

Personal Money Management

Financial Fitness for the Long Run – Get Fit!

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What motivates you ... To save ? ... To spend?

- What do you need to know to achieve personal financial success?
 - How to make money, save money , while protecting your family and money?
 - Know great tips– share them. We're all influencers.
- What are your lifestyle objectives or financial dreams?
- What financial troubles have you seen with family or friends?
- Do you have a nest egg for emergencies? For longer term needs?
- Do we want to be in financial control or have someone else making choices? When we lose financial control we lose control of choices.

Today - Brief overview of a 12-hour class on Personal Money Management where students participate in a variety of activities to develop and practice good money management tools

Our financial lives

Financial Dreams

Financial Nightmares

Self reflection questions:

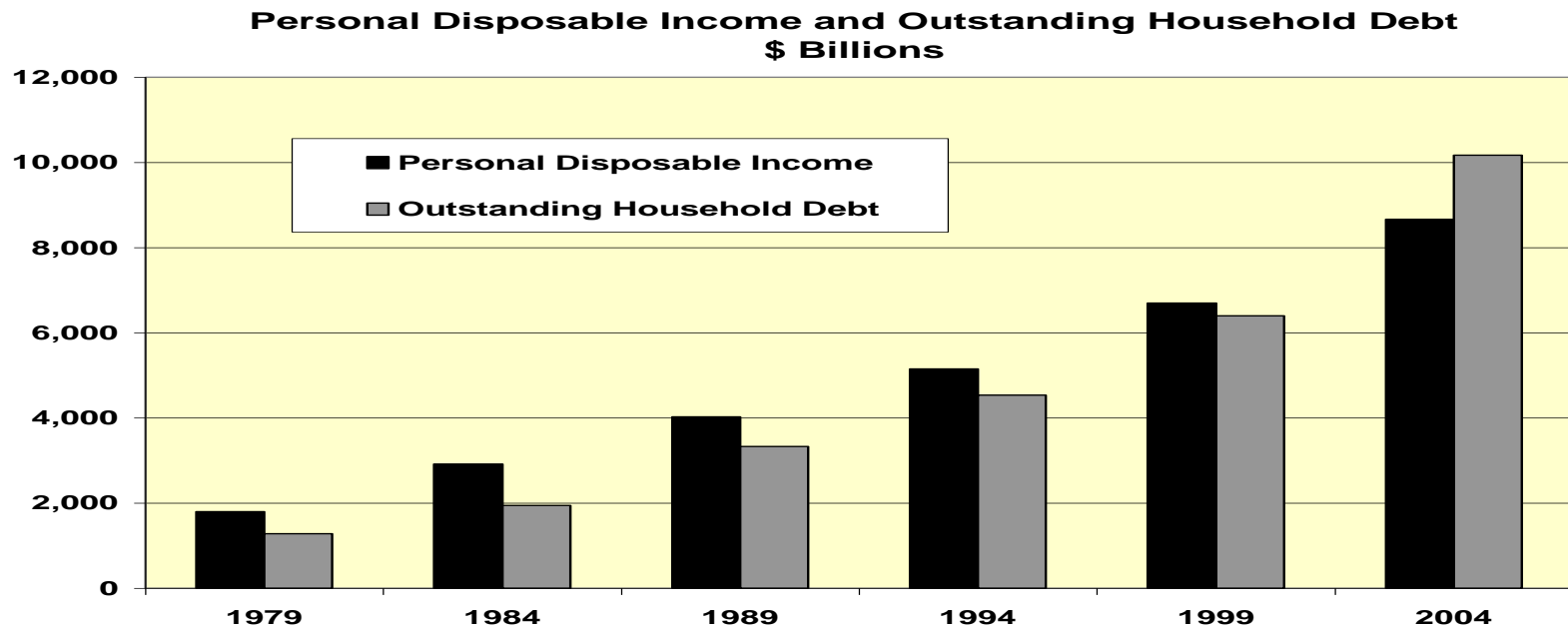
- Do you wonder *where* the money went this month?
- Do you pay bills with money orders, cash, check, or on-line?
- Do you owe more than you can pay?

**Learn to pay off debt and
build a nest egg**

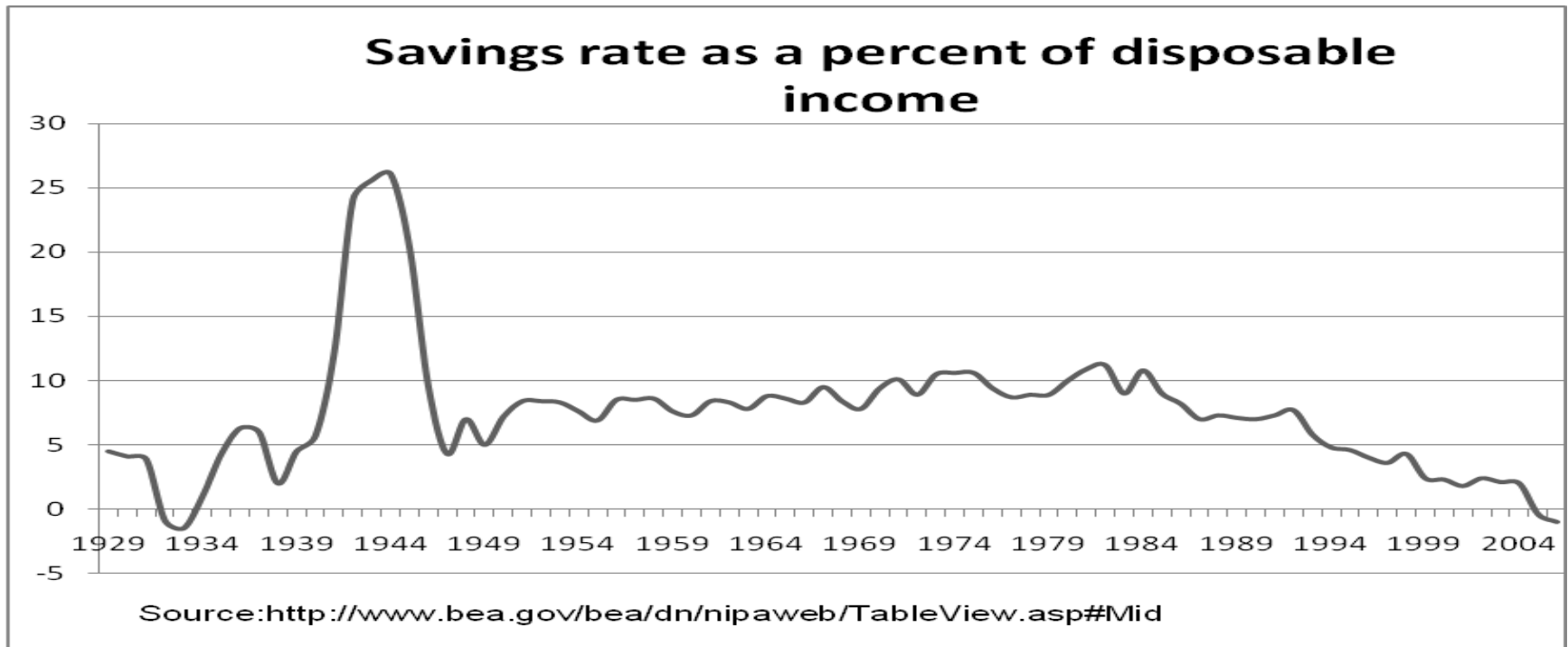
—You can do it!!



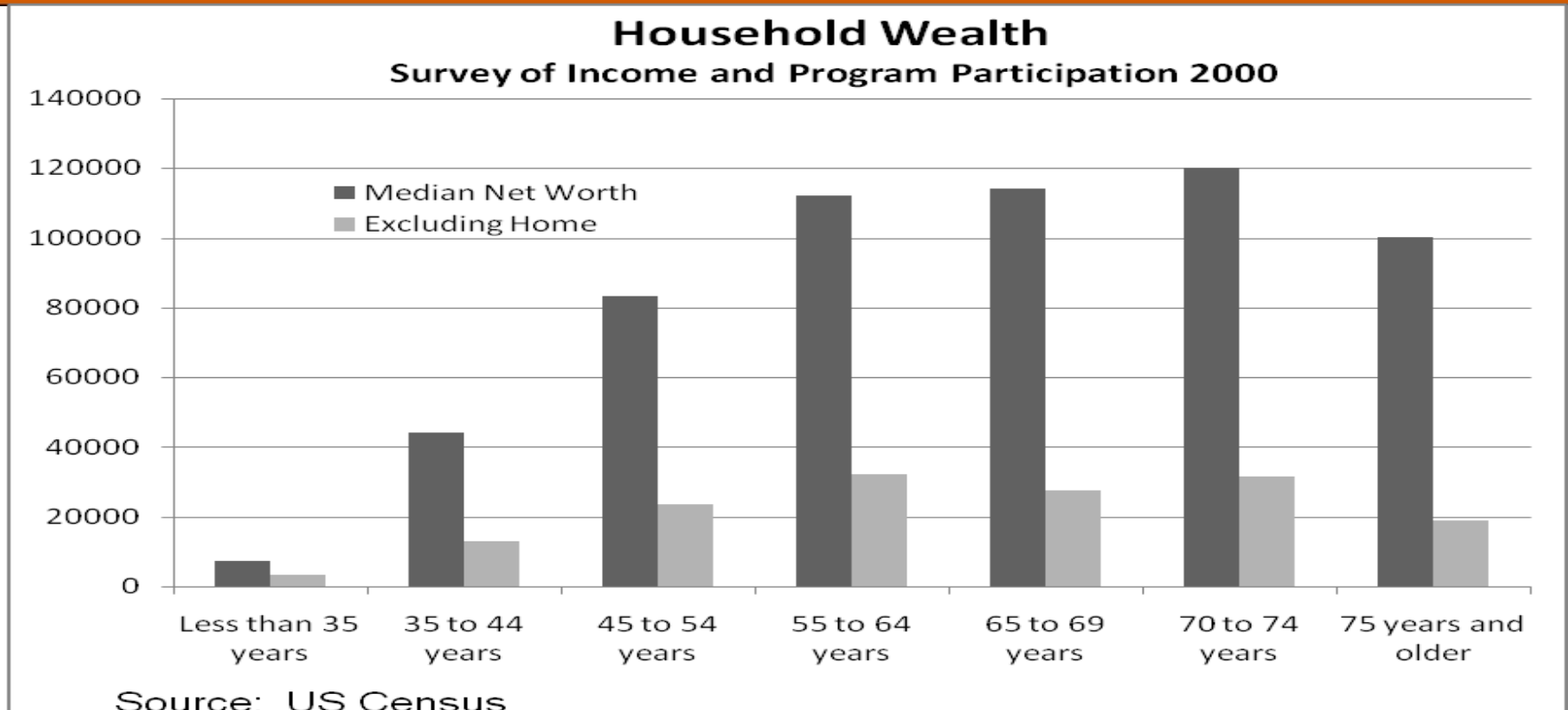
U.S. spending more than earned



U.S. savings rate falls off?



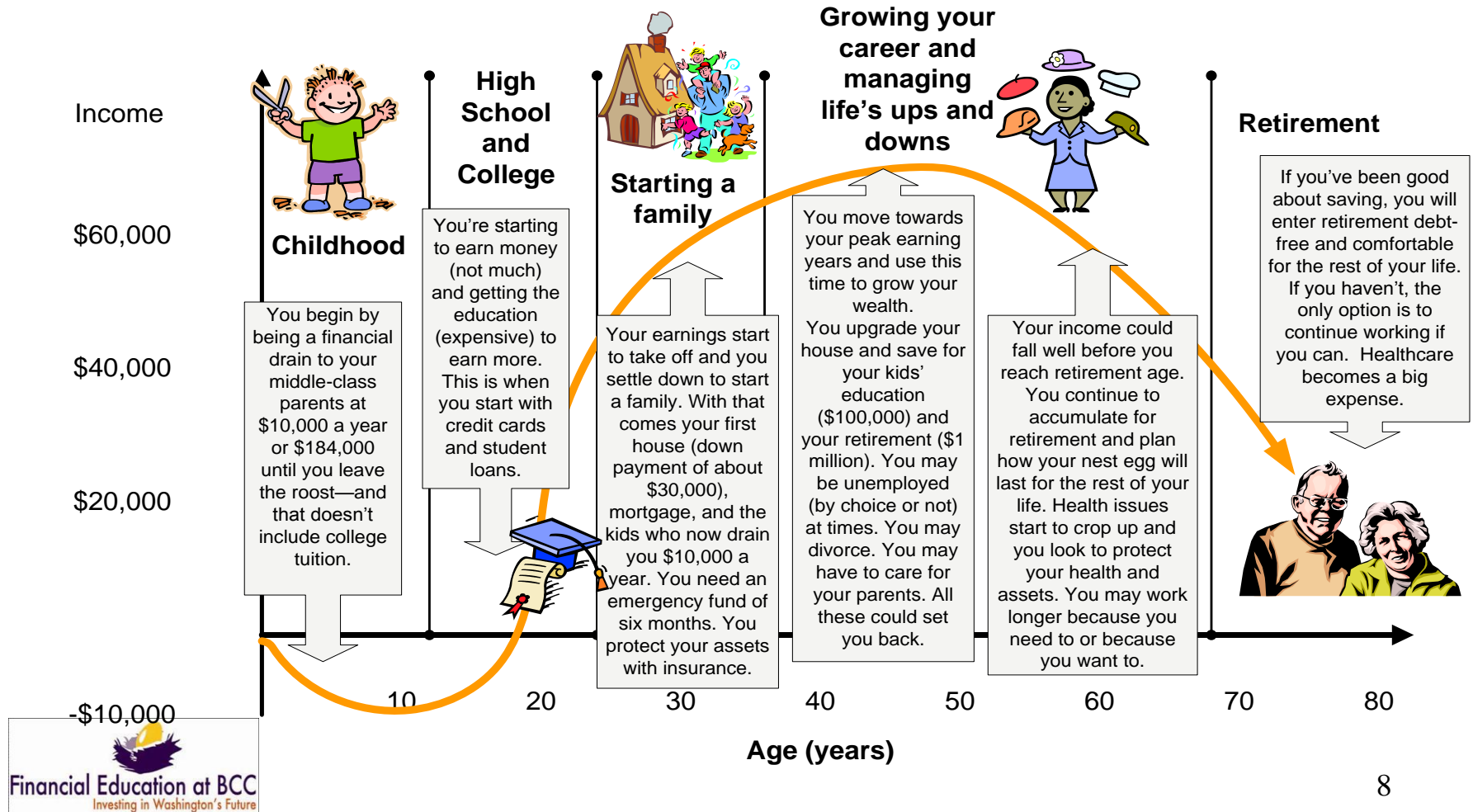
Household net worth?



Net Worth= what you own (assets) minus what you owe (liabilities=debt=loans + credit cards). **Goal: increase net worth!**

Prepare for your future – the long run

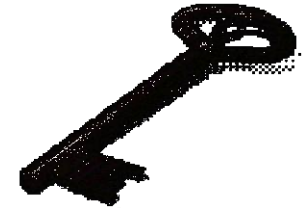
Your Financial Life



Six keys to financial success

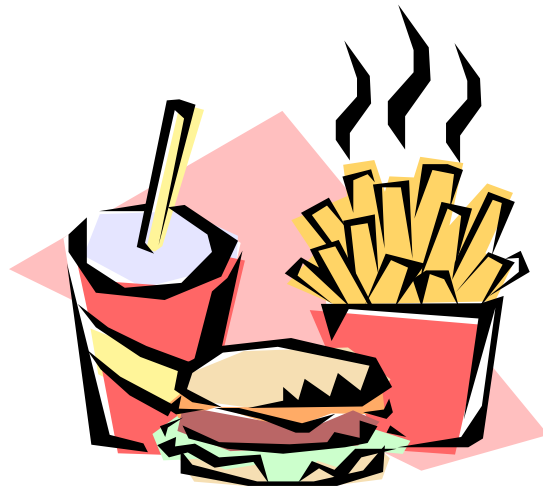
Financial experts cite these **6** keys in securing your financial future:

1. Set financial **goals** - where do you want to be?
2. Develop and stick to a **spending plan**
3. Create wealth by **paying yourself first** - build a wealth/savings/investment nest egg for a more secure future
4. Grow your wealth by **investing intelligently** - assess your situation, adjust to make it happen!
5. Conserve your wealth with **good credit habits**-- spend sensibly, pay bills on-time, maintain a good credit rating
6. **Protect your wealth** with good recordkeeping, insurance, and fraud smarts



The effect of saving every year

- What if you cut out candy and pop, or fast food meals, or one sit-down restaurant meal a week, or 5 fancy coffees for a week?
- Your savings would be **\$25**
- What will you have in 20 years?



Your savings will grow even more

Interest Rate	Savings per Week	Number of Years	Future Value
5%	\$25	20	\$42,985.74
5%	\$50	20	\$85,971.48
5%	\$75	20	\$128,957.22

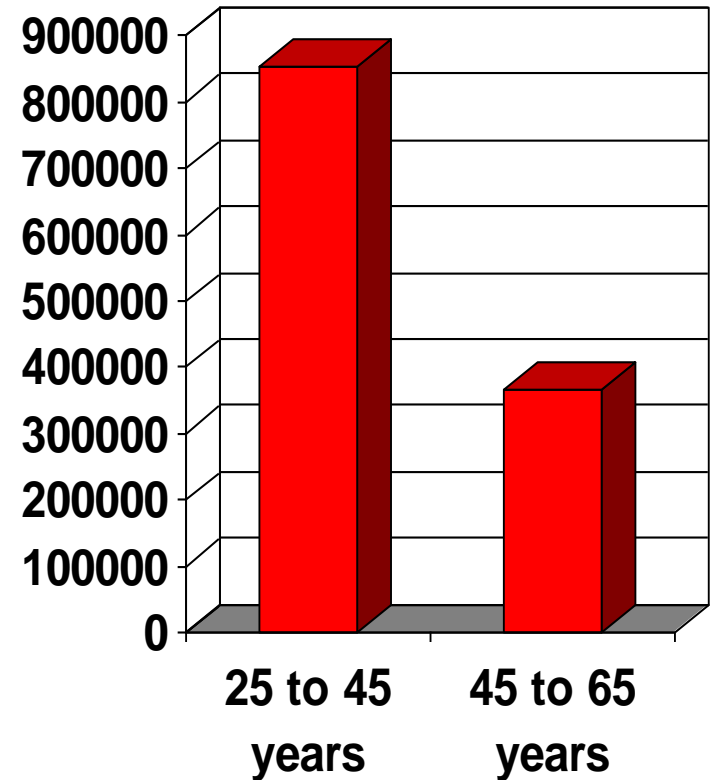
The effect of a better return

Interest rate	Savings per week	Number of Years	Future Value
8%	\$25	20	\$59,490.55
8%	\$50	20	\$118,981.11
8%	\$75	20	\$178,471.66

The importance of saving now

Which is more?

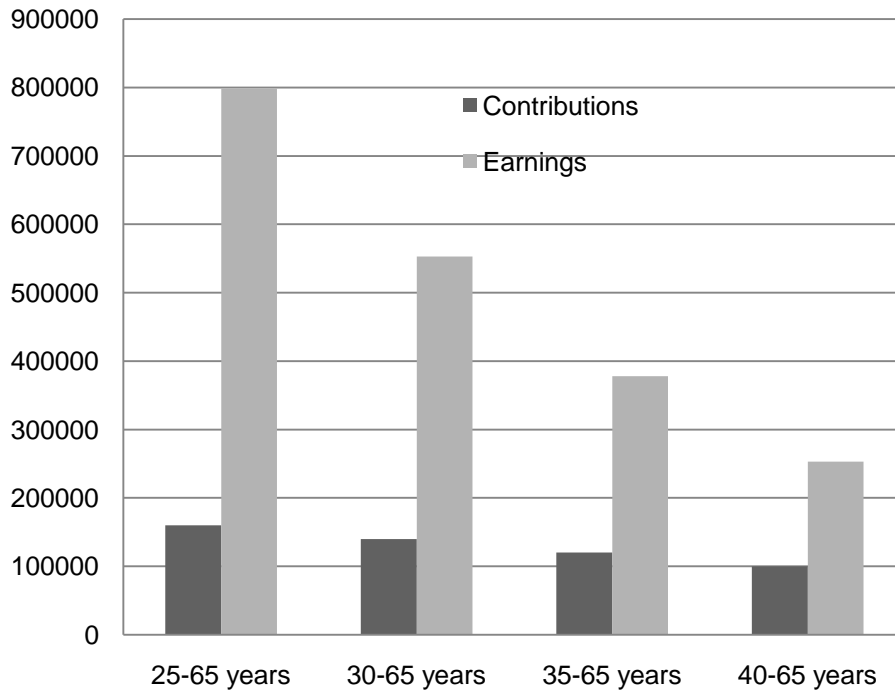
1. Saving \$4000 a year from 25 to 45 years old and then no more savings but you leave it in your account.
 2. Saving \$8000 (double) a year from 45 to 65 years old
- So start depositing money now--the more time the money has to grow, the more money you get. So start saving today!



Assumes 8% rate

Another example of starting now

Start early and let your money work for you
Retirement account balances



	Number of years	Savings per year	Total contributions	Earnings	Total
25-65 years	40	4000	160000	\$798,540.45	\$958,540.45
30-65 years	35	4000	140000	\$552,947.51	\$692,947.51
35-65 years	30	4000	120000	\$377,843.15	\$497,843.15
40-65 years	25	4000	100000	\$252,996.15	\$352,996.15

Basis of financial goals - our values

Living according to our values is important to success in life.



What are some of your values and priorities?

. . .

First, develop short and long-term goals --
identify financial or saving goals that excite you!

Be S-M-A-R-T in setting goals

Specific

Action - "Save money to buy a used car AND pay for insurance."

Measurable

"I need to save \$1,200 for a down payment (\$550) and insurance for a year (\$650)."

Attainable

Reasonable - "I need to save \$100 per month for 12 months."

Realistic

Make sense - "I can save \$100 per month by cutting back or getting a part-time job or working more hours."

Time-related

Definite target date - "I can save \$1,200 over a 12-month period."

Step one: Identify your personal financial goals

Personal Financial Goals Worksheet

Name(s): _____ Goals for: saving, spending and credit
 Date: _____ Year: _____ Months: _____

Non-monetary Goals

Priority	Brief Description	Actions to Be Taken	Target Date for Completion
	<i>Example: Lose weight – 10 pounds</i>	Eat less and exercise more	Six months

Short-Term Money Goals (3-12 months)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed Per Month
	<i>Example: save for emergency-health, car, etc; college tuition, books; a regular savings/investment program</i>	Set up automatic monthly transfer from checking	3 months	\$1,200	\$400

Long-Term Money Goals (One year or more)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed Per Month
	<i>Example: Save for a wedding, a home by age 30-- down payment, a baby, for retirement, other...</i>	Increase contribution to savings program by 10% per year	Four years . . .	\$15,000	\$313

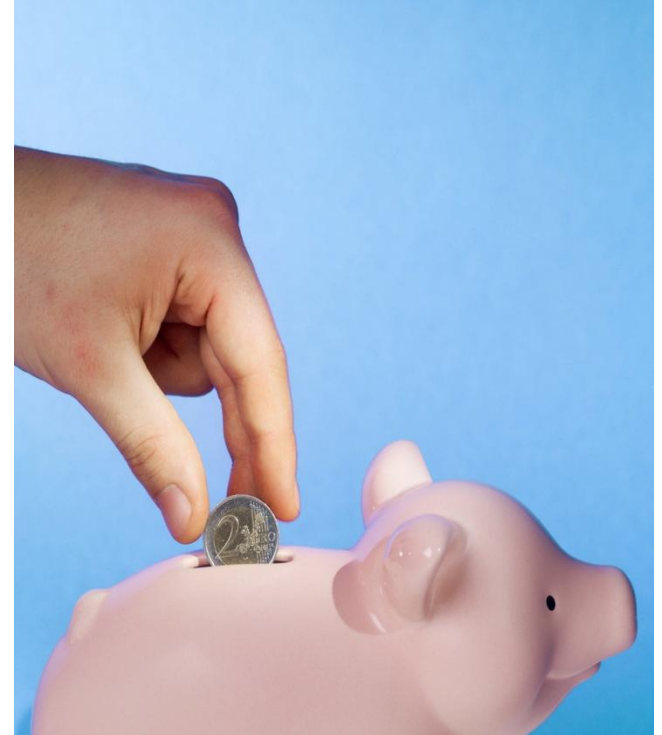
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- Look at your **Personal Financial Goals worksheet**
- Write at least **ONE** goal in each category.
 - **Non-monetary goals** (i.e. lose 10 lbs.)
 - **Short-term money goals** (6-12 months) (i.e. pay off credit card, save for vacation or car)
 - **Long-term money goals** (one year or more) (i.e. save for college, buy a house or save for retirement)

If you don't have goals written down you won't achieve your goals. Financially successful people write down their goals.

Experts suggest the top four savings goals

1. Unforeseen emergencies - 3 months of living expenses
2. A home purchase
3. Retirement income for living expenses
4. College education - you, your kids, your grandkids



Benefits of spending plan

10 Beneficial Reasons to Create and Use a Spending Plan

1. Lower stress level, because you're organized
2. No more expensive late payment fees
3. Improved credit score by paying on time and on budget
4. Receive better credit interest rates
5. Fewer reasons to argue with family - personal relationships improve
6. More financially secure
7. More stable finances
8. Development of personal wealth
9. No more guilty feelings when you splurge
10. Achievement of true financial freedom

Step two: Create a spending plan - and stick to it

Spending Plan Worksheet				
Name	Month:	Planned Amount	Date:	Actual Amount
Income				
Net pay-Job 1				
Net Pay-Job 2 or Child Support, Alimony				
Investments/Interest/Dividends				
Student loans, grants				
Other Income (birthday money, money from Mom or Dad)				
Other Income: (Tips, contractor set aside \$ for Income Tax)				
INCOME Subtotal	\$		\$	
Fixed or Routine Expenses				
Rent or Mortgage				
Savings - Emergency				
Savings and Investment for long-term goals				
Utilities(Water/Garbage)				
Insurance (health, life, auto, home/renter)				
Car payments				
Student Loan payments				
Other				
Total Fixed Expenses	\$		\$	
Variable Expenses				
Groceries				
Utilities (gas or electricity)				
Transportation (gas, maintenance, parking & buses)				
Child Care payments				
Phones - home & cell				
Medications, Medical, Dental, Vision				
Credit Card payments				
Education (tuition, books, etc.)				
Personal care (haircuts)				
Other				
Total Variable Expenses	\$		\$	
Discretionary Expenses				
Meals out (food & beverages)				
Cable TV/ Internet Service Provider				
Donations (church, charities, etc.)				
Clothing (Purchases, laundry)				
Personal care (manicures, gym, tanning, etc.)				
Entertainment (Movies, drinks, vacation, sport teams, sporting events, concerts, etc.)				
Household (furniture, tools, curtains, pictures, etc.)				
Gifts (Birthdays, Holidays, Weddings, etc.)				
Books/Magazines/Newspapers				
Other				
Total Discretionary Expenses	\$		\$	

- Collect your financial information
 - *Your pay stubs*
 - *Household and other bills*
 - *Expense receipts*
 - *Checkbook or online checking data*
 - *Checking and credit card statements*
- Sort receipts into:
 - *Income*
 - *Fixed Expenses*
 - *Variable Expenses*
 - *Discretionary Expenses*

Steps to creating a spending plan

To make it easier to create a spending plan that will work for you, a 4-step process will be used to develop the sections of the **Spending Plan Worksheet**.

- A. Calculate your monthly income
- B. Calculate fixed, variable and discretionary expenses
- C. Calculate Net Income (Monthly Income minus Total Expenses)
- D. Analyze Expenses and Make Spending Plan Adjustments
 - Identify debts to pay down
 - Debt reduction plan

Step A: Calculate monthly income

What is Income? It is the source of one's money each month.
 Net pay (after all deductions for taxes or other deductions)

Household Budget Worksheet -- Income Section				
Name:	Month:		Date:	
Category	Monthly Actual Amount		Monthly Budget Amount	
Income				
Net pay - Job 1				
Net Pay - Job 2 or Child Support, Alimony				
Investments/interest/dividends				
Student Loans, Grants				
Other Income (birthday money, money from Mom or Dad)				
Other Net Income (If you are paid as a "non-employee" or "Independent Contractor" set aside \$ for Income Tax.)				
Other Income				
INCOME Subtotal	\$			

Step B: Calculate fixed, variable, and discretionary expenses

Sort your expenses:

- Fixed
- Variable
- Discretionary



What is a fixed expense?



A cost that occurs regularly and doesn't vary in amount

- Mortgage or rent payment
- Automatic savings - emergency savings and savings/investment for long-term goals *
- Car loan payment/bus pass
- Insurance payments
- Education loans

*** Remember that to build savings set a fixed amount under fixed expenses, even though you keep the money in savings/investment accounts**



What is a variable expense?

A cost that occurs regularly but *may vary* in amount

- Electricity, natural gas
- Telephone, cell phone
- Gas
- Groceries
- Credit card payments
- Others?



What is a discretionary expense?

A cost determined by personal wants that may be controlled

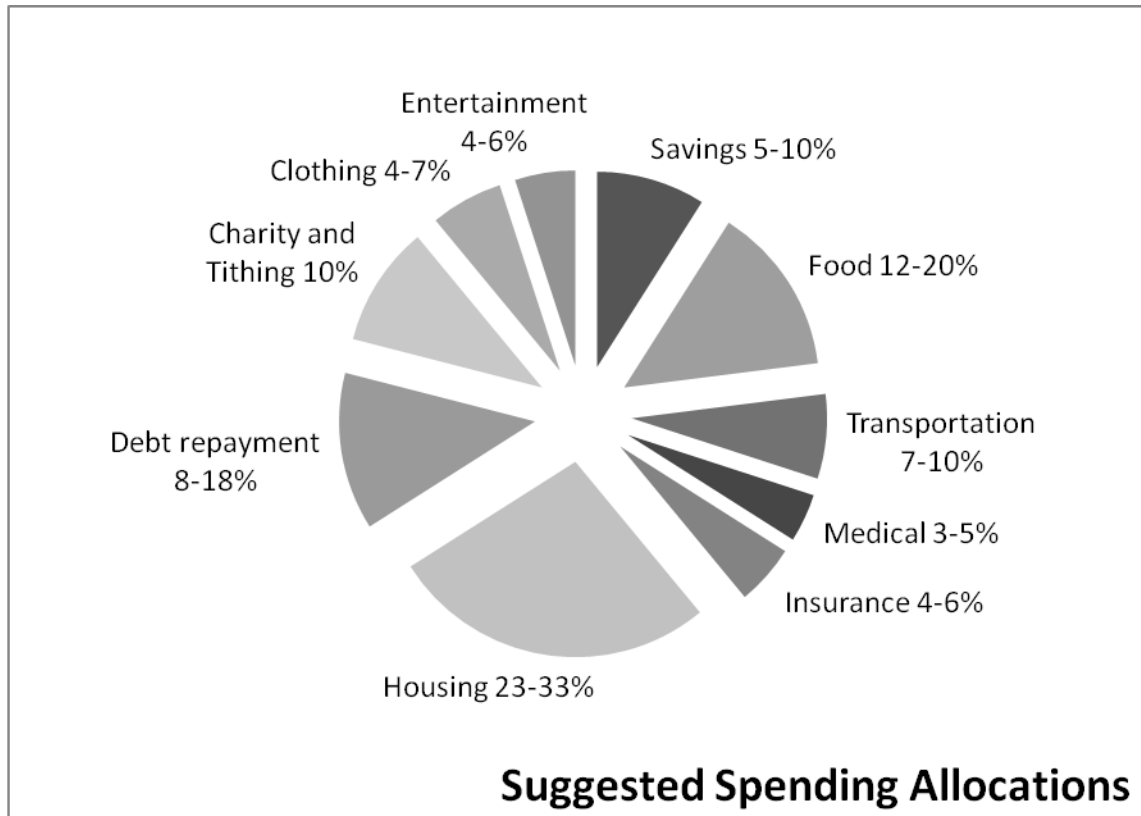
- Entertainment--movies, videos, CDs
- Sports
- Dining out
- Personal care
- Clothes
- Others?

This is where you can cut back and save money!



Fill out the Expenses Worksheets at home

Suggestions for budget expenses %



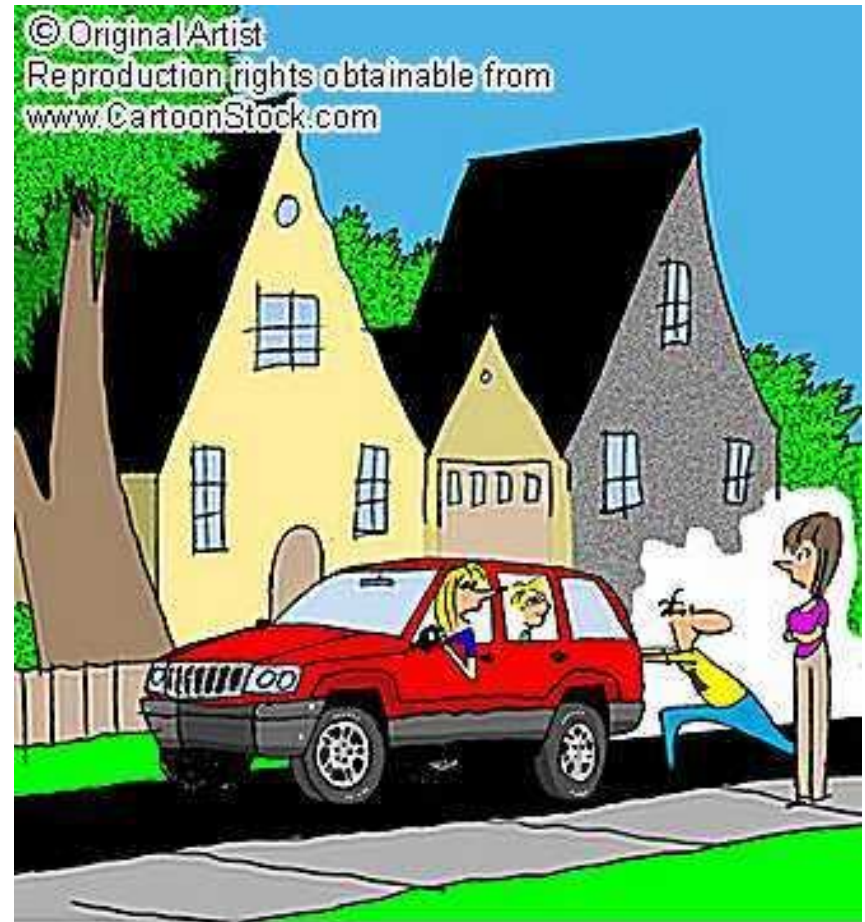
Step C: Calculate net income

Spending Plan Worksheet -- Net Income Section				
Name	Month:		Date:	
Category	Planned Amount		Monthly Budget Amount	
INCOME Subtotal	\$			
Fixed Expenses				
Variable Expenses				
Discretionary Expenses				
EXPENSES Subtotal	\$			
NET INCOME (or Deficit) = (Income minus Expenses)	\$			

- Fill in the information from the **Income, Fixed, Variable** and **Discretionary Expenses** sections
- Subtract the **Expenses Subtotal** from the **Income Subtotal** to calculate your **Net Income (Surplus or Deficit)**

Step D: Analyze expenses and make adjustments

- Fill in the **Spending Adjustment Worksheet** to see where you can save
- Identify where you can make adjustments to reduce expenses and start saving money
- Examine expenses to evaluate whether the expense items are **Needs** or **Wants**
 - Reduce or eliminate spending on **“Wants”** expenses.



*"By pushing us halfway, we save money on gas.
That way we'll have enough money to eat out."*

Which expenses are “Wants”?



- **Needs are essentials**
 - Food
 - Shelter
 - Clothing
 - Transportation
- **Wants are extras**
 - Eating out often
 - Big, expensive house
 - Lots of shopping
 - Brand-new or expensive car
- Use the **Budget Adjustment Worksheet** to see where you can save

Identify debts to pay down

Reduce high-cost debt

Debt Worksheet			
Debt owed	\$ Amount owed	Owed to whom?	Action taken
Taxes		(federal and/or state)	
Alimony		Ex-spouse	
Child support		Ex-spouse	
Credit cards			
Credit cards			
Personal loan (such as a car)			
Personal loan		businesses	

- Get rid of and avoid payday loans– interest rates over 300%+
- Pay off higher credit card debt ~ sometimes 25%+
- Do not borrow to spend
- Create a spending plan that includes your debt repayments
- Automatically deduct from your pay check to an account for your debt
- If your debt is very high, consider selling assets that you don't need to pay down debt
- Consider working more to pay down debt more quickly
- Don't delay, act now

How to make your spending plan successful

- Pay yourself first - set automatic deposit to savings
- Get everyone involved in financial goals
- Stay in control and stick to your budget
- Pay bills on-time - do automatic bill pay and set up auto pay for savings
- Reduce spending on wants - focus spending on needs
- Pay with cash - stay away from using credit cards to pay for everyday expenses

Tips for saving on a tight budget

1. Cut spending

- Record ALL expenses for month to see how you spend - use good recordkeeping all the time
- Comparison shop
- Restrain spending for birthdays and holidays
- **Make it a habit**



Tips for saving on a tight budget

2. Pay down your personal debt

- Avoid late fees, as much as 32-75%
- Paying your credit card late can negatively affect:
 - Employment opportunities
 - Insurance rates
 - Ability to get other credit like when buying a home



Tips for saving on a tight budget

3. Have Uncle Sam help you save

- Learn about and use all tax credits
- Sign up for your tax-deferred retirement plan to build your retirement nest egg
- Set up a Roth IRA for tax-deferred interest growth

Plan ahead!

**Just as an athlete trains for a sport,
money management takes discipline,
planning, and endurance**

- Start early to save money
- Be disciplined
- You can do it!



Talk to your family

- Most families do not talk about money
- Discuss what's yours, mine and ours with your partner
- Teach your children about money management and make them part of the team
- Discuss money management with your parents

Safeguard your wealth

- Check and balance all credit card, bank, and investment statements every month. Make sure that they are correct. Report any errors right away.
- Be careful with your personal information, credit card numbers and account numbers. Keep your financial records locked away.
- Do not disclose your social security number unless it is absolutely necessary.
- Shred or burn any financial statements that you want to discard. Do not just throw them into recycle or the garbage.
- Delete emails that ask you for personal information. Keep your computer secure with anti-virus software. Do not store any financial information on web-based storage that can be hacked into.

Safeguard your wealth

- Keep all passwords to your bank and brokerage secure and change them at least every six months
- Check your credit report at least once a year - go to annualcreditreport.com
- Opt out of credit card offers - optoutprescreen.com 1-888-567-8688.
- Sign up at the do not call registry at donotcall.gov 1-888-382-1222
- If you have been a victim of fraud, report it immediately to www.dfi.wa.gov 1-877-RING-DFI

Summary recap

- Set financial goals
- Develop and stick to a budget
- Pay yourself first - build a savings/investment nest egg
- Pay bills on-time
- Maintain a good credit rating
- Protect your wealth

