

Building Your Financial House



Set the Foundation of Your Future

Module 3 Spend Sensibly Presentation Slides



Building Your Financial House WELCOME

Housekeeping

- Please mute your phone or computer to eliminate background noise.
- To maximize bandwidth:
 - (Turn camera off)
 - Close unused apps or webpages
- Please raise hand or use chat feature for questions.

Prior to Today's Session

The screenshot shows the 'Building Your Financial House' website interface. It includes a 'Pre-session Questionnaire' with questions about financial goals and a 'Self-Assessment and Track Your Progress' section with various checkboxes for tracking progress in areas like budgeting, debt management, and savings.

Today's Topics

- Money Values
- Needs vs. Wants
- Creating a Money Map
- Managing Cash Flow
- Mainstream Banking

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- A diagram of a house with seven numbered boxes indicating financial topics:
 - 1 Invest in Yourself
 - 2 Maximize Earnings
 - 3 Spend Sensibly
 - 4 Check Taxes
 - 5 Make Money Work
 - 6 Protect Your Potential
 - 7 Borrow to Grow

Spend sensibly to fill your home with the things you need and keep it in order; overspending can result in physical and financial chaos.

3 Spend Sensibly

Map your money to start on the journey to your financial growth and succe\$\$.

- Identify money values & spending habits
- Distinguish between needs & wants to prioritize spending
- Identify the steps to create & use a money map
- Recognize the role of transactional accounts & services in managing cash

KNOWLEDGE



Spend Sensibly



Money Values



- Indulgent
I want it now!
- No worries!
Everything will be just fine!
- Prestige
Most Expensivest!
- Security
Penny pincher
- Tool
Build my dreams!

Chat Box

What comes to mind when you the word budget?



BUDGET

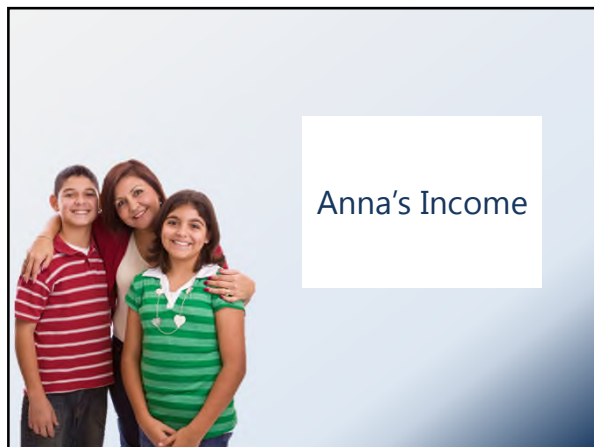




What Comes In?

Sources of Income

- Earned
- Unearned
- Cash
- Non-Cash



Net Monthly Income = Total Gross less OTT

	Current
Cash and Non-Cash	
Wages/Salary	\$3,561
Commission/Tips/Overtime Pay	
Temp Assistance for Needy Families (TANF)	
Child Support/Alimony Received	
Unemployment Compensation	
Social Security Benefits	
Pension/Retirement Benefits	
Veteran's Benefits	\$ 210
Worker's Disability Compensation	
Other Cash (Specify Transportation Allowance)	\$ 100
Food Assistance (SNAP and/or WIC)	
Child Care Assistance	
Housing Assistance	\$ 410
School Lunch	\$ 115
Energy Assistance	
Other Non-Cash	
Total Gross Monthly Income:	\$4,402
Off the Top Deductions	
Federal Taxes	\$ 120
State/Local Taxes	\$ 147
FICA Taxes	\$ 246
Unemployment Insurance	
Retirement Savings	
Health/Dental Insurance	\$ 115
Flexible Spending/Health Savings Account	\$ 50
Child Support/Garnishments	
Other: Group Life Insurance	\$ 1
Total Off the Top Deductions:	\$734
Net Monthly Income	\$ 3,668



Where Does It Go?

Track and record expenses

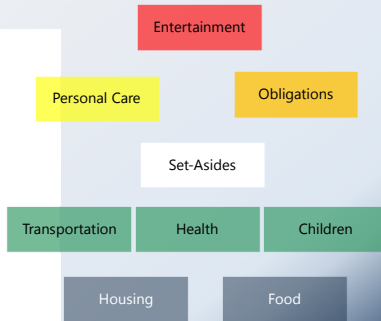
Chat Box



What are some ways to track expenses?

Track and record expenses

Categorize Expenses



Categorize Expenses



Rent/Mortgage

Taxes & Insurance

Electric/Heat

Water/Sewer/Trash

Phone(s)

Cable/Internet

Housing

Categorize Expenses



Groceries



Eating Out



School Meals



Formula

Food

Housing




Transportation

Car Loan Payment


Car Insurance

Gas/Maintenance/Repair


Public Transportation




Doctor/Dental Copays




Eye Care/Glasses



Medicines




Hospital/Clinic



Life/Disability Insurances


Health

Transportation



Personal Care

Children



Day Care

Diapers

School/Activity Fees

Allowance

Clothing

Cleaning Supplies

Hair/Nail Care

Obligations






Past Due Bills

Credit Cards


Student Loans

Donations/Gifts

Pets

Entertainment



Books/Movies/Music

Hobbies

Vacation

Clubs/Memberships

Vices



Anna's Expenses

Total Expenses

	I/Y	CURRENT		I/Y	CURRENT
Housing			Children		
Mortgage/Rent	F	\$1,480	Day Care		
Real Estate Trans Insurance			Diapers/Formula		
Electric/Heat (Fuel)			School/Activity Fees		
Water/Sewer/Trash	V	\$ 240	Allowance	V	\$ 80
Phone(s) (land/cell)	V	\$ 230	Other		
Cable/Internet	V	\$ 230	Total Children:		\$ 80
Other			Other Obligations		
Total Housing:		\$1,480	Divorce Bill	V	\$ 40
Transportation			Credit Card(s)	V	\$ 95
Car Loan Payment	F	\$ 0	Student Loan(s)		
Car Insurance	V	\$ 60	Personal Loan (s)		
Gas/Maintenance/Repair	V	\$ 60	Spouse/Family Support		
Public Transportation	F	\$ 150	Donations/Gifts	F	\$278
Other			Pets		
Total Transportation:		\$ 140	Pets	V	\$ 108
Food			Other		
Groceries	V	\$ 600	Total Other Obligations:		\$ 461
Eating Out	V	\$ 150	Personal Care		
School Meals	F	\$ 115	Clothing/Laundry	V	\$ 230
Baby Formula			Cleaning Supplies		
Other			Hair Care	V	\$ 80
Total Food:		\$ 815	Other		
Health			Total Personal Care:		\$ 310
Doctor/Dental Co-pays	V	\$ 25	Recreation/Entertainment		
Eye Care/Glasses			Books/Magazines/Movies	V	\$ 40
Medicines			Alcohol/Tobacco	V	\$ 100
Hospital/Clinic			Luxury	V	\$ 49
Life/Disability Insurances			Other		
Other			Total Recreation/Entertainment:		\$ 233
Total Health:		\$ 25			



Spending leaks!


It's only a \$2 cup of coffee!

1 week	\$10
1 year	\$520
10 years	\$5,200
20 years	\$10,400

Chat Box



What are some expenses that don't happen on a monthly basis?



Anna's Periodic Expenses

Periodic Expenses

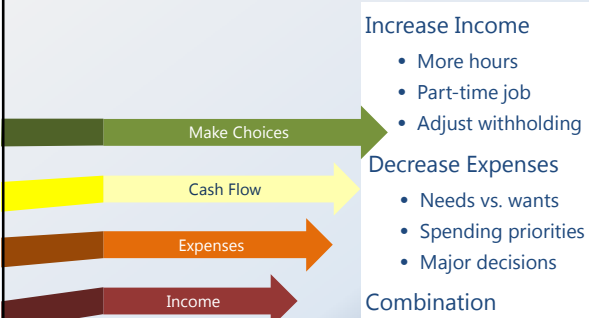
January			February			March		
1.			1.			1.		
2.			2.			2.		
3.			3.			3.		
<p>Add periodic expenses:</p> <p>Feb: \$ 870</p> <p>Aug: \$ 1,270</p> <p>Dec: \$ 500</p> <p>Total: \$2,640 ÷ 12 months</p> <p>Set-asides: \$220/month</p>								
October			November			December		
1.			1.			1.		
2.			2.			2.		
3.			3.			3.		
Total \$			Total \$			Total \$		

Set-Asides

-  Emergency Savings
-  Periodic Expenses
-  Savings Goals

Set-Asides

Make Choices



Increase Income

- More hours
- Part-time job
- Adjust withholding

Decrease Expenses

- Needs vs. wants
- Spending priorities
- Major decisions

Combination

Needs vs. Wants

F₄ R₁ I₁ D₂ A₁ Y₄



Cost \$40
Take-home pay $\frac{\$15}{\text{hr}} \times 2.7\text{hrs}$

It takes nearly THREE hours of HARD work to pay for it.

IS IT WORTH IT?



Anna's Needs vs. Wants

Spending Pyramid

WANTS



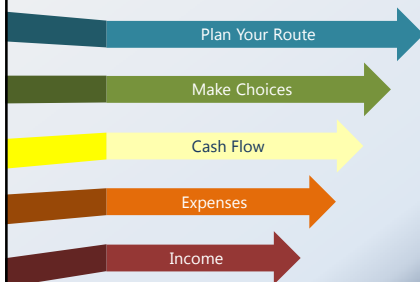
NEEDS



Major Decisions

- Housing
- Transportation
- Family

Plan Your Route



Anna's Plan

Plan Your Route

Start with income and plan any changes:

- Earnings
- Assistance
- Withholding
- Deductions

Highlight any planned differences.

Anna's Income Plan

	Current
Cash Coming In	
Wages/Salary (before deductions)	\$3,567
Transportation Allowance	\$ 100
Veteran's Apportionment	\$ 210
Total Cash In:	\$3,877
Non-Cash Assistance	
Housing Assistance (negotiated benefit)	\$ 410
School Lunch	\$ 115
Total Non-Cash In:	\$ 525
What Comes In: Cash In + Non-Cash In (Also called <i>gross monthly income</i>)	\$4,402
Off the Top Deductions	
Federal Taxes	\$ 120
State/Local Taxes	\$ 147
FICA Taxes	\$ 248
Health Insurance	\$ 173
FSA Contributions	\$ 50
Life Insurance	\$ 1
Total Off the Top:	\$ 739
What Comes In - Off the Top = Take Home Pay (Also called <i>net monthly income</i>)	\$3,663

Plan Your Route

Do the same with expenses; include set-asides and SMART goals.

Highlight any planned differences.

Anna's Expense Plan

	Current	Plan		Current	Plan
Set-Aside Funds			Children		
Emergency Savings (V)	\$ 0	\$ 50	Allowance (V)	\$ 80	\$ 80
Periodic Expenses (V)	\$ 0	\$ 233	Total Children:	\$ 80	\$ 80
Total Set Aside Funds:	\$ 0	\$ 270	Other Obligations		
Housing			Overdue Bills (V)	\$ 40	\$ 40
Rent (F)	\$1,480	\$1,480	Credit Cards (V)	\$ 55	\$ 75
Electric/Heat (fuel) (V)	(rent)	(rent)	Donations/Gifts (V)	\$ 278	\$ 278
Water/Sewer/Trash(V)	(rent)	(rent)	Money Order Fees (V)	\$ 108	\$ 108
Phone(s) (land/cell) (V)	\$ 240	\$ 140	Bank Overdraft Fees (V)	\$ 0	\$ 50
Cable/Internet (V)	\$ 230	\$ 190	Total Other Obligations:	\$ 481	\$ 551
Total Housing:	\$1,950	\$1,720	Transportation		
Transportation			Car: Fuel	\$ 60	\$ 60
Car: Fuel	\$ 60	\$ 60	Car Insurance	\$ 0	(set aside)
Car Insurance	\$ 0	(set aside)	Public Transportation (F)	\$ 130	\$ 130
Public Transportation (F)	\$ 130	\$ 130	Total Transportation:	\$ 190	\$ 190
Total Transportation:	\$ 190	\$ 190	Personal Care		
Food			Clothing/Laundry (V)	\$ 230	\$ 75
Groceries (V)	\$ 600	\$ 500	Hair Care (V)	\$ 80	\$ 80
Eating Out (V)	\$ 100	\$ 30	Total Personal Care:	\$ 310	\$ 155
School Meals (F)	\$ 115	\$ 115	Recreation/Entertainment		
Total Food:	\$ 815	\$ 665	Movies (V)	\$ 90	\$ 45
Health			Alcohol/Tobacco (V)	\$ 100	\$ 35
Medical Bill (V)	\$ 25	\$ 25	Lottery (V)	\$ 43	\$ 38
Total Health:	\$ 25	\$ 25	Total Recreation:	\$ 233	\$ 121

Calculate planned cash flow.

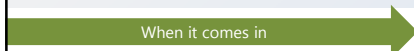
Highlight any planned changes.

	Current	Plan
Income		
Total Gross Monthly Income	\$ 4,402	\$ 4,402
Total Off The Top Deductions	\$ 739	\$ 619
(1) Net Take Home Pay:	\$ 3,663	\$ 3,783
Expenses		
Set Aside Funds	\$ 0	\$ 270
Housing	\$ 1,950	\$ 1,720
Transportation	\$ 190	\$ 190
Food	\$ 815	\$ 665
Health	\$ 25	\$ 25
Children	\$ 80	\$ 80
Other Obligations	\$ 481	\$ 551
Personal Care	\$ 310	\$ 155
Recreation/Entertainment	\$ 233	\$ 121
(2) Total Expenses:	\$4,084	\$3,777
COMPARE		
(1) Net Take Home Pay	\$ 3,663	\$ 3,783
Less:		
(2) Total Expenses	\$4,084	\$3,777
CASH FLOW	(\$ 421)	\$ 6

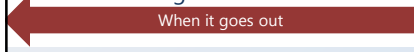
Follow Your Map

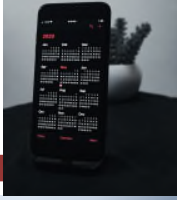


How Does Your Cash "Flow?"

When it comes in 

- Income and expenses may not be timed perfectly on a monthly basis
- Seasonal employment
- Fluctuating hours
- Fluctuating benefits

When it goes out 



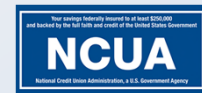
Use a Calendar and Plan Weekly

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31 Pay Day! Set-asides	1 Veteran's Benefit	2 Allowances RENT	3	4 Groceries
5 Transit Tithe	6 Cable	7	8	9 Allowances	10 Medical Bill	11 Groceries
12 Transit Tithe	13	14	15 Pay Day! Set-asides Credit Card Cell phone	16 Allowances	17	18 Groceries
19 Transit Tithe	20 Electric	21	22	23 Allowances	24	25 Groceries Water
26 Transit Tithe	27	28	29	30 Allowances	31 Pay Day! Set-asides	Veteran's Benefit RENT Groceries

Why should I use a bank or a credit union?



Mainstream Financial Institutions



Banks/Thrifs

- For-profit
- Stockholder-focused
- Take deposits
- Make loans
- Other services
- Insured by FDIC

Credit Unions

- Not-for-profit
- Member focused
- Take deposits
- Make loans
- Other services
- Insured by NCUA

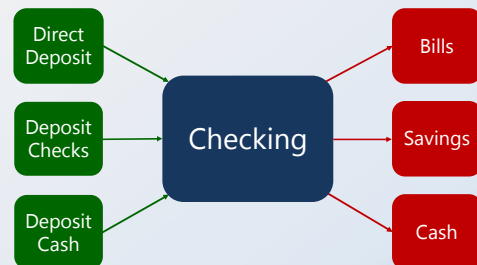
Mainstream Financial Institutions



Benefits

- Safe
- Guaranteed
- Insured
- Liquid
- Cost
- Convenience
- Relationships

Cash Management Accounts



Cash Management Accounts



- Access thru checks, debit cards, ATM's
- Overdraft fees/protection
- May have to maintain minimum balance
- May or may not pay interest
- Back-office check conversion

Side Bar: Mishandling a Checking Account



- Check verification
- Additional fees from merchants
- Refusal from merchants
- Bank/credit union can close your account
- Reported to ChexSystems

Side Bar: Mishandling a Checking Account



- Returned checks
- Account closures
- Financial institution inquiries and in what time frames
- Check orders you have placed and how often
- Check cashing activities
- Suspected fraud

Side Bar: Finding the Right Fit



How to Choose?



Side Bar: Finding the Right Fit



- FDIC or NCUA insured
- Languages spoken
- Convenient branches/ATM's
- Hours
- Minimum balances
- Interest earned
- Fees

Side Bar: Finding the Right Fit



- Check cashers
- Money orders
- Prepaid debit cards
- Money transmitters
- Mattress or coffee can

What exactly is financial technology?



Financial technology (a.k.a. FinTech)

According to Investopedia, FinTech is technology that seeks to improve and automate the delivery and use of financial services.

It's like what the assembly line did for automobile manufacturing.

Financial Technology



These are computer programs for budgeting, investing, tax preparation and electronic filing.

Examples:*

- Quicken
- TurboTax
- IRS's e-File

*This is in no way an endorsement of any company, product, or service. As with any financial technology, use caution and review security measures to protect your personal information.

Financial Technology



These are websites that can access all your financial accounts and display them in a single place.

Examples:*

- Mint.com
- Personal Capital
- Tiller

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Financial Technology



These are digital wallets that store payment information, such as a credit card or bank account numbers, on a mobile device.

Examples:*

- Apple Pay
- Samsung Pay
- Android Pay

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