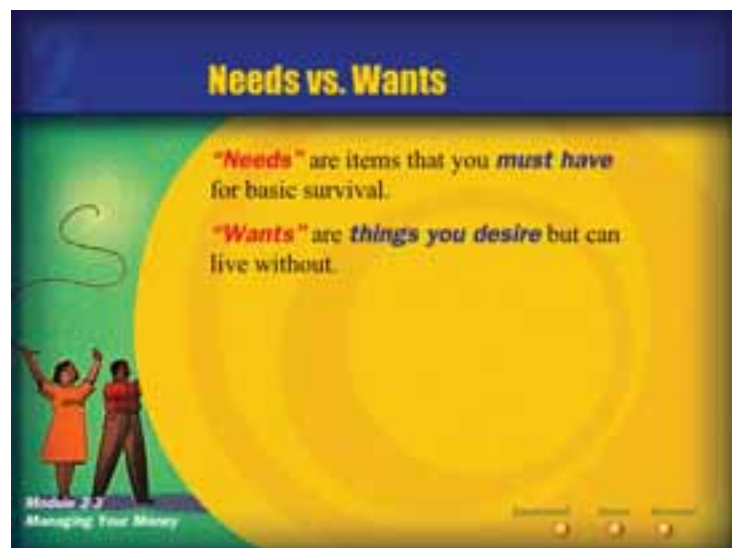
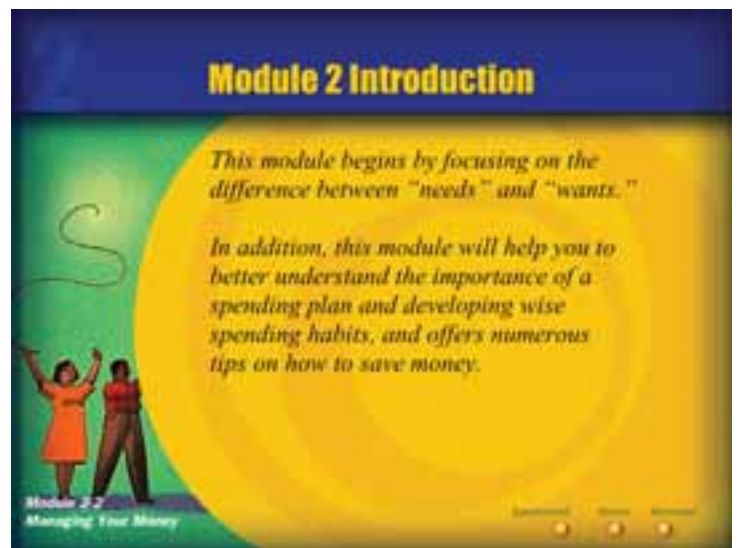
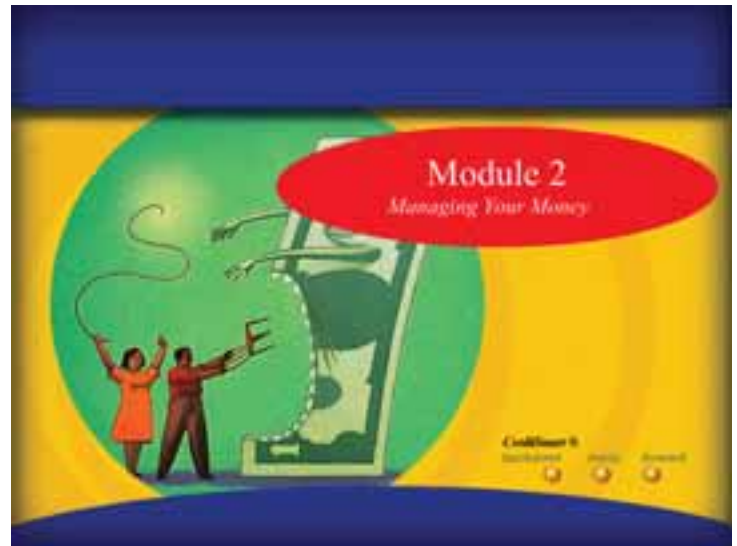


Module 2
Managing Your Money



► **Presentation Slides**

Module
2



2


More Reasons for Developing a Spending Plan



- Help you meet monthly financial obligations.
- Know where your money goes.
- Make payments on time.
- Eliminate or reduce unnecessary debts and loan balances.
- Increase savings for emergencies.
- Determine what you can and cannot afford.
- Prevent or reduce impulse spending.
- Save for education, retirement or big purchases.
- Reduce over-spending.

Module 2
Managing Your Money

How to Develop a Spending Plan



To develop a spending plan, consider the following questions:

1. What are my fixed expenses?
(**Fixed expenses** stay the same every month.)
2. What are my variable expenses?
(**Variable expenses** change from month to month.)

Module 2
Managing Your Money

How to Develop a Spending Plan



- Create your spending categories; include both financial and non-financial goals.
- List existing monthly expenditures for each category.
- Project anticipated expenditures based upon both financial and non-financial goals.
- List anticipated income for each month.

Module 2
Managing Your Money

Do You Have Any of These Habits?



- Are you currently unable to save any money?
- Have you reached the limit on your credit cards?
- Are you able to make only the minimum required payments on your credit cards?
- Are you buying things simply to make you feel good?

Module 2.13
Managing Your Money

Do You Have Any of These Habits?




- Are you frequently buying merchandise only to return it upon discovering you have no need for it?
- Are you consistently "borrowing" from your savings or emergency fund to pay for current obligations?
- Do your monthly debts (excluding your mortgage) exceed 20% of your monthly take-home pay?
- Have your creditors asked you to return any credit cards or have you been denied credit?

Module 2.14
Managing Your Money

2

Do You Have Any of These Habits?



To help combat negative spending habits, especially during the holidays, the following slide contains several tips called:

Spending Wisely for Gifts

Module 2.15
Managing Your Money

2

Savings Plan Considerations

Ask yourself:


- Are there any variable expenses that I can reduce or eliminate?
- What one thing do I spend money on that I can eliminate this month and put the funds into a savings account?



Module 2.18
Managing Your Money

How to Establish a Savings Plan

- **Focus on saving.** A savings plan is another way to change spending habits. **Plan to save every month**, even if it is only \$30 per month. At this rate, even without interest, you will have saved \$360 the first year, and after three years, \$1,080.
- **Specify from which categories cuts will come** to make up your projected savings. For example, you can save \$30 a month by cutting entertainment by \$15 and clothing by \$15.



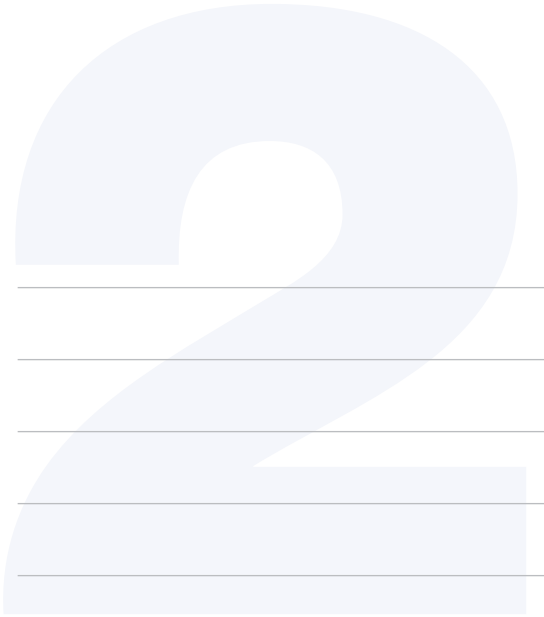
Module 2.20
Managing Your Money

Tips for Saving Money

- Pay yourself first.
- Use payroll deductions.
- Save windfall income (i.e. Christmas bonus).
- Collect loose change and deposit it in the bank.
- Try frugality.
- Break a habit.
- Save lunch money.
- Save sale money.
- Have a "buy nothing week."



Module 2.21
Managing Your Money



Additional Tips for Saving Money

- Before purchasing, always research the costs of major items. For example, research and compare the cost of cars, car insurance and home or renter's insurance. (Be sure to check for insurance premium discounts for adding safety features to your car or home.)
- Read newspapers and circulars for sales in grocery stores. Use coupons and discounts.
- Utilize outlet stores, shop off-season and buy clothes that will endure.

Module 2.23
Managing Your Money

Additional Tips for Saving Money

- Become an informed buyer. Which grocery store has the best prices? Where are the specials this week?
- Buyers' clubs and/or warehouses may help you stretch your dollars.
- Don't buy more than you need.

Module 2.23
Managing Your Money

Additional Tips for Saving Money

- Substitute for a less costly item.
- Exchange information about sales, discounts and other money-saving tips with family and friends.
- Take care of your possessions and avoid waste.
- Comparison shop.

Module 2.24
Managing Your Money

2

Small Sacrifices Do Add Up

Every time you save money, even small amounts, you move closer towards your goals.

- Through planning, patience and perseverance, you will have the money to save and invest.
- Some things may seem small, but if you save \$5 per day, you'd have \$1,825 to save or invest in 1 year. In 5 years, you could have saved \$9,125, after 10 years, \$18,250. Compounded with interest you earn from the bank, the amount saved could be well over \$20,000.




Module 2.26
Managing Your Money

Small Sacrifices Do Add Up

- If you cut up your credit cards, starting with the one that has the highest interest rate, you are limiting the use of the card.

(Remember to contact the credit card company to formally close the account.)



Module 2.26
Managing Your Money

Everything Is a Trade-Off

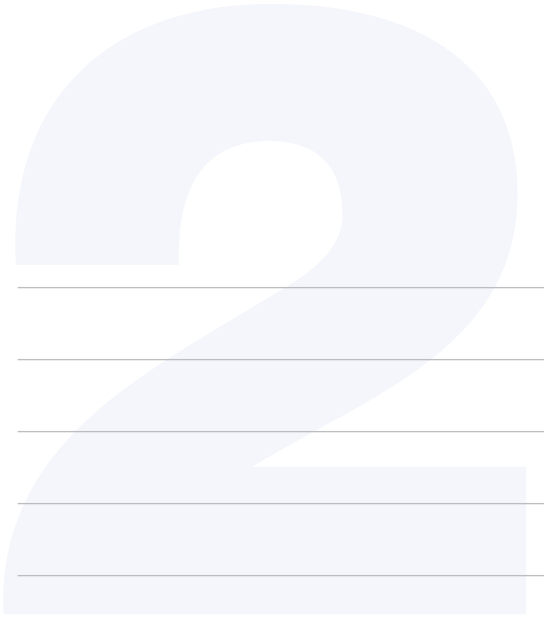
Consider This:
A person who charges \$2,000 on a credit card with 19.8% interest and an annual fee of \$40 would end up paying approximately \$8,202 over 31 years if they made only the minimum monthly payment.

By doubling the minimum monthly payment and with no additional charges, this person could be out of debt in 3 years!

Remember: While you may have created the debt seemingly overnight, paying it off will take time and discipline.



Module 2.27
Managing Your Money



Tips for Using Credit Cards Wisely

- Do not use a credit card for a purchase unless the amount is within your monthly spending limit.
- Limit yourself to 2 or 3 credit cards.
- Pay off the balance in full each month.
- Always pay more than the minimum payment.

Module 2.28
Managing Your Money

Tips for Using Credit Cards Wisely

- For large purchases, plan to pay off the amount in 3 monthly installments.
- Do not consider a credit card an emergency fund.
- Save money for trips and use the card only for convenience and safety.

Module 2.29
Managing Your Money

Credit Cards vs. Debit Cards

Debit Cards

Debit cards, unlike credit cards, withdraw money directly from your checking account. Debit cards are like an "instant" check, and the funds are immediately subtracted from your account. Because it is your own money, there is no interest.

Module 2.30
Managing Your Money

2

Read and Understand the "Fine Print" of Credit Offers

You are all familiar with the following phrases:

- "Pre-Holiday Sale"
- "End of the Season Sale"
- "Clearance Sale"
- "Buy today and pay nothing for 6 months!"

CAUTION: Let's look at the fine print.



Module 2.31
Managing Your Money

Credit Counseling

If you are having difficulty with your debts and/or spending habits, you may wish to contact a nonprofit, community-based credit counseling organization.



Module 2.32
Managing Your Money

Avoid "Credit Repair" Companies

If you are not familiar with a credit counseling service provider, check out the company's reputation by contacting the Better Business Bureau or your state's Attorney General.

Be sure to avoid the "quick fix" or "credit repair" companies!



Module 2.33
Managing Your Money

2

SUMMARY

- Set your priorities by understanding your "needs" vs. "wants."
- Manage your priorities by establishing a spending plan.
- Utilize wise spending techniques to stay within your spending plan.
- Plan for your future by saving money. Once you take control of your financial destiny, you will have more money to consistently save and eventually invest.

Module 2.24
Managing Your Money

Key Terms to Remember

- Needs*
- Wants*
- Spending Plan*
- Fixed Expenses*
- Variable Expenses*
- Savings*
- Net Income*
- Credit Repair Companies*

Module 2.25
Managing Your Money

► **Needs Versus Wants**

Take a few minutes and think about your personal needs and wants. Use the *Needs Versus Wants Worksheet* below to make a list of your needs, (items necessary for survival) and a list of the items that you have purchased out of “want.”

Estimate the monthly cost of each of these items. In other words, what is the total monthly cost of your “needs” such as housing, food, and clothing? What is the total monthly cost of your “wants” or items for which you may be making payments on that were purchased to satisfy your “wants.”

Are you spending as much for your “wants” as for your “needs?” Try to identify ways to “cut corners” in the future to save more money.

Needs Versus Wants Worksheet			
Needs <i>(items necessary for survival)</i>	Monthly Cost	Wants <i>(items purchased out of desire)</i>	Monthly Cost
Total Cost of Needs:		Total Cost of Wants:	

► Steps for Developing a Successful Spending Plan

The following items must be considered to develop a successful spending plan:

- 1) **Determine your monthly income.**
- 2) **List your fixed monthly expenses.**
Fixed expenses stay the same every month, for example, your rent, your telephone bill, your heating bill, or a car payment.
- 3) **Know your variable expenses.**
Variable expenses change from month to month, for example, groceries and doctor's visits.
- 4) **Track and plan for large, periodic expenses (such as car insurance).**
- 5) **Compare income with expenses.**
- 6) **Set priorities, goals, and limits.**
- 7) **Set a savings plan and make it a priority.**
- 8) **Always keep an emergency fund.**
- 9) **Plan ahead for major purchases and avoid impulse decisions.**



Use the *Sample Spending Plan Worksheet* to help you to begin developing your spending plan and spending categories. To complete the spending plan, you will need to track your monthly expenses by examining your checkbook ledger, keeping receipts, and copies of your bills or payment coupons for everything for a month or longer. You may also need to use the enclosed *Expenditure Tracking Worksheet* to help you identify how much you are spending and on what goods and services.

Please note that if you send money to your relatives living in another country on a regular basis, you should include this amount in your spending plan. If you send the same amount of money each month (such as \$200 per month), add it to your fixed expenses. If you send a different amount of money each month (such as \$100 one month; \$125 the next), add it to your variable expenses.

Keep in mind that several goods and services-related expenses may be paid only periodically, for example, once, twice, or quarterly per year. Therefore, remember to include at least 1/12th (one-twelfth) of these annual expenses in your monthly spending plan. (For example: Robert pays his car insurance bill of \$580 every six months for a total of \$1160 per year. Therefore, Robert needs to divide \$1160 by 12 [which equals \$96.67 per month] to determine his monthly spending plan for his car insurance.)

Finally, before fully developing your spending plan, you will need to calculate your income. The following will help guide you through this calculation.

► **Calculating Income**

Gross Income—the amount of income earned before taxes or other payroll deductions.

Net Income or “take home pay”—the amount of income remaining after taxes and payroll deductions.

Use the following steps to help you to determine your net annual and net monthly income:

Step #1:

To calculate your annual net income, you need to answer the following questions:

- 1) Are you paid weekly?
- 2) Bi-weekly?
- 3) Semi-monthly, (for example, on the 1st and the 15th)?
- 4) Monthly?

Step #2:

- If paid weekly, multiply your take home pay by 52.
- If paid bi-weekly, multiply your take home pay by 26.
- If paid semi-monthly, multiply your take home pay by 24.
- If paid monthly, multiply your take home pay by 12.

This will provide you with your NET ANNUAL INCOME.

Step #3:

To determine your NET MONTHLY INCOME, divide your NET ANNUAL INCOME by 12. Use this amount on your spending plan form.

► **Example Calculations of Net Monthly Income**

Case #1:

Douglas is paid on the 1st and the 15th of every month. Therefore, he is paid semi-monthly.

His take home (net) is \$1,235. Therefore, multiply \$1,235 by 24 (semi-monthly) = \$29,640 (net annual income).

\$29,640 divided by 12 = \$2,470 (net monthly income).

Case #2:

Lisa is paid weekly.

Her take home (net) is \$519 per week. Therefore, multiply \$519 by 52 (weekly) = \$26,988 (net annual income).

\$26,988 divided by 12 = \$2,249 (net monthly income).

► Sample Spending Plan Worksheet

The following spending plan is broken down into the following types of expenditures: Fixed Expenses, Periodic Fixed Expenses, Variable Expenses, and Indebtedness.

Depending on your situation, some expenses (for example, long distance calls or a cell phone) may be considered variable rather than fixed expenses. **Be sure to adjust the spending plan categories to best reflect your needs and lifestyle.** (Report all expenses as monthly amounts.)

Fixed Expenses

Housing

Rent, Mortgage, or Lot Rent	\$
2nd Mortgage/Equity Loan/Association Fees, etc.	\$
Heating	\$
Electricity	\$
Telephones (basic service)	\$
Other	\$

Transportation

Gas/Public Transportation/Taxi/Parking	\$
Car/Truck Payment	\$
Other	\$

Insurance

Health (medical and dental, if not payroll deducted)	\$
Life/Disability	\$
Other	\$

Child Care

Child Care/Babysitters	\$
Child Support/Alimony	\$
Other	\$

Family

Money you send to relatives living in another country (if you send the same amount each month, if applicable)	\$
---	----

Personal Savings

Remember to pay yourself first	\$
FIXED EXPENSES SUBTOTAL	\$

Periodic Fixed Expenses (list 1/12th of the annual payment amount)

Housing

Property/Real Estate Taxes (if not included in mortgage)	\$
Home Insurance (if not included in mortgage payment)	\$
Renter's Insurance	\$
Water/Sewage	\$
Trash Service	\$
Other	\$

Transportation

Car Insurance	\$
Car Licenses	\$
Car Repairs and Maintenance	\$
License Plates/Registration Fees	\$
Other	\$
PERIODIC FIXED EXPENSES SUBTOTAL	\$

Variable Expenses

Food

Food/Groceries	\$
Work Related (lunches and snacks)	\$
School Lunches	\$
Other	\$

Child Care

Diaper Expense	\$
Other	\$

Medical

Doctor	\$
Dentist	\$
Prescriptions	\$
Glasses	\$
Other	\$

Clothing

Clothing	\$
Laundry/Dry Cleaning	\$
Other	\$

Education

Tuition	\$
Books/Papers/Magazines/Supplies	\$
Lessons (sports, dance, music)	\$
Other	\$

Donations

Religious/Charity	\$
Other (if not payroll deducted)	\$

Gifts

Birthdays	\$
Major Holidays	\$
Other	\$

Personal

Barber/Beauty Shop	\$
Toiletries	\$
Children's Allowance	\$
Tobacco Products	\$
Beer, Wine, Liquor	\$
Other	\$

Entertainment

Movies, Sporting Events, Concerts, Videos, Theater, etc.	\$
Internet Service	\$
Cable/Satellite T.V.	\$
Restaurants	\$
Gambling/Lottery Tickets	\$
Fitness or Social Clubs	\$
Vacations/Trips	\$
Other	\$

Miscellaneous

Home Maintenance	\$
Checking Account or Money Order Fees, etc.	\$
Pet Care/Supplies	\$
Hobbies and Crafts	\$
Postage	\$
Money you send to relatives living in another country (if you send a different amount each month, if applicable)	\$
VARIABLE EXPENSES SUBTOTAL	\$

Indebtedness

Debts

Student Loan	\$
Credit Card (monthly minimum*)	\$
Credit Card (monthly minimum*)	\$
Credit Card (monthly minimum*)	\$
Medical Bills	\$
Personal Loans	\$
Other	\$
INDEBTEDNESS SUBTOTAL	\$

FIXED EXPENSES SUBTOTAL:	\$
FIXED PERIODIC EXPENSES SUBTOTAL:	+ \$
VARIABLE EXPENSES SUBTOTAL:	+ \$
INDEBTEDNESS SUBTOTAL:	+ \$
TOTAL MONTHLY EXPENSES	= \$

TOTAL MONTHLY NET INCOME:	\$
MINUS TOTAL MONTHLY EXPENSES:	- \$
EQUALS AMOUNT LEFT OVER FOR SAVINGS AND INVESTMENTS	= \$

* Although it is strongly recommended that you pay more than the monthly minimum payment due, lenders will use this amount when calculating monthly debt obligations.

► **Sample Expenditure Tracking Worksheet**

To help you develop your spending plan spending categories and to identify how much you normally spend on goods and services each month, you may need to utilize the following **Expenditure Tracking Worksheet**. This worksheet can be used to track expenses for a given period of time, for example, one month. Sample categories and dollar amounts are listed on the worksheet. Use the blank form (following the sample) to record your own actual expense categories and amounts.

Sample Expenditure Tracking Worksheet Period of Time: <u>January 1</u> to <u>January 31</u>			
Groceries	Transportation Costs	Gifts	Eating Out
\$66.23	\$12.43	\$18.50	\$8.43
27.58	15.33	+22.97	5.19
<u>+82.13</u>	<u>+14.29</u>	<u>\$41.47</u>	<u>+12.40</u>
\$175.94	\$42.05		\$26.02
Clothing	Entertainment	Snacks at Work	Toiletries
\$22.32	\$45.00	\$3.75	\$4.99
48.15	12.00	2.25	7.88
<u>+17.67</u>	17.00	3.50	3.69
\$88.14	<u>+32.00</u>	2.00	<u>+17.43</u>
	\$106.00	<u>+2.00</u>	\$33.99
		\$13.50	
Babysitter			
\$11.00			
8.00			
22.00			
<u>+14.00</u>			
\$55.00			

Expenditure Tracking Worksheet

Period of Time: _____ to _____

► **Tips for Spending Wisely for Gift Giving**

- **Make a gift list and check it twice**—Determine how much you can afford to spend and divide that amount among the people for whom you want to buy a gift.
- **Track what you spend**—Try to avoid buying on impulse and track your expenditures.
- **Shop early and take your time**—Shopping early allows you time to shop for bargains.
- **Be creative**—Be creative and consider items like offering gift certificates to babysit, house clean, or any number of special tasks.
- **Delay some purchases**—Some purchases may be best delayed. This may also allow you to take advantage of post-holiday sales.
- **Watch other expenses**—With too much focus on gifts, it is easy to lose track of other holiday expenses.
- **Talk over a tight spending plan**—If a spending plan is tight, let the family know that you will not be spending as much this year and why.
- **Start saving for next year**—Try to put money away each month to help reduce the financial stress of holiday spending.
- **Keep gift giving in perspective**—The best gift for your family may be financial stability for the rest of the year and beyond.

► **Tips for Saving Money**

Keep the following tips handy to help remind you of ways to save money:

- 1) **Pay yourself first.**
- 2) **Use payroll deductions.**
- 3) **Save windfall income (e.g. holiday bonus).**
- 4) **Collect loose change.**
- 5) **Try frugality.**
- 6) **Break a habit.**
- 7) **Save lunch money.**
- 8) **Save sale money.**
- 9) **Have a “buy nothing week.”**

