Make Your Money Matter: Use a Budget (Slide 1)

- 42% of U.S. adults have a detailed budget to track income and spending

Objectives (Slide 2)

- Identify factors that influence spending
- Define budget
- Identify benefits of establishing a budget
- Identify steps in the budgeting process

Money Decisions (Slide 3)

- Need to establish what influences your spending

Factors Impacting Spending (Slide 4)

- Needs are the essential things we must have to sustain life, like food and shelter
- Items that would be nice to have but may not be necessary are called wants, like going out to eat on a regular basis instead of cooking meals at home
  - You may want the latest version of a smartphone, but you are able to buy an older version at a lower cost with similar functionality
  - You may want a furniture set for a nursery, but it is not necessary to buy all of the pieces to the set as long as the child's basic needs are met
- It is not wrong to spend money on items you want
- Using a budget can do the following things:
  - Help prioritize your spending
  - Help determine if you have enough income for both needs and wants

Identifying Values (Slide 5)

- Our money choices often express non-economic values that are important to us (e.g., security, prestige)
- A quick and easy way to help you recognize what you value is to list where you spend the majority of your time and money

SMART Goals (Slide 6)

- Ask your household members about their wants, needs, and future goals
- Goals should be Specific, Measurable, Achievable, Relevant, and Time bound
- **Handout 1:** Financial Goal Setting Worksheet
  - Example of a specific goal: packing lunches every weekday for a month could be one goal to achieve a primary goal of saving $100
  - Example of relevancy: if you have a considerable amount of credit card debt, it should be a higher priority to pay off debt than to fund a vacation
    - Be honest with yourself about your personal income circumstances and what can be accomplished given your other responsibilities

Examples: SMART Goals (Slide 7)

- **Exercise 1:** Financial Goal Setting
- **Handout 1:** Financial Goal Setting Worksheet
- You can have several financial goals simultaneously
- Ideal emergency funds have approximately 3-6 months of living expenses in a savings account that can be retrieved in an emergency

Goals and Family (Slide 8)

- Marriage, children, and living with others will impact progress of financial goals
  - Have a meeting with household members to discuss goals, provide input, and agree to cooperate
  - Explain financial limitations as a family and how the family will benefit when a specific goal is achieved
    - Children (dependent on age and comprehension level) need to understand why they are being asked to give up certain things or not allowed to participate in activities
    - Involve children by posting a picture of the goal and keep track together of savings progress

What Is a Budget? (Slide 9)

- Budgets, or spending plans, list what you plan to spend and what you actually spent in a given month
- When asked to predict future spending, people predicted spending less money than they actually spent
- Underestimating how much money you need for future expenses or major life decisions can be stressful and costly

Why Develop a Budget? (Slide 10)

- Budget may help with the following:
  - Control spending so you can meet priorities/goals
  - Encourage mindfulness in financial decisions
  - Create long-term savings and investment options
  - Help you live within your means/income
  - Reduce family stress

Budget Components and Categories (Slide 11)

- Income is money we earn or receive on a somewhat regular basis
  - Expenses are items on which we spend money
  - Paying yourself first can build financial security by setting aside an amount of money each pay period that you save for yourself and long-term needs

Fixed, Variable, and Periodic Expenses (Slide 12)

- Fixed expenses are items in which the amount due stays the same each month
- Variable expenses are those that vary in amount each month
- Periodic expenses may come once, twice, or quarterly during the year
- **Handout 2:** Budget Worksheet

Gross vs. Net Pay (Slide 13)

- **Exercise 2:** Identifying Personal Income and Expenses
- **Handout 2:** Budget Worksheet
- Gross pay refers to your income prior to any deductions
- Take home or net pay is your income after deductions

How Much to Spend Per Category (Slide 14)

- Percentages that are typically spent on major budget categories before taxes include the following:
  - Fixed
    - Housing and Utilities (33.1%)
    - Insurance and Pensions (11.3%)
  - Variable
    - Food (12.9%)
    - Transportation (15.9%)
    - Apparel and services (3.3%)
    - Healthcare (8.2%)
    - Entertainment (5.3%)
    - Personal care and services (1.3%)
    - Education (2.5%)
- 50-30-20 Rule or Balanced Money Formula
  - 50% of your take-home income goes to needs; 30% goes to wants; and 20% goes to savings and debt reduction
- What you spend will vary according to the number of people in the home, their ages, and their stages of life

How to Create a Budget (Slide 15)

- Income minus expenses should equal no less than zero
- Look for spending leaks or changes that can be made to cut spending
- It is okay and normal that the first draft of your budget is not perfect

Review of Objectives (Slide 16)

- What influences your spending?
- What is a budget?
- Why is establishing a budget beneficial?
- What are the steps to creating a budget?

Budgeting Tips (Slide 17)

- Purchasing a daily $1.00 can of soda can add up quickly and can waste money that could be used for other financial goals
- Use the wait and remember strategy
  - Leave a desired item in the store, and think about it
  - If you forget about the item in the next few days, you really did not want it
  - If the item keeps coming to mind and you have the money to buy it, then maybe you could consider buying it
- Consider decreasing or eliminating a routine expense for a period of time
- If you have concerns about your finances, speak with a financial counselor