

Financial Peace University

Questions - Week 1

Q: Should kids entertainment be included separate from family entertainment budget?

Your budget should reflect your plan for how you'll spend your money. Feel free to create as many categories as you need to achieve this goal.

Q: Should I buy a house or make other big purchases during the Financial Peace class?

We will address mortgages and home buying during this class. After you've paid off *all* debt and saved 3-6 months of expenses you can look at homes with the following ground rules. You'll need to save enough to put down 10-20% (without drawing any money from your emergency fund); you'll finance the house for 15 years on a fixed rate mortgage; and your monthly payment cannot be more than 25% of your monthly take home pay.

<https://www.daveramsey.com/get-started/home-buying>

Q: Responsible meal planning?

Eating out can be extremely expensive. I would suggest Googling "meal planning" for ideas. The simplest plans are the easiest ones to stick to. If you're busy the crock pot is your friend. Make enough dinner to have for leftovers at lunch.

Q: My husband and I have separate bank accounts and a joint bill account. Do we need to combine our accounts?

It is probably best to consolidate and work out of one bank account. There is not really a need for separate bank accounts if you are budgeting everything together. You can have your individual "fun money" budgeted into your monthly expenditures if there is room. It also helps to think of everything together and set household goals rather than separate ones.

Q: Can you address personal cost of health insurance premiums?

If you are purchasing health insurance on the exchange, it can be very expensive. This should be accounted for in your budget. If you have health insurance through your work, then it mostly likely is taken out of your pay check each pay period. As far as making a decision on what type of insurance to have, it is best to think through how "healthy" is your family and how likely are you to use your insurance. Our family rarely goes to the doctor and is relative healthy. We do not have many prescriptions and have no chronic health issues, so we choose a high deductible plan that is usually the most inexpensive item and we budget to have the funds to pay for our out of pocket expenses before our deductible is met. We have never met our deductible on a high deductible plan and use a health savings or flexible spending account to help account for out of pocket expenditures.

Q: How not to stress over money.

Follow the steps in Financial Peace and trust the process. Pray. Be patient and persistent.

Q: Do you plan with ex with children on my budget?

This would depend on how much you communicate and rely on each other for contributing to the costs of your children that you share. If there is a set amount that is provided for child support each month, you can consider that income and use that for the expenditures of the month. If the arrangement is more like an invoice where one parent pays for everything and there is reimbursement, then there needs to be clear communication for what will be shared and at what percentage.

Q: What are your thoughts on automated savings program? I like the idea of every dollar budget, but with apps like digit, it automates my savings based on what i spend each month.

Micro-investing programs automatically move money from your checking account to the program's savings account based on your spending habits and account levels. You should first create your zero-based budget so you can *intentionally* direct where your money goes. Micro-investing does force you to save but the returns are typically "micro" and should not be the primary focus of your savings plan. <https://www.daveramsey.com/blog/micro-investing>

Q: I use cash back offers on credit cards, but I pay them off each month. I have actually made money this way. Thoughts?

Take the lessons in Baby Step 2 to heart: There is no such good thing as good debt. Even if you pay off your credit cards each month, people using credit cards spend more than when they're using their hard-earned cash.

Read "The Truth About Credit Card Debt":

<https://www.daveramsey.com/blog/the-truth-about-credit-card-debt>

Q: Want assistance with/during post-Chapter 13 bankruptcy.

Going through bankruptcy is a stressful situation - both emotionally and financially. To start your life after bankruptcy you'll follow your Financial Peace plan.

You may find answers to your specific questions at

<https://www.daveramsey.com/askdave/bankruptcy>

Q: How to save \$1,000 when garage sales are not permitted where I live

Have you thought about asking a friend to "host" your garage sale in their neighborhood since you cannot hold a sale in your own? What about the large communities that have sales such as Countrywood....do you know someone that would allow you to come and use some of their space to hold your own sale?

There are many ways to sell unwanted items outside of a garage sale. We have prepared a separate document that provides ideas for selling things online locally as well as online where you would ship the item to the person that has purchased from you. Please review this document and let us know how we can best help.

Dave also has some advice for quickly saving for Baby Step 1:
<https://www.daveramsey.com/blog/save-100-to-1000-minimal-effort>

Q: What if you owe more on student loans than you do on a mortgage? Do I pay the mortgage off first?

Use the Debt Snowball you learned about in Baby Step 2 to pay off your student loan and other non-mortgage debt. In later baby steps you'll create a plan for paying off your house.

Q: My problem has been that I do not make enough to maintain my bills and day to day living. I make maybe \$1,500 per month.

Create your budget. Next, you need to reduce your spending, increase your income, or both. You are at a critical point so it may be necessary to do both. If you still have enough to cover your minimum bill payments refer to Dave's Pro Rata Plan:

<https://www.daveramsey.com/blog/what-to-do-when-you-cant-pay-your-bills>

Q: How do you make a budget when your income varies (irregular income) because you work on commission?

1. Create a budget.

When you make your budget, base your income on your lowest-paid month from the previous year. (We'll cover how to handle more or less income in step three.) Then list all your expenses—everything from the electric bill to retirement savings to groceries. If you're a pen-and-paper budgeter, [our free Monthly Cash Flow Plan form](#) can help you here. Or, if you prefer a digital budget, check out our [free budget app EveryDollar](#). After your expenses are listed, put the amount you'll spend next to each item, such as \$100 for the cable bill or \$200 for eating out. Once it's all in front of you, the next step is to list your expenses according to importance.

2. Account for irregular income.

Now that you've got a basic, bare-bones budget, it's time to plan for any income you bring in over that worst-case scenario you sketched out. Use our free [Irregular Income Planning form](#) or EveryDollar and list all other possible expenses you couldn't cover in your budget, in order of priority. Ask yourself, *If I had enough money for one more thing, what would it be?* Mark that down. From there, continue to list expenses from the most essential to the least. Do this according to your needs. Don't let some credit card collector scare you into thinking that paying them is a bigger deal than buying your child's school supplies. Now that the plan is set, it's time to spend.

3. Go down the list.

When you receive a paycheck, take the amount and spread it out among the items in your budget, prioritizing food, shelter, clothing and transportation. After that, cover the rest of your

bills. If your check doesn't cover everything listed, that's okay. Use it to pay as much as you can. If you get an additional check during the month, pick up where the last check left off. If you end up with extra money after all expenses have been paid, then you can save more, spend more, or pay more on your debts. (If you have debts, definitely start paying them first!)

Q: Would you suggest taking money from mutual fund to pay off debt?

If the mutual funds *are not* in a retirement account, cash some out and pay off your debts. Then get on a budget and stop over-spending. You have to change your habits if you're going to get on a wealth-building course. When you have changed your habits and don't have any payments, you'll be able to invest and build wealth effectively.

<https://www.daveramsey.com/askdave/investing/6336>

Q: How do I make a budget when most all of my money goes to paying debt/credit cards? What do you do if you cannot budget to the penny?

It will take practice (2-3 months) before you've got a handle on creating your budget. Every part of your financial planning starts with creating the budget. Your budget will vary based on where you are in the Financial Peace process. In your case, you're going to push every bit of available money towards debt payment. A small "Miscellaneous" category may be necessary to reach a Zero-Based Budget.

Q: For couples that are not married, would it be better to save the \$1,000 separately?

Non-married couples sharing money can face a lot of challenges. See Dave's answer here:

<https://www.daveramsey.com/blog/mixing-money-before-marriage>

Q: We have tremendous small business expenses in addition to our personal expenses. We need help!

For business issues you should consult an expert opinion on where you stand with your expenses, cash flow, and debts before you start exploring your options.

<https://www.daveramsey.com/askdave/small-business/are-business-budgets-like-personal-budgets>

Q: Does closing credit cards affect your credit score?

Closing credit cards can harm your credit score. However, the harm that using credit cards causes far outweighs the few points you may lose from your credit score. Think of your credit score as your "I love debt score."

Dave Ramsey answers this question: <https://www.daveramsey.com/askdave/debt/8304>