

Financial Empowerment Curriculum

Moving Ahead Through Financial Management

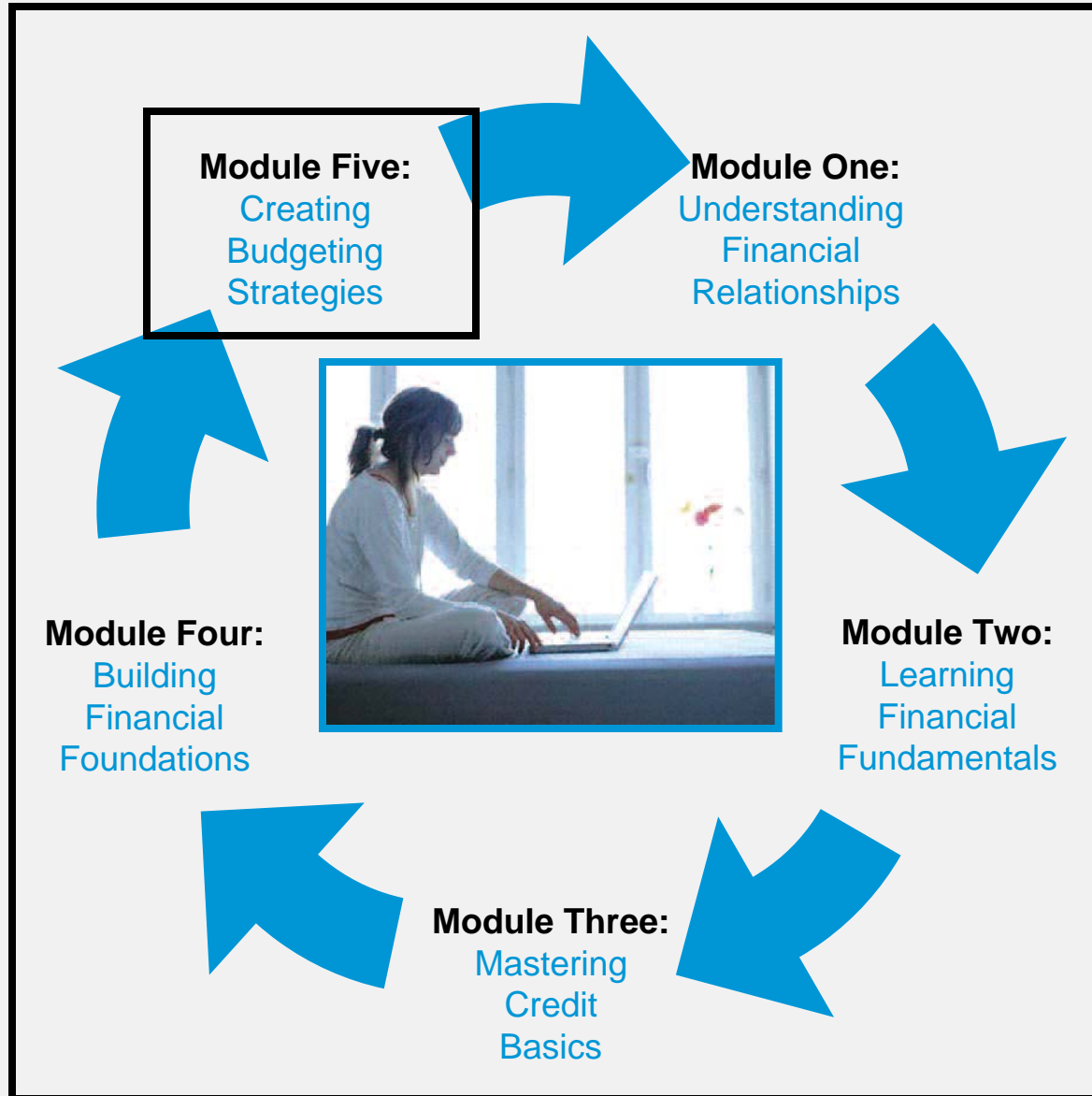


Module Five:

Creating Budgeting Strategies

Saving and Investing
Insurance and Education

Financial Empowerment Curriculum





Module Five Objectives

- Explain the basic concepts to managing your individual budget.
- Identify how to set proper and achievable financial goals.
- Recall strategies that will help you save money short- and long-term.
- Describe the various options to invest your money.
- Explain the various insurance options available.
- Recall the important of a solid education and how to pursue a college degree.

Module Five Opening Exercise



- Before we begin to discuss how to budget and prepare for a brighter future, I want you to take a moment to reflect on your personal experience.
- On a scale of 1-10, how comfortable are you with budgeting, saving and investing money, and continuing your education?
- Why would you rate yourself the way you did? What life experiences have provided you the opportunity (or taken away the opportunity) to allow you to become financially independent?
- Be prepared to share your ideas and thoughts with the class.
- You have five minutes.

Module Five:

Creating Budgeting Strategies

Budgeting Basics

Setting Financial Goals

Savings Strategies

Investment Options

Insurance Overview

Education Opportunities

Budgeting Strategies



What is a budget?

- A budget is a tool that will help you make critical spending decisions.
- If you're considering ending a financial relationship, it's important to review your assets to find out if they will support you and your family.
- If you determine how much money you need to support before you leave, you can prepare in advance to meet your financial needs.
- If you don't have enough money to support your family, or if you have substantial debt, don't despair.
- Debt is common in the United States, and there are many resources to help you manage it.

Budgeting Strategies



Complete the following steps to create a personalized budget.

- **Step 1: Identify your net monthly income**

This is the money that comes into your household, after deducting taxes, Social Security insurance, etc.

- **Step 2: Identify your monthly expenses**

Monthly expenses include rent and phone bills, as well as those that occur periodically, like car insurance and medical expenses.

- **Step 3: Subtract your monthly expenses from your income**

The difference between your income and expenses indicates whether or not you have any money to spare. Can you reduce expenses or earn more money to cover shortages?

Budgeting Strategies



Below is the first half of a budgeting worksheet to review.

Monthly Income (checks or cash):	
Monthly Fixed Expenses:	
Rent/mortgage (principal, tax, insurance)	_____
Life insurance	_____
Medical/health insurance	_____
Vehicle insurance	_____
Disability insurance	_____
Household insurance	_____
Car payments	_____
Other loan payments	_____
Savings	_____
Emergency savings	_____
Other (list)	_____

Budgeting Strategies



Below is the second half of a budgeting worksheet to review.

Monthly Flexible Expenses:	
Utilities (electric, gas, water, phone, fuel oil, etc.)	_____
Credit card payments	_____
Auto upkeep (gasoline, oil, maintenance)	_____
Food (at home and away from home)	_____
Clothing	_____
Household supplies	_____
Medical/dental costs	_____
Recreation/entertainment	_____
Church donation/other charities	_____
Childcare	_____
Education	_____
Personal allowances	_____
Other (list)	_____
Total Monthly Expenses:	_____
Total Income Minus Total Expenses:	_____

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Setting Financial Goals



What is the correlation between financial goals and emotions?

- For many of us, emotions and money are closely tied and spending.
- After a divorce, many woman finally feel free since the husband typically controlled all the spending.
- Woman often feel like they deserve to buy new clothes and enjoy their new freedom after leaving an abusive relationship.
- Many woman increase their spending and struggle financially because they are angry about the abuse they suffered.
- Shopping becomes an avenue for demonstrating that anger but puts them further into debt.
- Talking with an advocate can help express those feelings of anger.

Setting Financial Goals



What are ways to treat yourself without breaking the bank?

Treating yourself:

- Give yourself a manicure
- Enjoy your favorite dessert
- Read a good book
- Spend time with a good friend
- Go for a walk

Treating your children:

- Bake them a cake
- Read them a story
- Rent a video or borrow one from the library
- Play their favorite game with them
- Invite their friends for a sleep-over

Setting Financial Goals



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Savings Strategies



Why is saving money so important?

- An emergency savings fund should have enough money to pay three to six months of living expenses such as repairs on a car or leaky roof.
- It's important to put money away consistently.
- It's better to save \$10 every month than to save \$25 only occasionally. Put money aside by making a deposit to your account as though you were paying a monthly bill.
- The secret to saving money is the miracle of compound interest.
- Example, if a 20-year-old makes a one-time \$5,000 contribution to her retirement account with eight percent return, it will grow to \$160,000 by the time she retires at age 65.
- But if she waits until she's 39, that \$5,000 would only grow to \$40,000.

Savings Strategies



How do I make compounding work for me?

- **Start early.** The younger you start, the more time compounding can work in your favor. If you didn't start early, don't despair, there is still time. Put away as much as you possibly can. Federal regulations allow older workers to put more money into retirement plans.
- **Make regular investments.** Remain disciplined and make saving for retirement a priority. Do whatever it takes to maximize your contributions. If you work for a company that provides a match, make sure that you enroll to equal the highest match from the company.
- **Be patient.** Do not touch the money. Compounding only works if you allow your investment to grow. The results will seem slow at first, but persevere. Most of the magic of compounding comes at the very end.

Savings Strategies



Below is a summary of the typical types of savings accounts.

- **Interest-Earning Savings Accounts:** You'll earn about two percent interest on your savings and receive a monthly statement in the mail. Funds can be withdrawn at any time.
- **Money Market Accounts:** These pay about one-half percent higher interest than savings accounts, but may require a higher minimum balance. You can usually make as many deposits as you like for free, but you can only write three checks each month.
- **Certificates of Deposit:** If you have money that can be tied up for three months to six years, certificates of deposit will offer the highest interest rates, depending on the term you choose. There are stiff penalties for early withdrawals, so choose a term you can live with.

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Investment Options



What are the different ways I can invest money?

- Put money into stocks, bonds or mutual funds using a personal financial representative (PFR).
- Buy real estate.
- Start your own business.
- Sometimes people refer to these options as "investment vehicles".
- Each of these vehicles has positives and negatives.
- The point is that it doesn't matter which method you choose for investing your money, the goal is always to put your money to work so it earns you an additional profit.

Investment Options



The following are ways to save for your retirement.

- **Individual Retirement Accounts (IRAs)** are retirement savings accounts that provide tax advantages when you save for retirement. There are different types of IRAs, some provided by employers and others are set up by individuals.
- **Pensions** are retirement plans set up by employers to provide benefits to retired employees.
- **401(k) Plans** are retirement plans that defer income taxes on retirement savings and any interest they may earn until withdrawn. Most plans are sponsored by employers.

Investment Options



To plan for your retirement needs, consider these questions:

- **How long will your retirement last?** When do you plan to stop working? Will you retire early or are you planning to work at least part-time as long as you can? How long are you likely to live?
- **How much will a dollar be worth?** During times of inflation or rising prices, you'll need more income to support your current lifestyle. When calculating how much money you'll need for retirement, assume inflation rates of three to four percent.
- **How much will you spend?** What type of retirement do you envision? Do you plan to stay in your current home? Do you plan to retire to a beach community in Florida? The first lifestyle will probably cost less than the second.

Investment Options



What are other asset-building programs available?

- Individual Development Accounts (IDAs)
- Micro-Enterprise Development
- Financial Literacy Programs
- Financial Incentives
- Federal and State Earned-Income-Tax Credits (EITCs)
- Unemployment Insurance
- Emergency Assistance Funds
- Miscellaneous Savings Programs

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Insurance Overview



What types of insurance is available?

- Health and Medical Insurance
- Health Savings Accounts (HSAs)
- Auto Insurance
- Homeowners or Renters Insurance
- Life Insurance
- Long-Term Care Insurance
- Disability Insurance

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Education Opportunities



What are some education and training options available?

- General Educational Development (GED)
- On-The-Job Training (OJT)
- Community Colleges
- Trade or Vocational Schools
- Certification Programs
- Online Education
- Four-Year Colleges and Universities

Education Opportunities



Are there any programs to help fund my education?

- State-Sponsored College Savings (529) Plans
- Education IRAs
- Prepaid Tuition Plans
- Financial Aid, Scholarships and Grants
- Free Application for Federal Student Aid (FAFSA)
- Federal Pell Grants
- Federal Stafford Loans and Federal PLUS Loans
- Tuition Reimbursement
- The Allstate Foundation Education and Job Training Assistance Fund

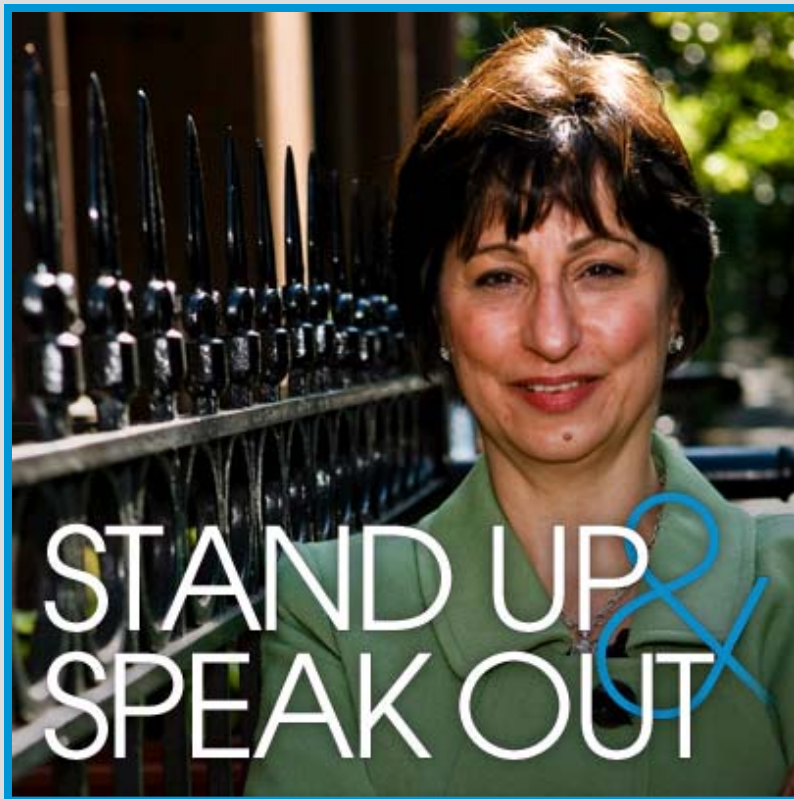
Module Five Review Exercise



- Think about what we have discussed during the past hour.
- What do you believe was the most important piece of information you learned today?
- What is one action item you will commit doing to improve your current situation?
- Be prepared to share your ideas and thoughts with the class.
- You have five minutes.

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**THANK
YOU!**