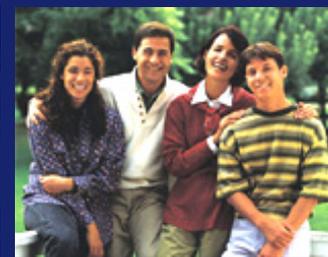




Build a Basic Budget: *The Five-Step Spending Plan*



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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

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?



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

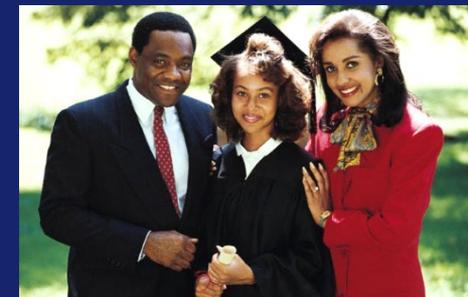
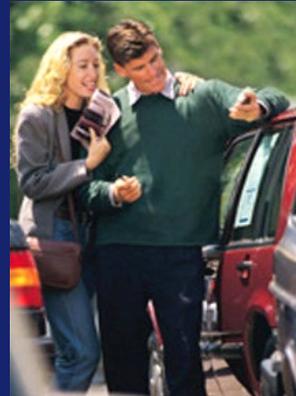
Realistic

Time-Oriented



Set three types of goals:

- **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

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

How does your cash flow?

Goal: Match income with expenses

If income $>$ expenses, save more!

If expenses $>$ income, make changes



A stack of coins, including a quarter and a dime, is shown in the top left corner of the slide. The background is a solid blue color.

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

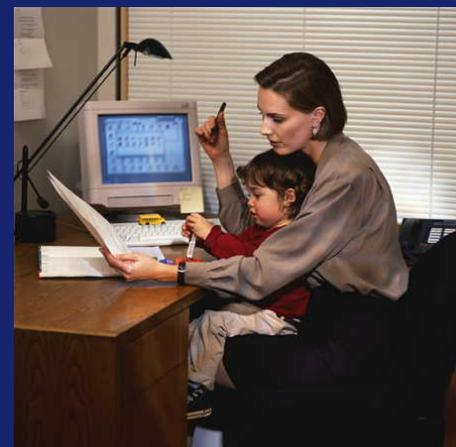


Expenses

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

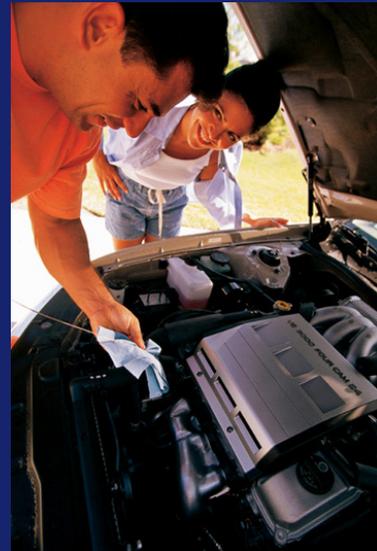
Step 4: Review & communicate

- 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



A photograph of several stacks of coins, including a quarter and a dime, set against a blue background. The coins are stacked in a way that suggests saving or budgeting.

Examples that drain your budget dry

Parking tickets

Unread subscriptions

Unread newspapers

Ignored repairs

Leftover food

Quick car acceleration

Air/moisture leaks

Unused phone services

Late fees

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



[Click to view video](#)

Start a change jar!



Use the “step-down” principle: Spending is reduced in gradual stages

- **Use staircase to show choices:**
 - Top of staircase: Most expensive
 - Bottom of staircase: Least expensive
- **Advantages:**
 - Increases awareness of spending habits
 - Offers a variety of purchasing options
 - Can be used for purchasing frequency



Resources for saving money

Choose to Save

choosetosave.org

Consumer Information Center

pueblo.gsa.gov/cic_text/money/66ways/

U.S. Department of Energy

energy.gov

fueleconomy.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?



A photograph of several stacks of coins, including a quarter and a dime, set against a blue background. The coins are stacked in a way that suggests saving or budgeting.

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



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