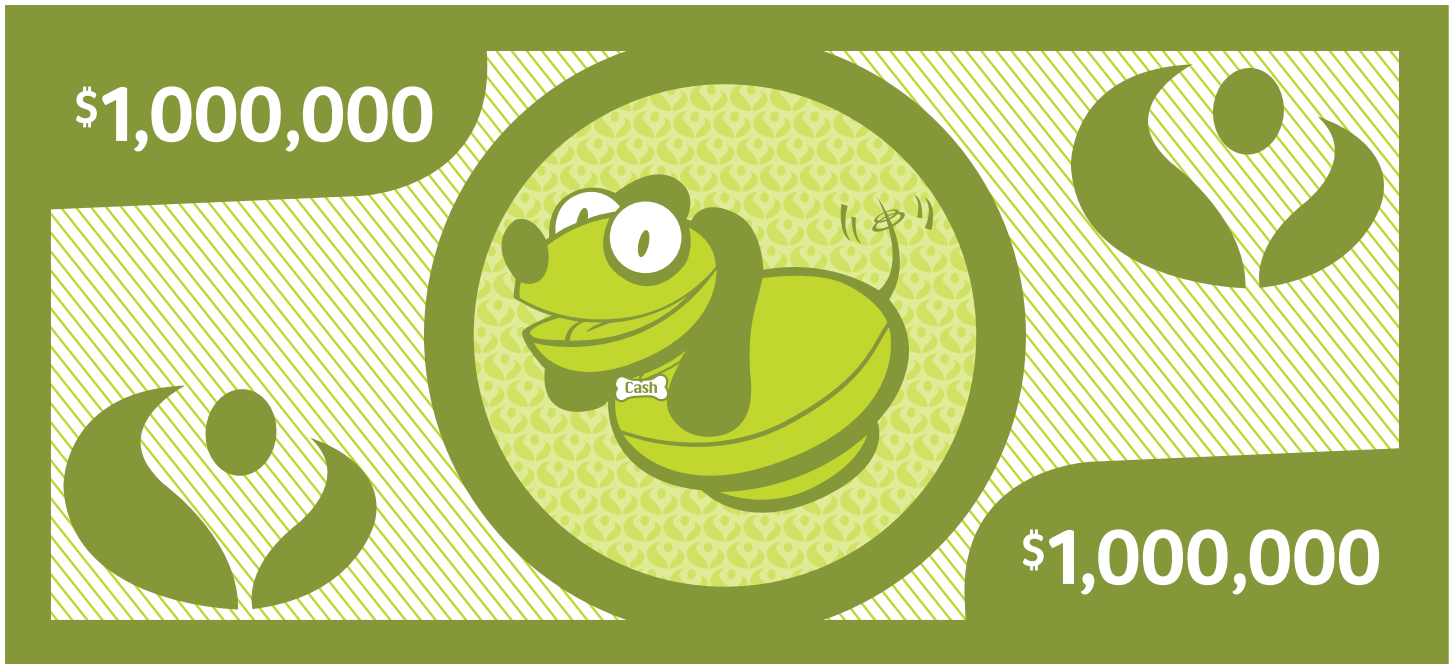


# Budgeting

# Million Dollar Bill



You just won a million dollars!



Write down everything you would buy:

# Wants vs Needs



You just graduated from high school. You'll be working all summer to save as much as possible for your first year of college in the fall. You've already been hired at a local restaurant. They have promised you 40 hours per week, through the summer, with an opportunity to stay on part-time after summer. You'll earn \$12.50 an hour plus \$100 in tips every two weeks. After payroll taxes your pay checks will total \$1,056 every two weeks. For the summer, you will be renting a studio from a friend of your family until school starts and you move into the dorm. Your rent will be \$200 per month, all utilities included, as long as you mow the lawn for them every weekend. You happily agree and decide to make a budget to plan your finances for the summer and fall.

First, make a list of needs versus wants. In order to spend wisely you need to separate your needs from your wants. This is an important part of learning to manage your money.

Below is a list of items you will be spending money on. Divide the expenses between needs and wants.

- Rent
- Gas
- Emergency saving
- Smart phone/plan
- Car insurance
- First semester books
- Eating out
- Gym membership
- Groceries
- Haircuts
- Entertainment (movies, concerts, bowling, etc.)
- Clothing
- Car maintenance
- Unexpected expenses
- Weekly cash allowance (coffee, small unexpected)
- Non-smart phone plan (call & text only)

NEEDS	WANTS

# Pay Yourself First



When it comes to saving, think of it as paying yourself first. Saving money doesn't have to be a daunting task. Setting a saving goal, can really help to keep you on task. Are you saving up for a big trip? Do you want to go to college? Are you trying to buy your first car? Whatever your goal may be, creating great saving habits will help you achieve your financial goals.

Let's look at how saving can make a difference as you start making more money.

If you made...	<b>\$12.50/hour</b> (waiter/waitress, lawn care, cashier)	<b>\$13.10/hour</b> (teller, customer service, data entry)	<b>\$28/hour</b> (retail store manager, entry level corporate jobs)
<b>And saved 10% each week. (40 hours x 52 weeks)</b>			
At the end of the year you would have...	<b>\$2,600</b>	<b>\$2,725</b>	<b>\$5,825</b>

Think of how much money you could save in a year! Even if you were to save one quarter a day, in one year you would have \$91.25. Savings is all about finding ways to save as much as possible, as often as possible.

Figuring out what's the best way to save is up to you. If you are tech-savvy, you may find that creating a spreadsheet works best. If you prefer writing things down, keeping a savings journal might work best for you. If you are more of a visual saver, you may want to consider the envelope method.

The concept behind the envelope method is to distribute your paycheck into the appropriate buckets. The envelopes help you keep track of your money and puts a limit on your spending! For example, once you've used all of the funds in the "fun money" envelope, that's it. No more spending, because you are out of funds. The cool thing about the envelopes is that they're customizable and you can visually see where your money is going. This is a great aid if you are the type of spender who mindlessly uses their debit or credit card without thinking. Once the envelope is empty, your spending must stop.



# Pay Yourself



Prefer managing your finances online? Have no fear, you can still use the envelope method, you can do it digitally. Start by opening up additional savings accounts, nickname them fun money, savings, vacation, emergency fund, etc. Then transfer the funds accordingly.

Savings really comes down to what type of spender you are! It's all about being self-aware. If you know it's easier for you to spend cash, limit how much cash you have on hand. If it's easier for you to swipe your card for purchases, consider carrying cash to limit your spending.

## Money Saving Tips

There are so many resources out there to help you save money and be more money conscious! The sooner you figure out what works best for you, the quicker you will reach your saving goals. At the end of the day, it's all about making your money work for you.

- Look for apps that help you save money without thinking about it. There are apps available that will round up your purchases and put the extra change into a savings account.
- Think about your purchases in terms of how many hours you had to work to pay for the item. If you see a \$30 sweater you can't live without, but you make minimum wage, ask yourself, "Is it worth working for three to four hours to pay for it?"
- Out of sight, out of mind! Not seeing the money you are saving, could help you be less tempted to spend it. Set up a separate account that you don't have debit card access to. Transfer savings each month into this account.
- Set up overdraft alerts and balance reminders. This will help prevent you from overspending and possibly racking up fees.
- Cut down on your daily habits. That \$7 Starbucks coffee adds up really quick! Consider other substitutes or ways to get that caffeine fix without hurting your finances.
- Become a master meal prepper. Making your lunch at home could save you hundreds of dollars a month!
- Even after you've paid off a bill, keep making that payment to yourself. If every month, you have budgeted \$200 towards your car payment and you finally pay off that car, put that \$200 to your savings account. This way you are saving money you have already budgeted for.
- Find a side hustle. Put the money you earn solely into your savings.
- Try the 50/30/20 budgeting rule. Allocate 50% of your income to your needs such as housing, food, utilities, transportation, etc. Put 30% towards your wants like shopping, going out, and hobbies. Save the 20% of the remainder of your income.

# Spending Exercise



Do you know how much money you spend in an average week? For one week, write down everything you purchase, and we mean everything. Even that \$0.50 candy bar every afternoon adds up!

ITEM	DATE	COST
Example: Soda	2/27/18	\$2

Now add up the total you spent for the week: \_\_\_\_\_ Are you surprised by this total?  
Where are some areas you think you can improve? One less soda or candy bar?  
If you spent like this every week, what would you spend in a year? \_\_\_\_\_ (52 weeks in a year)

# Moving Out on Your Own: Now You're an Adult!



## Questions to Ask When Renting:

- How much is the apartment per month?
- Are the utilities included?
- How long is the lease?
- How much is the security deposit?
- How much do people typically get back at the end of their lease?
- Will you have a roommate?
- How will bills be divided? (Get this in writing.)
- Will you need a co-signer?

If you make \$12.50 an hour and work 40 hours a week you will earn \$2,000 a month. Subtracting 12% for taxes leaves you \$1,760 a month.

$\$12.50 \times 40 \text{ hours} = \$500 \times 4 \text{ weeks} = \$2,000$  for a total of \$26,000 (52 weeks x \$500) per year.

## Creating a Monthly Budget:

Your net income	\$1,760		
Rent (with roommate)	\$700	=	\$1,060
Utilities	\$100	=	\$960
Gas/bus	\$65	=	\$895
Food	\$300	=	\$595
Laundry	\$35	=	\$560
Cell phone	\$40	=	\$520
Car insurance	\$150	=	\$370
Car payment	\$100	=	\$270
Entertainment	\$45	=	\$225
Renter's insurance	\$13	=	\$212
Credit cards	\$100	=	\$112
Personal care	\$30	=	\$82
Internet/cable	\$50	=	\$32
Savings	\$30	=	\$2

## What are some other things you might need to budget for?

- Pet care
  - Child care
  - School expenses
  - Medical bills
  - Fees  
(Once your account goes negative, you could start to acquire fees.)
  - Clothing
  - Gym
- Moving out on your own can be exciting, but scary at the same time. Having a budget in mind before you set out on your own will prove to be critical to your financial success.
- \*This a sample budget.  
Some items may cost more or less than listed.

## Check List: Just the Basics

- Couch - \$100 used
- Dining room table - \$40 used
- 4 chairs - \$40 used
- Bed - \$0 if you own
- Night stand - \$15 used
- Dresser - \$0 if you own
- TV stand - \$35 new or \$0 for milk cartons
- Toolkit - \$35 new
- First-aid kit - \$20 new
- Television - depends, let's say \$200
- DVD/Blu-ray player - \$50 new
- PS4 / Xbox One - \$400 new
- Doormat - \$15 new
- Decorations - \$100-\$400 depends on your style
- Blankets or throws - \$100ish
- Lamp - \$30 new
- Extension cords - \$15 new
- Silverware - \$45 new
- Plates - \$20 new
- Bowls - \$20 new
- Cups - \$20 new
- Mugs - \$20 new
- Spatulas - \$5
- Knives - \$45 new
- Cutting board - \$10 new
- Can opener - \$5 new
- Tupperware - \$15 new
- Pots - \$40 new
- Pans - \$40 new
- Dish rack - \$10 new
- Sponges - \$5 new
- Ziploc bags - \$5
- Freezer bags - \$5
- Ice tray - \$1 Dollar Store
- Garbage can - \$45 new
- Crockpot - \$25 new
- Peeler - \$1 Dollar Store
- Grater - \$1 Dollar Store
- Measuring cups - \$1 Dollar Store
- Measuring spoons - \$1 Dollar Store
- Baking sheet - \$10 new
- Foil - \$1 Dollar Store
- Plastic wrap - \$1 Dollar Store
- Blender - \$30 new
- Laundry soap - \$15
- Towels - \$45 new
- Plunger - \$15 new
- Cleaning supplies - \$45
- Coffee pot - \$35 new
- Renter's insurance - \$13 a month
- Personal hygiene items - \$45
- Starter food - (condiments, ramen, spices, etc.) \$200

**If you go off of this list, which is a low guesstimate of the cost of these items, you would be at \$2,035 to get your apartment set up. Hopefully mom, dad or grandma has some extras to help get you started!**

\*This is a suggested list. Some items may cost more or less than listed.

# Are you budget savvy?

## Test your knowledge



### Circle One

- |      |       |   |
|------|-------|---|
| True | False | 1. Understanding the difference between wants and needs is the first step to getting a hold of your budget.                 |
| True | False | 2. It is important that you write down every penny you spend in order to properly assess where you are spending your money. |
| True | False | 3. You do not need a credit score to rent a house or an apartment.  |
| True | False | 4. Many of the things that you will need when you first start off can be purchased used or second hand.                     |
| True | False | 5. A cosigner is someone who uses their credit to help another person get a loan or housing.                                |
| True | False | 6. Your savings account should be a bill in your budget.  |
| True | False | 7. You only live once, so it's okay to live beyond your means.  |
| True | False | 8. Most people spend more eating out, then they budget for.   |
| True | False | 9. Wants vs Needs can vary drastically based on the individual.   |
| True | False | 10. Sticking to a budget is hard, you should give up if the first month is a flop.  |
| True | False | 11. Banks typically charge higher fees than credit unions.  |
| True | False | 12. You should aim to save 20% of your income.  |
| True | False | 13. The envelope method is a great way to track your spending.  |
| True | False | 14. For some people, having two financial institutions, one for spending and one for saving is the best way to go.          |
| True | False | 15. Sometimes, budgets can't be cut. You may have to start a side hustle.   |