ for \_\_\_\_\_  
\$ \_\_\_\_\_ for \_\_\_\_\_  
\$ \_\_\_\_\_ for \_\_\_\_\_

How would others in the family wish to handle the lottery money?

2. You have just been laid off from your job. You must make a major cut in spending. What would you cut first? What would others in the household eliminate?



goals between partners. Different values are displayed through money management, and the resulting power struggles can damage a relationship if an agreement regarding spending is not reached.

### Don't Clash over Cash

Most families find there is never enough money, so sooner or later they squabble about how to use the limited dollars. Meshing different money management styles doesn't happen simply because people love each other. It takes effective communication, time, and effort.

If your money discussions regularly escalate to shouting matches or tearful meltdowns, changes are needed. First, realize and accept that each of you has different attitudes and emotional ties to money. To one person, money may represent power. To another person, it may mean security or status. One may be a spender, the other a saver.

Take a few moments to reflect and complete **Worksheet B: My Money Attitude and What's Important to Me.**

### Your Money is Powerful. Do you know where it goes?

Money impacts nearly every aspect of your life. Not only does money provide you food, shelter and healthcare to live, it also impacts your sense of security, your confidence, your comfort, your convenience, your happiness, even your relationships. Money is powerful.

But, do you know where your money goes? You may say, "House payments, car loan, utility bills, and food." But after that, things probably get a bit fuzzy. It's easier to keep track of the big living expenses paid for every month than the dollars and cents that drift out of our wallets throughout the day, the hidden fees of paying late, or the interest expense when using credit cards. But these little bits of vanishing money can add up to sizable amounts over time.

Even though Lesson 1 focuses on understanding personal values and discussing money, it's time to prepare for the other five lessons. To do so, you will track your spending for at least a month. That may not sound like fun. Some people shrink from tracking their spending because they are afraid of what they may discover. Or they are afraid to reveal the truth to themselves or to loved ones. But it's time to meet the challenge of money management head-on and knowing where all of your money goes is one of the first steps toward financial stability.

You will list all of your paid living expenses in other lessons, but it's time to start tracking where you use cash and your debit card. The **Day-to-Day Dollar Tracker (Worksheet A)** can be copied and used to keep track of the cash and debit card spending you do over the next four weeks, or you could simply use a small notebook.

If you don't want to take the Day-to-Day Dollar Tracker or a notebook around with you throughout the day, **copy** the Day-to-Day Tracker **four times** and leave the copies on your kitchen table, then set a daily alarm for yourself to go off when you know you'll be home. When you hear that alarm, sit down, reflect on your day, and then write down where you spent money, what you bought, and how much you spent.

## What Is an Argument Worth?

The concern is not that you always agree about money, but how you express your disagreements and whether you come to an acceptable compromise. One strategy to avoid arguing over the little stuff is to establish a small amount of money that each person can spend every week without having to discuss their choices. It might be \$5, \$10, \$25, or whatever you agree on and can afford. These regular personal allowances provide a sense of freedom and can help eliminate unnecessary disagreements.

## A Time and a Place

When it comes to talking about money, it is best not to put it off. By scheduling regular meetings to talk about your money, you and your co-spender can keep one another informed and prevent minor concerns from becoming major problems.

- The particular time you decide to meet will depend on everyone's schedules, but it may be best to avoid meeting between 5:00 p.m. and 7:00 p.m., because this is when people are usually tired and hungry. Meeting just before payday or when weekly bills are due is often a good choice.
- Choose a place with minimal distractions. Do not let your phones, your pets, the television or radio interfere with your discussion and planning.
- Include all family members when appropriate. Children can learn from this process.
- Allow everyone a chance to express feelings, wants, and needs without interruption or criticism. Family members are more likely to support a decision if they are included in a respectful conversation.

Money can be emotional, so it's important to use effective communication skills during your discussions about money.

## Listening Habits

Effective communication requires good listening. What kind of listener are you? During a disagreement, do you find yourself planning your defense? Does your mind wander? Do you stop



listening if a subject is difficult to understand?

- Listen for key points.
- Ask questions if you don't understand something.
- Be careful not to criticize, argue, or give feedback that keeps someone from expressing feelings.
- Use "I Messages." The words you choose and your tone of voice can fuel or diffuse an argument. Another is more likely to hear you if you use "I-Messages" instead of "You-Messages."

## The Three Parts of an I-Message

1. **"I feel ..."** Make a clear statement of how you feel.
2. **"When you ..."** Name the specific behavior that caused you to feel that way.
3. **"Because ..."** Say why the behavior or event is upsetting.

"You-Messages" tend to be verbal attacks of blame and criticism. During a disagreement, when a person hears the word "you" they are put on the defense. "I-Messages" focus on feelings and specifics. So, instead of: "You never record the amounts of checks you write."

Try this: "I feel frustrated when we have to pay an overdraft fee from our checking account when we don't have enough money to cover the automatic bill payment for the utility company."

Remember: "I-messages" have three specific parts. Just starting a sentence with "I" doesn't make it an "I-message."

The following responses damage effective communication:

### **Ordering, Directing, Commanding**

These messages tell people that their feelings, values, or needs are not important. (*"You can't treat yourself to a coffee before work every day. Just stop it."*)

### **Warning, Threatening**

Telling what will happen if something is or isn't done can make a person feel fearful and submissive. (*"If you can't control your spending, I'll cut up the credit cards."*)

### **Moralizing, Preaching**

Telling what should or ought to be done often results in resistance and defending a position even more strongly. (*"You said you wanted to stop smoking, so stop buying cigarettes."*)

### **Advising, Giving Solutions**

Being told how to solve a problem may make a person feel unable to make better decisions on their own. (*"Next time, just tell your co-workers you can't go out for lunch."*)

### **Judging, Criticizing, Disagreeing, Blaming**

These messages, more than any other, make a person feel inadequate, inferior, or worthless. (*"You spend money on the silliest things. It's your fault we're always broke."*)

### **Name Calling, Shaming, Ridiculing**

This can hurt a person's self-image or cause discouragement and anger. (*"Well, Big Shot, what toy did you buy yourself with the last \$100 I gave you?"*)

## **Solving Money Problems**

If a problem is worth arguing about, it is worth solving. Combine good communication skills with the following steps:

1. Acknowledge that there is a problem. Get feelings out in the open.
2. Identify the real problem. Money issues are often emotionally charged. Organized, written records give objective information rather than guesses. Be sure the issue is really money.
3. Discuss only the identified problem. Keep personalities, past complaints, or other problems out of it.
4. Brainstorm alternatives. List all possible actions/solutions no matter how ridiculous. No one should comment on suggestions until the list is complete.
5. Discuss each alternative and agree on a possible solution. Write the agreed to solution down. A compromise may be the best solution. Everyone should feel his or her wishes were heard and considered.
6. Make every effort to support the solution. Identify and avoid obstacles. Recognize necessary sacrifices. Perfect solutions are rare.
7. Keep communications open while working out the solution. Each person needs to feel understood, appreciated, and loved.

## **Activity 1-2: Let's Make a Date to Talk About Our Money**

When will your household conduct a weekly family meeting to discuss finances? What day of the week and time do you all agree to meet?

Use the following questions to frame weekly conversations and plan your household finances:

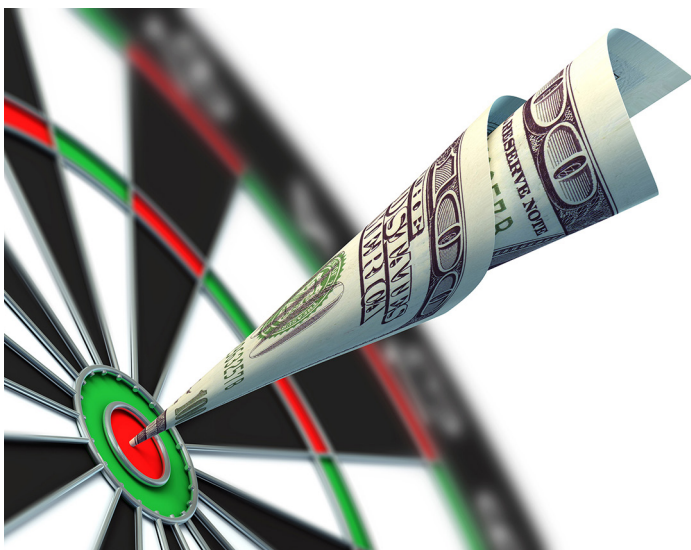
1. How do you feel about our current financial situation?
2. What expenses may occur prior to our next meeting that do not regularly need to be paid and how will we pay for them?
3. Where would we get \$500 (or more) to pay for a sudden emergency, like a car repair, or a doctor visit? Do we want to increase automatic deposits into an emergency fund?
4. What other ways could we add or spend less money that everyone can agree on?

## **Tools for Talking About Money**

### **Worksheet C: What Do You Think We Spend?**

located at the end of this lesson will help you start a conversation with your co-spender. While

people will have different opinions, it is important to understand the differences and what is important to each other. Discuss how these differences will influence your budget, and how you might make the compromises needed to meet your shared goals.



### What Do You Want to Do With Your Money?

Managing money successfully requires day-to-day decisions and even small spending choices impact your financial future over time. Financial goals are the specific things you want to do with your money within a certain period of time. You are far more likely to attain financial security if you establish financial goals now, and then create a plan to make those goals a reality. Families set goals based on their personal values, so every family's list will be different. Here are some examples of financial goals:

- set aside an emergency fund of \$1,000
- limit credit card spending to \$500 a month and then pay off all credit card bills in full every month
- save \$20,000 for a down payment on a house
- establish a Roth IRA retirement account and contribute \$200 from every paycheck
- save \$1,000 to take a vacation to a national park

#### Goal #1: Emergency Fund (an example)

Target Date	Total Cost	Amount Already Saved	Amount to Save Each Month
Two years from today: October 16, 2021	\$1,000  (3 months of living expenses is desirable)	\$100	$\$1,000 - \$100 = \$900$ $\$900 \div 24 \text{ months} = \$37.50$

#### Obstacles to overcome:

- money may be needed for current expenses
- other goals and priorities
- current spending habits
- limited amount of money coming in each month
- an emergency fund has not been a priority before
- defining what an emergency really is

Step 1: Save all loose change for the emergency fund.

Step 2: Call cable company and switch to a less expensive plan and put savings into emergency fund.

Step 3: Pack lunch at least three times a week and put savings in fund.

Step 4: Sign up for direct deposit of \$100/month from my paycheck into savings account.



### Think About Your Goals

Financial goals clarify how and when you plan to use your money.

- Short-term goals can be accomplished soon: perhaps in a week or a few months, but no longer than a year. Examples: buy new work clothes, save \$200 for a weekend with family.
- Intermediate goals can be accomplished in one to five years. Examples: pay off the car loan, save enough to pay cash for a new refrigerator.
- Long-term goals look ahead five to ten years and longer. Examples: buy a house, put children through college, retire.

To be most effective, goals should be written down and be SMART.

- Specific. Set goals you can clearly name. For example, save for a new refrigerator, not just to save.
- Measurable and Mutual. Determine the amount of time and money it will take to reach them. If you share money with other family members, goals that you all agree on will be easier to achieve.
- Attainable and Achievable. Given your financial situation, the amount to set aside needs to fit within your overall budget. Goals set too high can be so frustrating that you give up your plans. Maybe it is impossible to save \$100 a month right now; adjust your time line and try for \$25.
- Realistic. You may need to be more practical

about the goal you have set. If a new car is beyond your means, would a used model meet your needs?

- Relevant. Make sure your goals fit your needs and situation.
- Time bound. Set a specific target date (for example, NOT “spring of 2020” BUT April 16, 2020).
- Trade-offs. What are you willing to give up in order to reach this goal? What obstacles will you need to overcome? The “prize” (goal) needs to be worth the “price” (what you must give up or delay), or you will find it difficult to reach your goal.

### More Thoughts on Goals

You probably have some ideas about what you want in the future. Unfortunately, many people get so caught up in day-to-day problems they end up accomplishing very little toward intermediate goals and long-term goals. Whether you’re planning a vacation or saving for a new home, the advantage of setting financial goals is that you have something meaningful to work toward.

To accomplish a financial goal, you may require resources other than money. Your resources include time, energy, talents, and abilities. To achieve some goals you may decide you need to earn more money; and to earn more money you may need more training or education, which requires time, energy, and talents, as well as money for tuition and materials.

### How Many Goals? It Depends . . .

How many goals should you list? It depends on your needs, wants, and desires. Needs are things that you cannot live without, they are basic to survival. Examples would be clean water, shelter, enough food to keep you alive and healthy. Wants are things that meet your needs, but also make your life more comfortable, enjoyable, or convenient. Examples of wants would include a new car instead of a used one, eating out instead of cooking at home, your own house on an acre of land instead of a small rented apartment. Desires may sound the same as wants, but they are different. Desires are things that people long

for, crave, and often use to satisfy a measurement of success or commitment, but desires meet no basic need at all. Examples would include a diamond necklace, a new jet boat, a new screened-in porch.

**Worksheet D: Goal Setting as a Household** is a full-sized worksheet at the end of this lesson that will help you plan family goals. If you have family members, have a discussion to identify the obstacles and involve the entire household in the commitment to the goal. Be certain your plan is specific with dates and amounts, and outlines step-by-step how it can be accomplished. Take time to write down your goals so you can see what is really important to you, your family, and your future together.

One example of an important goal in all households is an emergency fund. If starting an emergency fund is a goal for your household, the example on page 5 is a model you can use and

adapt to your personalized amounts, obstacles, and plans.

Now it's your turn. Take time to seriously think about and discuss what you want for the future. On a separate sheet of paper, list the goals important to you and your household. And while listing goals can be fairly easy, it can be a more difficult task to rank them. Identify your highest priority goal, making it number 1, and the next highest goal number 2, and continue until you rank each goal on your list.

Next, copy **Worksheet D: Goal Setting as a Household** on page 12. Discuss obstacles and step-by-step plans. Determine the monthly savings for your goals. The Total Cost minus the Amount Already Saved equals the amount you still need to save. Divide that amount by the number of months to the Target Date to determine the Amount to Save Each Month to reach your goal as planned. (See the example on page 5.) Make



as many changes as needed to get to agreement on your shared goals. You can adjust your goals as needs and circumstances change.

### Action Steps

Each Manage Your Money lesson includes a “**to do list**” to outline the steps you can take to put the lesson into action. Check off the progress you make as you complete an activity.

Check each step after you have completed it.

- Copy **Worksheet A: Day-to-Day Dollar Tracker four times** or find a small notebook to start tracking your spending. Commit to writing down what you spend money on and how much you spend over the next four weeks.
- Complete **Activity 1-1: Your Thoughts on Money**.
- Complete **Worksheet B: My Money Attitude and What’s Important To Me**.
- Complete **Activity 1-2: Let’s Make a Date to Talk about Our Money**.
- **Practice “I” messages. And use the questions in “Let’s Talk About Money”** to frame conversations and plan your household finances.
- Complete **Worksheet C: Thinking about Money and Your Values**.
- Complete **Worksheet D: Goal Setting as a Household**.

### More Information and Sources

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Updated 2019 by Melanie Hart, Candace Heer, Lauren Jones, Caezilia Loibl, and Kathy Michelich based on previous versions by Nancy Hudson and Diane Johnson (2009); Eleanor Ames (1994); and Ella Mae Bard, Nancy Hudson, Diane Johnson, and Carolyn McKinney (1996).

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## Worksheet A: Day-to-Day Dollar Tracker

Week: \_\_\_\_\_

through \_\_\_\_\_

Date	What I bought	Is this a Need, a Want, or a Desire?	Amount Spent	Running Total Spent this Week

## Worksheet B: My Money Attitude and What's Important To Me

If you have a co-spender, make a copy of this activity so you each have your own.

Do you “A” agree or “D” disagree with these statements? Circle your answer.

- A | D I am too tight with money.  
A | D My partner is too tight with money.  
A | D I want to be included in decisions about money.  
A | D I like to buy things because it makes me feel good.  
A | D I feel good about how our family handles money.  
A | D Our family needs a better way to manage money.  
A | D It is important to set goals and plan for the future.  
A | D Why worry about tomorrow? I live from day to day.  
A | D I would like to go out more often, even if it means doing without something.  
A | D I would rather do without some things for now to have a more secure future.

Take time to talk about the results of the “agree”/“disagree” section. Do so with an open attitude as these reflect beliefs and feelings, and there are no “right” or “wrong” answers. Were you surprised by any of the answers of your co-spender?

Now, read over the list below. Rate each item as 1, 2, or 3. Put a “1” beside the things that are HIGHLY important to you. Put a “2” by the things you consider somewhat important, and a “3” by things that are not important to you.

- |                                     |   |
|-------------------------------------|---|
| _____ religion                      | _____ education                                   |
| _____ vacation                      | _____ saving money                                |
| _____ owning own business           | _____ always available connection to social media |
| _____ jewelry                       | _____ family                                      |
| _____ health                        | _____ decorating my home                          |
| _____ cultural events               | _____ eating out                                  |
| _____ sports                        | _____ job success                                 |
| _____ my preferred foods and drinks | _____ insurance                                   |
| _____ having lots of money          | _____ friends                                     |
| _____ new car/truck                 | _____ paying off debts                            |
| _____ name-brand clothing           | _____ entertainment/movies/games                  |
| _____ boat                          | _____ other (list here):                          |
| _____ other (list here):            | _____ other (list here):                          |

Now circle all the things that you scored with a “1” and write a short paragraph that explains WHY these things are important to you:

Take some time to compare your actual spending to your priorities. Are you spending money on the things that are really important to you?

If you have a co-spender, take some time to compare your answers and reasons for placing more value on some things over others.

Do you and your partner agree on your spending values? Are you spending money on the things that are really important to both you and your family?



### Worksheet C: What Do You Think We Spend?

If you manage money alone, take time to see how close your guesses are to the real amounts you pay for the following monthly expenses. If you have a co-spender, copy this page, answer the questions separately, then come together to compare and discuss your answers.

Name: \_\_\_\_\_

Take your best guess and write the average dollar amounts for:

Monthly family income	_____
Rent or mortgage	_____
Monthly food bill	_____
Monthly car payment(s)	_____
Monthly telephone bill	_____
Monthly electric bill	_____
Outstanding credit card debt	_____

The cost for your last “night out on the town”: \_\_\_\_\_

Discussion questions:

1. With regard to your household income/expenses, how close did your dollar amounts match those of your co-spender?
2. Are you surprised by what your co-spender thought you are currently spending?
3. How close did either of you get to what your household really spends on these items?

## Worksheet D: Goal Setting as a Household

Copy, then complete a worksheet for each goal

**Goal:**

**Today's Date:**

Completion Target Date	Total Cost	Amount Already Saved	Amount to Save Each Month

**Why is this goal important?**

**Obstacles to overcome:**

**Step 1**

**Step 2**

**Step 3**

**Step 4**



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## Manage Your Money

Lesson:

① - 2 - 3 - 4 - 5 - 6



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