

A close-up photograph of several stacks of US coins, including quarters and dimes, on a blue background.

Build a Basic Budget: *The Five-Step Spending Plan*



Brought to you by
Unity Catholic Federal Credit Union

Seminar 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

A close-up photograph of several stacks of US coins, including quarters and dimes, on a blue background.

Where are you now?

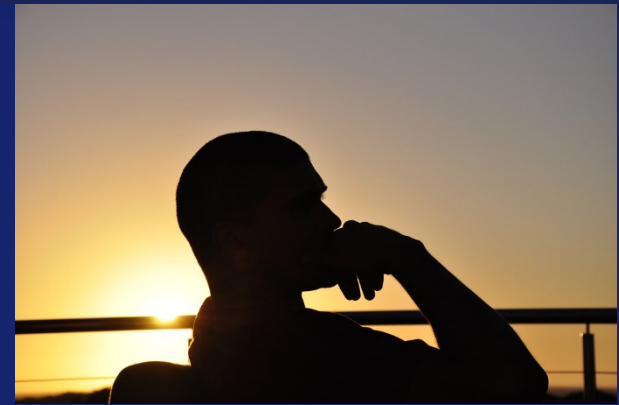
Take the One-Minute Financial Quiz Activity 1 – Where are you now?

It is important to know where you are financially, be honest with yourself.



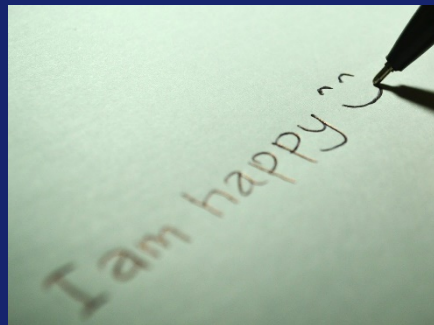
Ask yourself: Do you...

- 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?



Benefits of managing money

- Free up time ⇒ Do things you enjoy
- Less stress ⇒ Better health
- Achieve goals ⇒ Satisfaction
- Greater control ⇒ Peace of mind



Set SMART financial goals

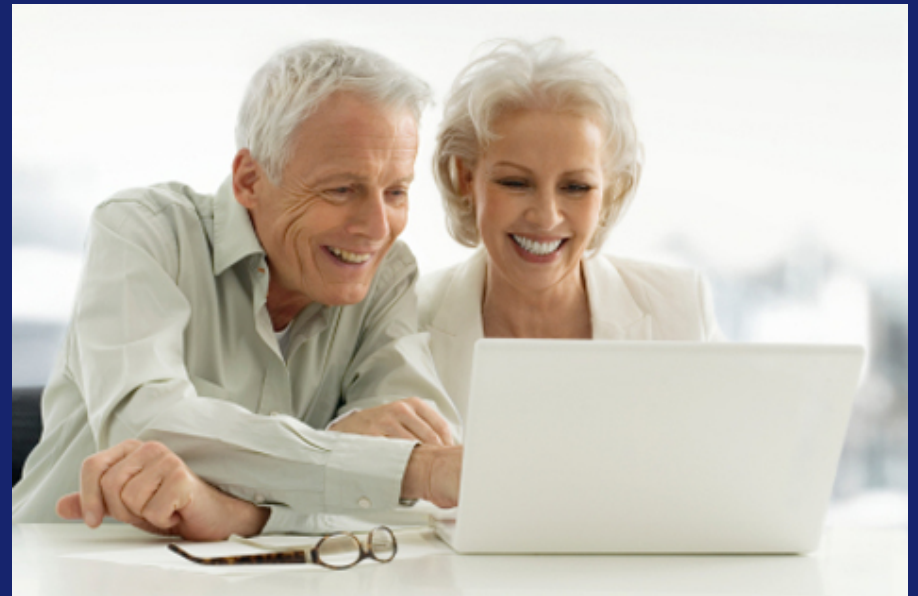
Specific

Measurable

Adjustable

Realistic

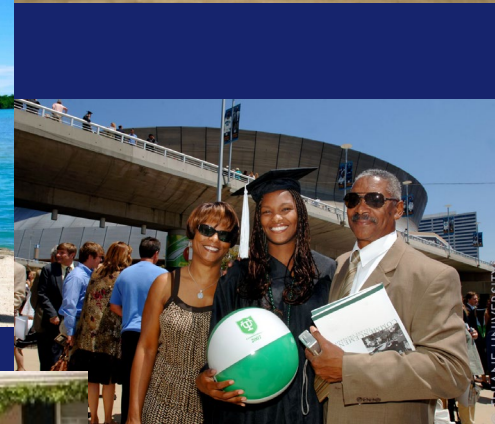
Time-Oriented



Set three types of goals:

Activity 2: My SMART 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

Activity 3: Where does your money go??

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

Pension

Social Security

Rental income

Bonus

Gifts

Child support/Alimony

Earned income credit

Tax refund

Other



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

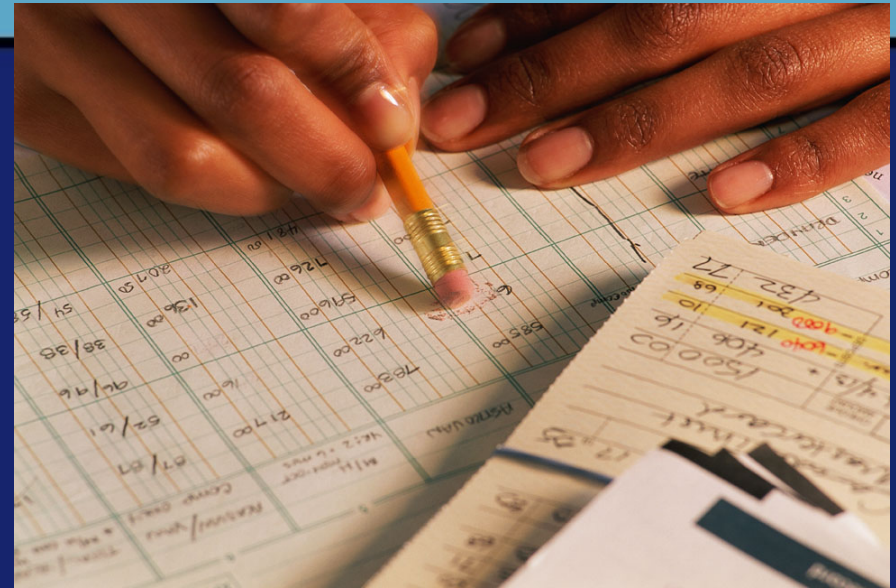
Personal—don't have to account for every penny

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

Activity 4: Cash-Flow Statement

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

Housing

Insurance

Utilities

Recreation

Savings

Other Debt

Transportation

Taxes

Clothing

Gifts

Education

Donations

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



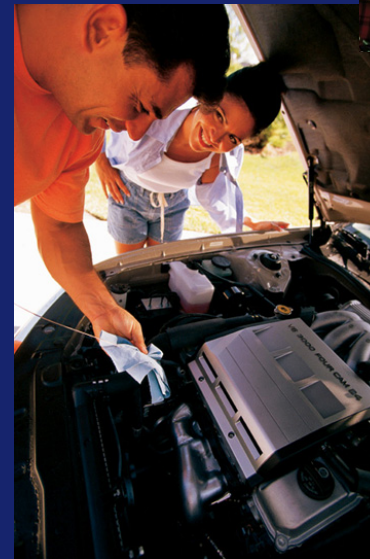
Step 4: Review & communicate

- 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



**KEEP
CALM
AND
SAVE
MONEY**

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 ...
- 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!



People save hundreds of dollars every year, but putting loose change in a jar.

Resources for saving money

- ***UnityCatholicCU.org***
 - ***We have online calculators to help you plan and free financial education through our partner Trinity Debt Management, MoneyEdCU.org***
- ***MyCreditUnion.gov***
 - ***Life Events and Financial Resources tab provide great education opportunities.***
- ***YourMoneyFurther.com***
 - ***Not a member of a credit union? Here you can find one that is just right for you.***



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 plan—NOW!

Activity 5: My Personal Action Plan

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



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CATHOLIC
FEDERAL CREDIT UNION

A stack of US coins, including a quarter and a dime, is shown in the top left corner.

Build a Basic Budget: The Five-Step Spending Plan

Unity Catholic Federal Credit Union

Remember ... your credit union can help you with all your financial challenges.

THERE'S A CREDIT UNION FOR YOU!

It's easy to join the 115 million Americans already enjoying the benefits.

