

FINANCIAL LITERACY MODULE #1

# Money Matters: Budgeting

# Budgeting & Financial Planning:

## Two Important Aspects of a Personal Money Management System

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- ❑ **Budget** - An itemized summary of estimated or intended expenditures for a given period along with proposals for financing them.
- ❑ **Financial Planning** - Management of all aspects of an individual's financial affairs with the objective of pursuit of the achievement of the individual's financial goals.

# Budgeting topics we will discuss today:

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- ❑ Needing a Budget
- ❑ Identifying Needs and Wants
- ❑ Creating a Budget
- ❑ Creating a Spending Plan
- ❑ Earning Spending Money
- ❑ Adjusting a Budget
- ❑ Plugging Spending Leaks

# Needing a Budget

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- ❑ Define your budget according to your spending habits. Organize your use of money by thinking about the following:
  - ❑ Spending Categories – consider *needs* vs. *wants*.
  - ❑ Setting Priorities – *needs* come first.
  - ❑ Establish Boundaries – don’t let guilt take priority over the well-being of yourself and your family.
  - ❑ Pace Your Spending:
    - ❑ How often do you get paid?
    - ❑ What bills are due during each pay cycle?
  - ❑ Recognize Spending Limits:
    - ❑ Set a limit on the amount you spend on *wants*.
    - ❑ Avoid temptations and pressure!
  - ❑ Be Prepared for Emergencies – “rainy day” savings.

# Identifying Needs and Wants

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- ❑ Write down a list of your needs and wants and their costs, and then look carefully at what you've written down.
- ❑ Now, review your list and think about what's really important to you and what has lasting value.
- ❑ Do you really need or want everything on your list? Put stars next to the items that are particularly important to you.
- ❑ Are some needs actually wants? Cross off the least important wants.
- ❑ If you find that some of your wants are unreasonable, write down a more reasonable alternative to that particular want.

# SAMPLE NEEDS AND WANTS CHART

## CASHCOURSE

YOUR REAL-LIFE MONEY GUIDE

### NEEDS VS. WANTS WORKSHEET

One way to help you spend wisely is to separate your needs from your wants, and to spend money primarily on your needs. You probably understand that, for example, groceries are a need and dining out is a want. But some nights, after cramming for a test or working late, takeout is sure to feel like a need. Maybe food is a need in that instance, but ordering takeout is a want. List some of your needs in the spaces below. Write down some of your regular expenses and then consider whether they are truly a need or if they are a want.

Item	Cost	Need?	Want?	Alternative if Want
Housing	\$800	✓		
Vehicle	\$250	✓		
Food	\$300	✓		
Electricity	\$100	✓		
Insurance	\$250	✓		
Starbucks	\$100		✓	Make coffee
AC	\$100		✓	
Cable TV	\$250		✓	Don't need

# CREATE A BUDGET

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- ❑ Identify income – Use top of Monthly Budget Worksheet

List the financial assistance each month – family gifts, income, child support, other payments

**CASHCOURSE**  
YOUR REAL-LIFE MONEY GUIDE

## MONTHLY BUDGET WORKSHEET

Income	Monthly Amount
Scholarships	
Work-study pay	
Loans	
Grants	
Work	
Family support	
Other	
Other	
<b>Total Income:</b>	

# CREATING A SPENDING PLAN

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- ❑ Track all spending
  - ❑ Big \$ - tithe, rent, utilities, vehicle, tuition, groceries
  - ❑ Small \$ - tickets, sodas, haircuts, entertainment
- ❑ Use a “spending notebook”
  - ❑ Spiral, spreadsheet, notepad, or software like Quicken
  - ❑ Track during one month - evaluate your spending
    - ❑ What types of “smart” purchases were made
    - ❑ What purchases are unnecessary
    - ❑ Debit card users - easily review-categorize your spending
- ❑ Pay major bills first
  - ❑ Then budget all other small ticket items above
  - ❑ Don't forget to save a little each month for emergencies

# List your expenses – Use Spending Detective Worksheet

Using receipts or spending notebook – determine actual expenses as much as possible



## SPENDING DETECTIVE WORKSHEET

Locate your most recent monthly bank and credit card statements or use a spending record that best reflects your regular monthly finances.

Begin at the top of your bank statement (if you have more than one statement, repeat this process for all your accounts and combine them into one list).

1. One by one, look at every item that took money out of your account — every bill you paid, every check, purchase, debit, cash withdrawal, etc., and put it in one of these three columns.
2. Don't overlook fees or other charges from your bank. Put these in the "Regular Bills" or "Needs" column.
3. If you know you got cash back on a purchase, consider the cash as a separate transaction. For example, if you got \$40 in cash on top of a \$50 grocery bill, you might list the \$50 groceries as a "Need," but the \$40 cash as a "Want."
4. Make calculations easier by rounding up or down to whole dollar amounts (for example, \$45.36 would be \$45; \$11.75 would be \$12).

Item Description	Regular Bills <i>(Bills you pay on a regular basis that are about the same amount)</i>	Needs <i>(Things you need each month that vary in price)</i>	Wants <i>(Things you buy that you probably could do without)</i>
Example: Rent	\$800		
Example: Bank fee	\$10		
Example: Groceries		\$50	
Example: Cash back on groceries			\$40
Example: Lunch out			\$15

# Compare income with expenses - Use Monthly Budget Worksheet

Make adjustments

Is income higher than expenses? Save some money. Are your expenses greater? Time to adjust.

Cut expenses by

Identifying needs vs wants

- See “plugging spending leaks”

or

Increasing Income

- See “earning spending money”

**CASHCOURSE**  
YOUR REAL-LIFE MONEY GUIDE

## MONTHLY BUDGET WORKSHEET

Income	Monthly Amount
Scholarships	
Work-study pay	
Loans	
Grants	
Work	
Family support	
Other	
Other	
<b>Total Income:</b>	

Expenses	Monthly Amount
<b>Housing</b>	
Rent or mortgage	
Utilities (electricity, heat, water)	
Condo/homeowner's association fees	
Property taxes (if not included in mortgage payment)	
<b>Savings Goals</b>	
Emergency fund	
Other saving goals (car, computer, vacation, etc.)	
Retirement	
<b>Insurance</b>	
Health insurance	
Homeowner's or renter's insurance	
Auto insurance	

# EARNING SPENDING MONEY

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- ❑ While attending school requires many hours of your time – if you need some extra cash, try to find some part time work
  - ❑ Manage your time accordingly for work and play
  - ❑ Talk to your college’s financial aid department – earning additional money may interfere with eligibility
- ❑ Tips on finding on-campus jobs
  - ❑ Apply with Career Services Office
    - ❑ Bookstore – staff discounts
    - ❑ Library – quiet study time
    - ❑ Computer center – access to resources
    - ❑ Working for a professor – research studies
    - ❑ Keep checking for openings

# EARNING SPENDING MONEY CONT...

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- ❑ Tips on finding off-campus jobs
  - ❑ Limit hours
  - ❑ Look for flexible schedules and short shifts
  - ❑ Factor in transportation time and costs
  - ❑ Jobs with perks
    - ❑ Work for tips and/or free meals at restaurants
    - ❑ Employee benefits – health insurance/vacation
- ❑ Creating your own job
  - ❑ House, Baby, or Pet sitting
  - ❑ Tutoring – computer assistance
  - ❑ Selling handmade jewelry, crafts, paintings etc....
  - ❑ Detailing cars or Lawn care

# ADJUSTING A BUDGET

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- ❑ What are some reasons your money situation could change?
  - ❑ Income increases – work, grants, gifts
    - ❑ Start a savings account or put money away while you can
    - ❑ Deposit grants, scholarships, work-study job, gifts into checking account – easier to track, safer – less expensive than money orders. Also can get an ATM/Debit card

# ADJUSTING A BUDGET CONT....

- ❑ Income decreases – lose a job, rent increases, major car trouble, lose financial support, illness
  - ❑ Look at expenses – limit your unnecessary spending
    - ❑ Snacks, entertainment, clothing, gifts
  - ❑ Reduce your budget – taking a little from each category
    - ❑ Take your amount deducted  $\div$  by the # of categories – reduce each category by that amount
  - ❑ Get a roommate – eat at home – borrow books – eliminate services
  - ❑ Carpool – buy only essentials – shop consignment

# PLUGGING SPENDING LEAKS

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- ❑ Does money leak from your pockets?
  - ❑ Where did the money go – watch yourself spending
    - ❑ Record your spending activities - ie... impulse buying
- ❑ Spending control techniques
  - ❑ Leave credit cards at home
  - ❑ Instead of attending movies – go to free concerts or plays
  - ❑ Use your bike instead of a car for those short trips
  - ❑ Carry a refillable water bottle instead of buying beverages
  - ❑ Limit wants – like ringtones and other services

# 40 MONEY MANAGEMENT TIPS

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- #40 Net worth is not the same as self-worth
- #39 Learn about your options for saving and investing money
- #38 Pay yourself first - SAVE - SAVE - SAVE
- #37 Learn the power of compounding
- #36 Get into the savings habit
- #35 Get help if you get into debt trouble
- #34 Take control of your credit card
- #33 Avoid credit card pushers
- #32 Build good credit
- #31 Create a budget and stick to it
- #30 Plug everyday spending leaks
- #29 Keep track of your student account
- #28 Don't let car expenses drive you crazy
- #27 Take advantage of student discounts
- #26 Separate needs from wants
- #25 Resist peer pressure
- #24 Set ground rules regarding money
- #23 Pay the rent/mortgage on time
- #22 Compare the cost of an apartment to a dorm
- #21 Talk to your roommates about money issues
- #20 Use campus computers instead of buying one
- #19 Save on snacks
- #18 Make meal plans that works for you
- #17 Take time now to prepare for your career
- #16 Turn your hobby into a money maker
- #15 Look for a job on campus
- #14 Make school your first job
- #13 Talk to a financial aid officer (if changes)
- #12 Submit a new FAFSA
- #11 Understand your student loan obligation
- #10 Use loans as a last resort
- #9 Watch out for scholarship scams
- #8 Keep looking for financial aid
- #7 Understand your financial aid
- #6 Don't bounce checks
- #5 Find the best deal for your checking account
- #4 Protect your personal information
- #3 Get organized
- #2 Know the ground rules

**#1 TAKE CHARGE OF YOUR LIFE  
-AND YOUR MONEY**

# TAKE A QUIZ ON MONEY MATTERS

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- ❑ What do you know about budgeting?
- ❑ The Quiz has 10 Questions.

# SOURCES AND ADDITIONAL RESOURCES

- ▶ <https://hefwa.org/resources/cashcourse.html>
- ▶ [CashCourse | Your Real-Life Money Guide](#)
- ▶ [Smart About Money | Personal Quizzes \(nefe.org\)](#)
- ▶ [Student Loan Resources: Financial Aid & Loan Debt Management](#)
- ▶ <https://financialaidtoolkit.ed.gov/resources/fin-lit-guidance.pdf>
- ▶ <https://www.financialliteracy101.org/financial-literacy/index.cfm?>
- ▶ <https://www.incharge.org/financial-literacy/resources-for-teachers/college/>
- ▶ [Your Spending Your Savings Your Future: A Beginner's Guide to Financial Readiness \(nefe.org\)](#)
- ▶ [40 Money Management Tips Every College Student Should Know \(nefe.org\)](#)