

# Financial Empowerment Curriculum

## Moving Ahead Through Financial Management



### Workshop

## Budgeting Overview



## Workshop 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.

# Budgeting Discussion



- Before we begin to discuss how to budget, 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?
- 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?

# Budgeting Overview



## What is a budget?

- A budget is a tool that will help you make critical spending decisions.
- A budget helps you determine how much money you need to support your family and meet your financial obligations.
- 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.
- Attending this workshop to learn how to budget is the first step to becoming debt-free.

# Budgeting Overview



**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 Overview



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

<b>Monthly Income (checks or cash):</b>	
<b>Monthly Fixed Expenses:</b>	
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 Overview



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

<b>Monthly Flexible Expenses:</b>	
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)	_____
<b>Total Monthly Expenses:</b>	_____
<b>Total Income Minus Total Expenses:</b>	_____

# Budgeting Overview



## Where do I start?

- Start by deciding how much money you make each month.
- Set a small amount of money aside for your savings and then pay your other bills.
- If you do not have enough money to cover all the expenses, find ways to reduce your spending or increase your income.
- This may mean you have to work a few extra hours, avoid eating out or limit treats for your children.
- Over time, paying yourself first will get easier, and you'll wonder why you didn't do it sooner!

# Budgeting Overview



## Why is budgeting difficult for most people?

- For many of us, emotions and money are closely tied and spending.
- People often feel like they deserve to spend money after working all week.
- Many people increase their spending and struggle financially because they are angry with other aspects of their life.
- Spending money becomes an avenue for demonstrating that anger but puts them further into debt.
- Talking with a personal financial representative (at no cost) can help express those feelings and help you better understand how to budget.

# Budgeting Overview



## What are ways to treat yourself without breaking the bank?

### ■ Treating Yourself

read a good book, spend time with a friend, go to the library, go for a jog, enjoy a home-made dessert

### ■ Treating the Kids

bake them a cake, read them a story, borrow a movie video from a neighbor, play a board game, let them have a sleepover

# Budgeting Overview



Below is an independent planning workshop for you to complete.

Your Personal Worksheet: Reviewing Your Assets			
	I feel pretty comfortable that resources will support my children and me	I'm not sure if my current resources will support my children and me	I need additional assistance to support my children and me
<b>Income</b> – Salary, child support (through a protection order or a divorce decree), public assistance, etc.			
<b>Savings</b> – Money for emergencies, children's education, retirement, etc.			
<b>Housing</b> – Safe, affordable housing			
<b>Insurance</b> – Health, life, auto, disability, etc.			
<b>Transportation</b> – Access to public transportation or a reliable car and resources to pay for car insurance and maintenance expenses			
<b>Childcare</b> – Daycare, babysitting			
<b>Other assets</b>			
Your Personal Worksheet: Reviewing Your Liabilities			
	I have no problems managing this debt	I can continue making payments but may need help managing	I can no longer make payments on this debt and need assistance
<b>Car loan</b>			
<b>Credit card debt</b>			
<b>Student loans</b>			
<b>Medical debt</b>			
<b>Payday loans</b>			
<b>Title loans</b>			
<b>Loans from family</b>			
<b>Home loans</b>			
<b>Other liabilities</b>			

# Budgeting Overview



## What is available to help those who need financial help?

- **Individual Development Accounts (IDAs)**

Savings accounts matched by public and private sources for investments in education, homes and businesses.

- **Financial Literacy Programs**

Programs that help families learn how to manage their finances and make wise economic choices.

- **Federal and State Earned-Income-Tax Credits (EITCs)**

Credits which provide cash to low-income individuals through tax refunds. EITCs increase the income of the working poor and promote their ability to save.

# Budgeting Overview



## Are there other funds or programs that provide financial aid?

- **Emergency Assistance Funds**

Supported by nonprofit or faith-based institutions supply emergency assistance to individuals who need help.

- **Miscellaneous Savings Programs**

Programs to help low-income individuals and families save for needed assets.

# Budgeting Overview



## Why is budgeting and saving money so important?

- An emergency savings fund should have enough money to pay for 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.

# Budgeting Overview



## Why is compound interest?

- **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.

# Budgeting Overview



## 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.

# Budgeting Overview



## What are the different types of saving accounts available?

- **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.

# Budgeting Overview



After saving, you'll have to plan for your retirement needs.

- **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.

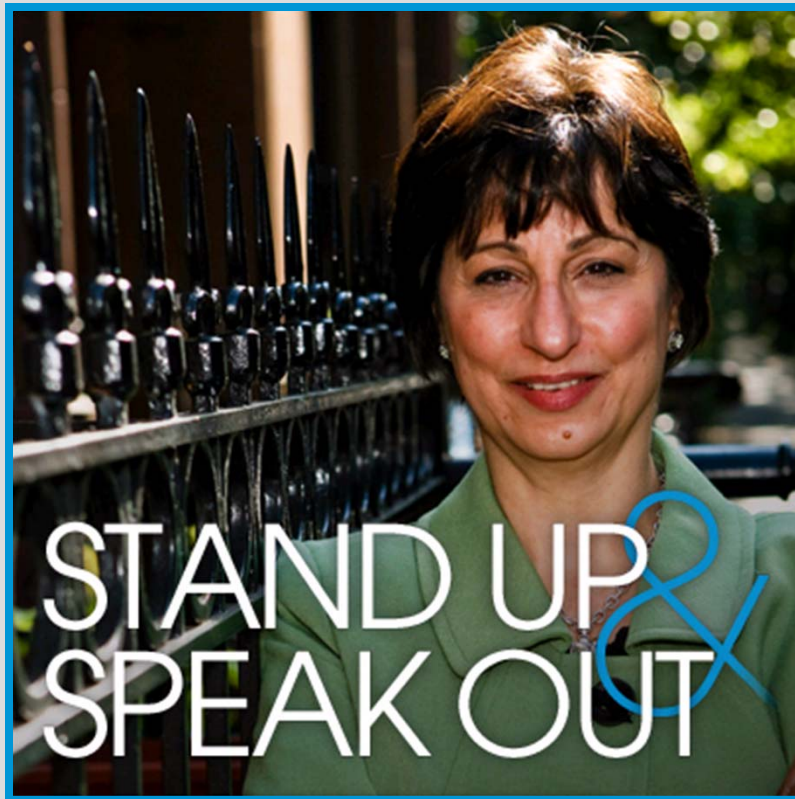
# Workshop Review



- 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?

# Financial Empowerment Curriculum

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**THANK  
YOU!**