

North & East Lubbock CDC

Financial Literacy Training – UNIT 2


Managing Your Money



Instructor: Reggie Dial, NELCDC Program Manager
& HUD-Certified Housing Counselor



Agenda

- ▶ Starting the Process of Money Management
 - ▶ Planning How to Spend your Money
 - ▶ Developing a Spending Plan to Meet Your Goals
 - ▶ The Importance of Saving
 - ▶ Getting Assistance From a Qualified Professional
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Building Wealth

A Beginner's Guide to Securing Your Financial Future





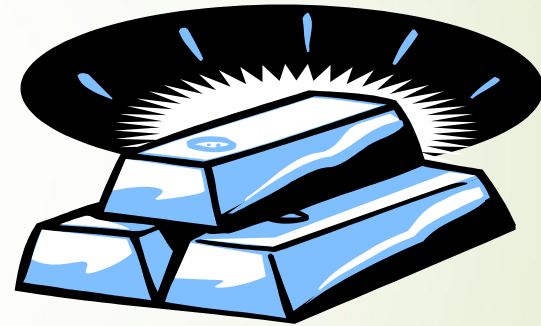
Learn The Language

- Assets
- Liabilities
- Net Worth
 - *(See Building Wealth Booklet Lesson 1 page 2)*
- What Does these terms really mean to you

Assets

A wealth-creating asset is a possession that generally increases in value or provide a return, such as:

- Savings Account
- Retirement Plan
- Stock & Bonds
- A House



Liability

A Liability, also called debt, is money you owe such as:

- A Home mortgage
- Credit Cards
- Car Loan
- Hospital & Medical Bills
- Student Loans



Net Worth

Net worth is the difference between your assets (What you own) Your net worth is *YOUR* wealth



Why a Spending Plan?

- Prepare For Large Expenses
- Encourage Savings
- Prepare For Surprise Expenses
- Identify Wasteful Spending
- Accomplish Goals



How Do You Use Money?

➤ The Super Saver

- *i.e. coupon clipper, Groupon*

➤ The Conservative Saver

- *i.e. watchful spender*

➤ The Carefree Spender

- *i.e. impulsive buyer*

➤ The Big Spender

- *i.e. not budget conscious*

➤ The Over Spender

- *i.e. spends beyond means*





Rate Your Spending Habits

Class Participation Exercise

BEFORE BUYING A HOME...What are the:

1. Things you want to do first?
2. Things you are willing to give up?
3. Things easiest to change?
4. Things hardest to change?

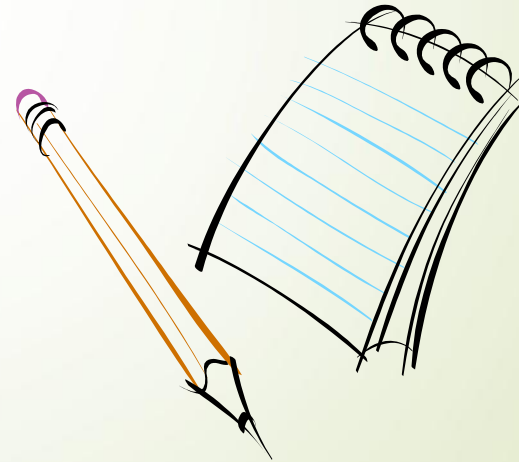
Establishing a Spending Plan

- Determine Your Monthly Net Income
- Calculate Your Monthly Expenses
- Subtract Your Regular Expenses From Your Income



Keeping Track of Spending

- Save All Receipts
- Record In A Small Notebook
- *(See Building Wealth Booklet pages 6&7)*



Gabby's Day-to-Day Spending

Date	Expense	Cash/debit/check	Charge
1/2	Breakfast, Get-N-Go	\$ 5.50	
1/2	Coffee	3.75	
1/2	Lunch		\$ 6.75
1/2	Gas for car		46.00
1/2	Drinks with friends	10.00	
1/2	Groceries		50.00
1/2	Dinner	15.00	
1/2	Music	10.00	
1/3	Breakfast, Moonlight Diner	8.50	
1/3	Coffee	3.75	
1/3	Dress		50.00
1/3	Movies	15.00	
1/3	Dinner	18.00	
1/4	Breakfast, Get-N-Go	5.50	
1/4	Coffee	3.75	
1/4	Birthday present		20.00
1/4	Lunch		15.00
1/4	Household supplies	30.00	
1/4	Coffee	3.75	
1/4	Pizza	15.00	


Gabby's Monthly Budget

	Current income	Income changes	New budget
Take-home pay	\$ 2,600		\$ 2,600
Overtime pay		\$ 40	\$ 40
Pension, Social Security benefits			
Alimony/child support			
Other income			
Total income	\$ 2,600	\$ 40	\$2,640

	Current expenses	Spending changes	New budget
Rent	\$ 750		\$ 750
Renter's insurance	30		30
Utilities	155		155
Telephone	100		100
Cable TV/Internet service	75	-20	55
Insurance (life, disability)	0		0
Charitable donations	0		0
Credit card payment	200		200
Groceries	200		200
Clothing	130	-30	100
Day care/tuition	0		0
Car loan	300		300
Car insurance	75		75
Gas for car	145	-20	125
Meals out & entertainment	425	-50	375
Miscellaneous daily expenses	100	-50	50
Total expenses	\$ 2,685	\$ -170	\$ 2,515
Monthly net (income - expenses)	\$ -85		\$ 125
Available to save or invest	\$ 0		\$ 125



Setting Household Goals

- Discuss Household Goals
 - Be Specific And Realistic
 - Rank Household Goals In Order Of Importance
 - Agree On Top Goals
 - Figure Out How Much It Will Cost To Reach Your Goals
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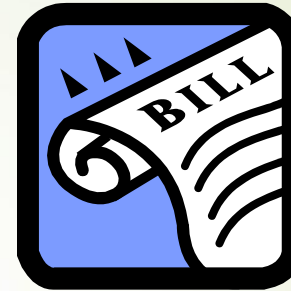
Wants vs. Needs

- Needs = Items You Must Have For Basic Survival
- Wants = Things You Desire But Can Live Without



Different Types of Expenses

- Fixed expenses
 - i.e. mortgage or car payments
- Periodic fixed expenses
 - i.e. annual taxes
- Flexible expenses
 - i.e. leftover money
- Indebtedness expenses
 - i.e. college debt/loans





Trimming Expenses

- Clip Coupons
- Use A List To Do Grocery Shopping
- Make Cost Comparisons
- Get Three Quotes For Large Purchases
- Agree On Allowance For Each Household Member
- Eat At Home
- Take Lunches To Work
- Trade Services Shop In Resale Stores
- With Friends
- Find Fun Activities That Are Free


Money Management Tips

- Be Realistic
 - *Think affordability*
- Establish Time Frames
 - *Cost saving plans*
- Devise A Plan
 - *What will it take to achieve my goal*
- Be Flexible; Goals Can Change
- Set money aside for maintenance & reserves
- Pay yourself first - at least 10% of take-home pay
- Get consensus from entire household





Reviewing the Plan

- ▶ Is the spending plan working?
 - ▶ Are all household members able to follow it?
 - ▶ Which costs always seem to be over the planned amount?
 - ▶ Are we getting closer to reaching our goals?
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Making Money Management Easier


- Decide Who Pays Bills
- Know When Bills Are Due
- Use Utility Billing Payments
 - Auto bill pay
- Open A Checking Account
- Open A Savings Account



Making Money Management Easier

- Consolidate credit card accounts
- Check your interest rates
- Stick to the plan





Control Day-to-Day Spending

- Carry Written Reminders Of Your Goals
- Carry As Little Cash As Possible
- Pay With Cash, Check Or Debit Card
- Avoid Using Credit Cards
- Buy Only What You Need

Importance of Saving

\$2/
day

2%
interest

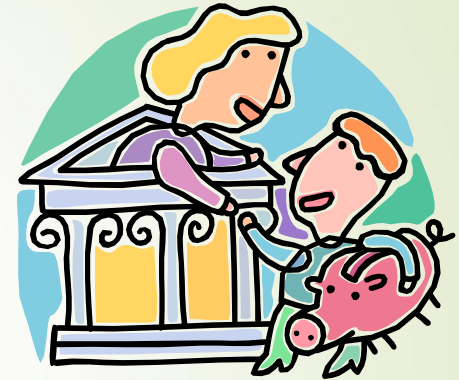
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\$1,504.09
in 2 years

*Try to save 10% of your income on
a monthly basis!*

Types of Savings Accounts

- Regular Savings Account
- Club Account
- Certificate Of Deposit (CD)
- Money Market Account
- Matched Savings Account (IDA)



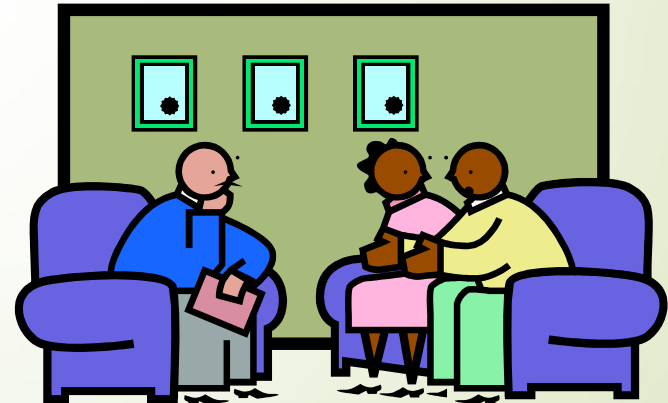
Tips for Savers

- Pay Yourself First
- Open A Savings Account Far Away From Home And Work
- Save Change At End Of Day
- Bank Your Surprises



Getting Help

- Local Banks
- Credit Counselors
- North & East Lubbock CDC





RECAP...





Summary

- Importance Of A Realistic Spending Plan
 - Steps In Developing A Spending Plan
 - Setting Financial Goals And Making A Spending Plan To Meet Your Goals
 - Trimming Expenses And Making Money Management Easier
 - Using Strategies To Increase Savings
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Questions?

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