

Advantis Credit Union

Presents

Budgeting At Any Age

© 2007 Credit Union National Association Inc.



Workshop Objectives

- > Understand steps to set up spending plan
- > Identify spending leaks
- > Track spending, find ways to save
- > Set short- and long-term financial goals
- > Audit progress, revise goals
- > Use financial tools to reach goals

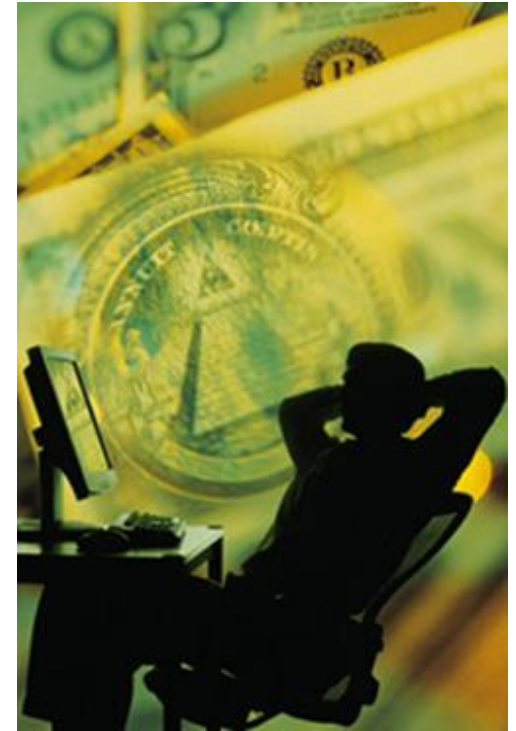
Where are you now?

Take the
One-Minute Financial Quiz



Ask yourself: Do you...

- > Spend more than you make?
- > Live beyond your means?
- > Pay yourself last?
- > Charge items instead of saving for them?
- > Think about an emergency fund, but fail to have one?
- > Spend uncontrollably?



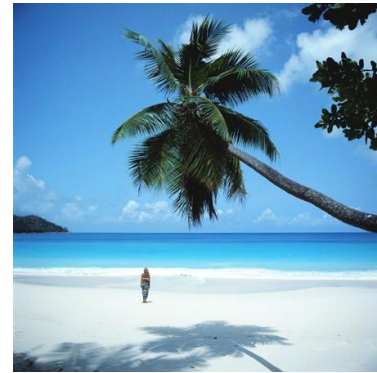
Set SMART financial goals

Specific
Measurable
Adjustable
Realistic
Time-Oriented



Set Three Types of Goals:

- > Short-term
(within the next six months)
- > Intermediate-term
(within the next one to five years)
- > Long-term
(more than five years away)



Know the difference...

- > Budget ... **for short-term goals**
- > Save ... **for medium-term goals**
- > Invest ... **for long-term goals**



Spending plan (Budget)

It's a *blueprint* for your day-to-day personal finances

It starts with *two key components*:

- > Income
- > Expenses



Spending plan

It helps you . . .

- > Stay on track financially
- > Decide where your money goes
- > Make informed choices
- > Determine whether you're living within your means
- > Develop a savings plan
- > Control your financial future





Five steps to a successful spending plan

1. List all income sources
2. Determine where your money goes
--fixed and variable expenses
3. Balance income and expenses
4. Review income and expenses;
communicate new spending plan
5. Manage your system

Step 1: List all income sources

- >Paycheck
- >Dividends/ Interest
- >Social Security
- >Tax refund
- >Rental income
- >Other
- >Bonus
- >Gifts
- >Pension
- >Earned income credit
- >Child support/Alimony





Step 2: Determine monthly expenses

How do you spend money *now*?

- > Fixed (mortgage, car payment)
- > Flexible (food, clothes, utilities, gifts)
- > Periodic (insurance, taxes)



Expenses...

- > Necessary—basic needs: shelter, food, utilities, insurance, medical, debt payments, taxes
- > Discretionary—not necessary for survival: vacations, entertaining, special clothing
- > Personal—don't have to account for every penny
- > Miscellaneous—unplanned expenses; don't use this as a catch-all category



Methods to Track Spending

- > Receipt method
- > Envelope method
- > Checkbook ledger
- > Account book
- > Computer program

Where does your money go?

The little things add up...



However you track, communicate!



Step 3: Balance income & expenses

How does your cash flow?

Goal: Match income with expenses

If income > expenses, save more!

If expenses > income, make changes



Cash-flow statement

“Where did our money go last year?”

Money Coming In

Salary

Gifts

Interest/Dividends

Alimony/Child Support

Sale of Investments

Capital Gains

Money Going Out

Food

Transportation

Housing

Taxes

Insurance

Clothing

Utilities

Gifts

Recreation

Education

Savings

Donations

Other Debt

Where did our money go?

(example)

Income

Salary	\$35,400
Savings withdrawal	2,875
Tax refund	972
Gifts	<u>800</u>
TOTAL INCOME	\$40,047



Expenses

Taxes	\$8,296
Mortgage	8,540
Groceries/eating out	5,060
Miscellaneous	4,020
Medical	3,001
Clothing	2,070
Auto	2,190
Utilities	2,075
Home maintenance	1,758
Savings	1,200
Gifts	1,037
Insurance	<u>800</u>
TOTAL EXPENSES:	\$40,047

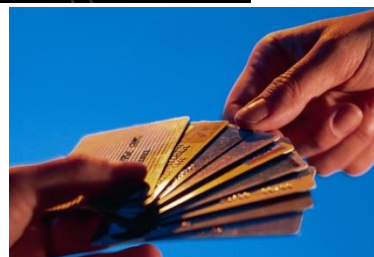
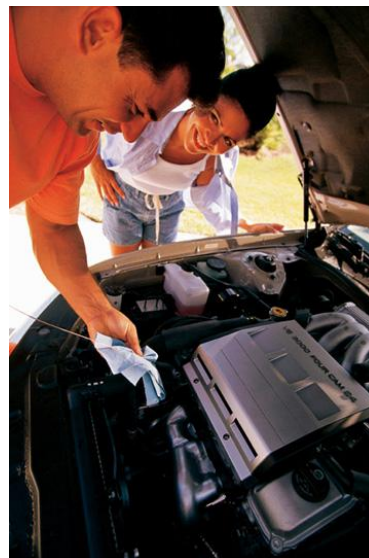
Step 4: Review & communicate

- > Continue to track expenses
- > Find places to save (spending leaks)
- > Analyze and revise plan
- > Does your plan fit with your goals?



Pitfalls That *Could* Destroy Your Spending Plan

- > Medical emergencies
- > Holidays
- > Vacations
- > Repair bills
- > Auto accidents
- > Lack of emergency fund



Examples That Drain Your Budget Dry



Parking tickets

Unread subscriptions

Unread newspapers

Ignored repairs

Leftover food

Quick car acceleration

Air/moisture leaks

Late fees

Unused phone services

Water left running

Leaky faucets

Lights left on

Impulse shopping

Eating out frequently

Practical money-saving tips...

- > Pay down debt
- > Refinance mortgage
- > Bundle insurance with one company
- > Shop around for insurance and credit
- > Use credit cards wisely
 - Only charge what you can pay in full
 - Eliminate late payment fees; pay on time
 - Understand terms and conditions of each card



More money-saving tips

- > Send in rebates and use coupons
- > Drive sensibly to save on gasoline
- > Brown-bag it
- > Don't go grocery shopping when ...
- > Call during off-peak hours
- > Adjust thermostat/use ceiling fans
- > Make saving a habit:
 - Payroll direct deposit --Holiday club account
 - Save one year's raise --Automatic withdrawal



Start a change jar!



Resources for saving money

Choose to Save
choosetosave.org

Smart About Money
Smartaboutmoney.org

Consumer Information Center
pueblo.gsa.gov/cic_text/money/66ways/

U.S. Department of Energy
energy.gov



Step 5: Manage your system

- > Track expenses regularly
- > Pay bills regularly
- > Balance checkbook monthly
- > Review goals annually or after major life change
- > Does spending plan fit with goals?



Develop Your Personal Action Plan—Now!

How do you plan to...

- > Find spending leaks
- > Set SMART financial goals
- > Track spending
- > Create spending plan
- > Audit progress and adjust goals
- > Review spending plan annually





Thank you for coming!
Please complete the evaluation.