

Financial Literacy Money Trek

MODULE 1: INTRODUCTION TO MONEY
MANAGEMENT

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Importance of Financial Literacy

- Allows you to effectively manage your money.
- Allows you to make informed financial decisions.
- Helps you reach your financial goals in a specific time frame.
- Provides tools for budgeting, saving and investing.

Why is Financial Literacy Particularly Important for Women?

Women make less than men - \$.80 per \$1.00.



Why is Financial Literacy Particularly Important for Women?

- Women tend to be more conservative investors, resulting in lower returns.
- Women live longer than men - so they're more likely to outlive their money.
- Women are more likely to take time off from work to raise a family.



Module 1

Money Management

Objectives:

- Learn how to manage money by preparing a personal spending plan (aka: budget).
- Identify Income and Expenses.
- Select ways to increase income and decrease spending.
- Compare budget with your personal Income and Expenses.



The Budgeting Process

- Set personal and financial goals.
- Create a personal budget for fixed and variable expenses based on projected income.
- Monitor current spending & savings patterns.
- Compare your budget to what you've actually earned & spent.
- Review financial progress and revise budget as needed.



Set Your Goals

Consider them when planning a budget

- Personal and financial goals should:
- Be realistic - A student working part-time is not likely to be able to afford a new car every couple of years.
- Have a time frame - “I want to pay off my credit card within the next 18 months.”
- Have milestones – “By the end of the December want to have \$500 in my savings account.
- Be specific - “I want to save \$1,000 before end of the school year.”



What is a Budget?

Budgeting is:

- An important step to financial security.
- About choices – choosing how to make and spend money.
- Knowing what your monthly income and expenses are.



Activity 1:

Four Steps to Preparing A Budget

1. Determine what your monthly income and expenses are before they are due.
2. Keep track of your daily spending.
3. Consider options to increase income.
4. Create a plan to decrease spending.



Step 1: Calculate Income

Income comes in the form of:

- Money from parents.
- Wages from a job.
- Miscellaneous work such as babysitting.
- Financial aid



Step 2: Keep Track of Daily Spending

- Do you know where your money goes every month?
- Many people don't know how much money they leak each month.
- How do you stop the leaks?
 - Keep a personal spending diary.



Step 2: Daily Spending Diary

- Write down what you spend in a typical day.
- Keep track of everything you spend for one month.
- At the end of the month, sort spending into categories (rent, food, clothing, entertainment).



What You Really Earn: Income

- Your employer must subtract certain taxes from your paycheck; e.g. Federal and State withholding tax.
- Gross Income = Total income without any deductions; e.g. taxes, insurance, etc.
- Net Income = Gross income after deductions such as Social Security and other taxes, insurance and 401K.

What You Really Earn: Income

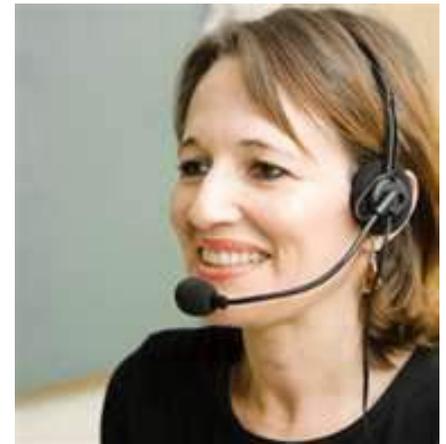
Example: Pay Stub

| Company Name | | | | Earnings Statement | | |
|------------------|----------------|-------------|---------------|-------------------------|------------|--------------|
| Employee Name | Social Sec. ID | Employee ID | Check No. | Pay Record | Pay Date | |
| | XXX-XX-7293 | 163 | 1281 | 05/22/2017 - 06/04/2017 | 06/07/2017 | |
| Earnings | Rate | Hours | Current | Deductions | Current | Year to date |
| Regular Earnings | 25.00 | 80.00 | 2,000.00 | Federal Tax | 316.11 | 3,793.32 |
| | | | | California State Tax | 71.56 | 858.72 |
| | | | | SDI | 18.00 | 216.00 |
| | | | | Soc Sec / OASDI | 124.00 | 1,488.00 |
| | | | | Health Insurance Tax | 29.00 | 348.00 |
| YTD Gross | YTD Deductions | YTD Net Pay | Current Total | Current Deductions | Net Pay | |
| 24,000.00 | 6,704.04 | \$17,295.96 | 2,000.00 | 558.67 | \$1,441.33 | |

Step 2: Find Ways to Increase Income

You can increase income by:

- Seeking a part time job or work additional hours at your existing job.
- Negotiating your salary.
- Moving money from checking to interest bearing savings accounts.
- Selling items on-line or in a yard sale.



Step 4: Find Ways to Decrease Spending

You can decrease spending by:

- Carrying little cash and controlling your credit card use.
- Not shopping “for fun.”
- Remembering your savings goals.
- Buying only what you need.
- Paying your bills on time to avoid extra fees and charges.



Activity 2: Make a Monthly Income and Expense Worksheet

- Create worksheet with your expected monthly income and expenses.
- Once you know your income and expenses, you can create a realistic budget or personal spending plan. (See slides 18 & 19)



Setting up and Maintaining a Budget

| Income | Budget | Actual | Difference |
|-----------------------------|--------|--------|------------|
| Job #1 Part Time job | \$ | \$ | \$ |
| Job #2 Baby Sitting | \$ | \$ | \$ |
| Other | \$ | \$ | \$ |
| Total Monthly Income | \$ | \$ | \$ |

| Expenses | Budget | Actual | Difference |
|-------------------------------|--------|--------|------------|
| Fixed Regular Expenses | | | |
| Rent | \$ | \$ | \$ |
| Cell phone | \$ | \$ | \$ |
| Tuition | \$ | \$ | \$ |
| | \$ | \$ | \$ |
| Variable Expenses | | | |
| Transportation | \$ | \$ | \$ |
| Eating out | \$ | \$ | \$ |
| Utilities | \$ | \$ | \$ |

Setting up and Maintaining a Budget (Continued)

| Expenses | Budget | Actual | Difference |
|-------------------------------|-----------|-----------|------------|
| Groceries | \$ | \$ | \$ |
| Gas and oil | \$ | \$ | \$ |
| | \$ | \$ | \$ |
| | \$ | \$ | \$ |
| Other | | | |
| Medical expenses | \$ | \$ | \$ |
| Clothing | \$ | \$ | \$ |
| Entertainment | \$ | \$ | \$ |
| Household items | \$ | \$ | \$ |
| Personal items | \$ | \$ | \$ |
| School expenses | \$ | \$ | \$ |
| | \$ | \$ | \$ |
| Total Monthly Expenses | \$ | \$ | \$ |

Calculate Expenses

Expenses - Items you pay for each month:

- Housing & educational costs
- Insurance
- Transportation
- Food and clothing
- Utility bills
- Eating out & other entertainment

Expenses

Fixed Expenses that do not change:

- Rent
- Cell phone
- Car payment
- Insurance
- Tuition

Expenses

Variable Expenses that might change:

- Electricity
- Clothing
- Entertainment
- Food



Budgeting Tools

These tools may help you manage your budget:

- Monthly payment schedule
- Monthly payment calendar
- Computer software
 - Quicken, Excel



Activity 3: Create a Monthly Payment Schedule



Know what you owe before you owe it!

| Month _____ | | | | | | |
|-------------|--|--|------|--|---|---|
| Sunday | Monday | Tuesday | Wed. | Thursday | Friday | Saturday |
| 1 | 2 \$400 paycheck \$25 savings \$150 car \$25 personal \$30 insurance | 3 \$166 transportation | 4 | 5 \$25 interest (income) | 6 \$30 cell phone | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 \$40 phone bill | 17 | 18 | 19 | 20 \$10 credit card/ loan | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 \$40 entertain- ment |
| 29 | 30 | | | | | |

How Did You Do?

A budget is a plan – check how you did.

- Every month compare your actual income to what you budgeted.
- Compare actual expenses to what you budgeted.
- Adjust future budgets to be more realistic.



Help! I Can't Pay My Bills!

You add up your bills and the total is
\$516, but your income is only \$425...

What do you do?

Learn more about managing debt in later modules.