

Budgeting 100

MAKING A BUDGET



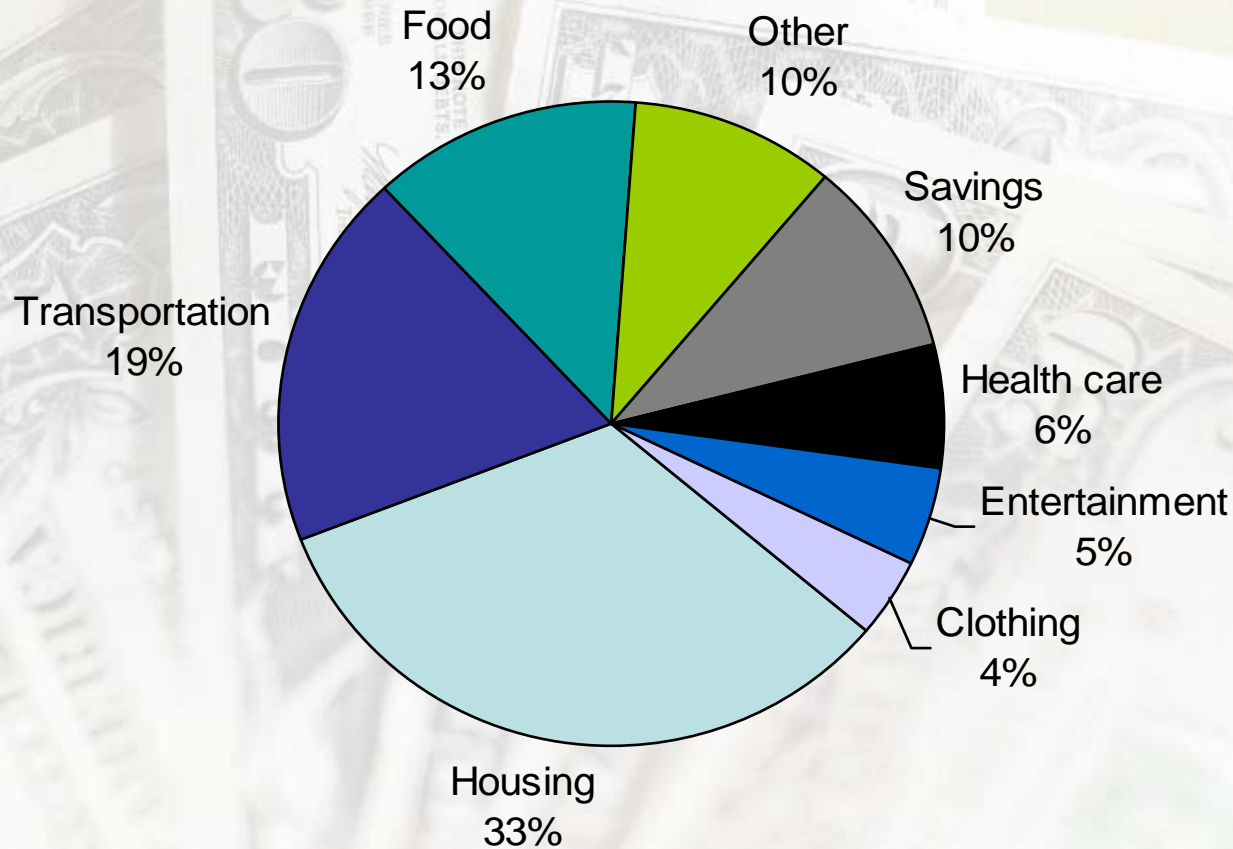
All About Budgeting

- **What is a budget?**
- **Spending guidelines**
 - Creating a realistic budget
 - Cutting expenses
- **Housing options**
- **Benefits of starting now**

Budgeting

- **What is a budget?**
 - **Make the most of your financial resources**
 - **Determine your monthly income**
 - **Decide ahead of time how to spend income**
- **Why create a budget?**
 - **Reduce unnecessary expenditures**
 - **Better anticipate your monetary needs**
- **Who can benefit?**
 - **Everyone**

Spending Guidelines



Source: U.S. Bureau of Labor and Statistics

Creating a Realistic Budget

- **Where money goes**
 - Write out a budget
 - Track each expense
 - Adopt a “spend less, save more” lifestyle
 - Stick to it

In-College Budget

- Living expenses
- Tuition and fees
- Books and supplies
- Transportation
- Computer and software

Post-College Budget

- Commute expenses
- Work clothes and dry cleaning
- Health insurance and taxes
- Relocation costs
- Student loan payments
- Savings

Sales Tax

| | Cost | Cost with Sales Tax |
|-------------------|-----------------|----------------------------|
| Cell Phone | \$200.00 | \$215.50 |
| Pizza | \$30.00 | \$32.25 |
| Shoes | \$115.00 | \$123.63 |
| Video Game | \$49.99 | \$53.74 |
| DVD | \$16.97 | \$18.24 |
| Textbook | \$80.00 | \$86.00 |

Cost with sales tax based on a 7.5% sales tax.

Identify Your Spending Habits

| | Needs | Wants |
|----------------|----------------------|-----------------------------------|
| Food | Groceries | Eat Out |
| Housing | Dorm/Roommate | Apartment/House |
| Transportation | Public | Car |
| Clothes | The Basics | Trendy Styles & Brands |
| Phone | Basic Service | Cell Phone |

Cutting Expenses

Save a little

- Use a grocery list
- Don't shop when hungry
- Clip coupons and buy bulk foods
- Combine errands
- Bring lunch to work a few times a week
- Leave credit cards at home
- Limit cash on hand

Estimated monthly savings: \$50

Cutting Expenses

Save some more

- **Shop at consignment/thrift stores**
- **Use economy car or public transportation**
- **Eat only one meal out each week**
- **Cancel cable TV or cell phone service**
- **Rent a DVD vs. going to the movies**
- **Lower winter thermostat - raise in summer**

Estimated monthly savings: \$250

Cutting Expenses

Save even more

- Eat out only once a month
- Use public transportation often
- Cancel cable TV, cell phone, *and* Internet
- Visit the library vs. the bookstore
- Share living costs with a roommate or two
- Read books about ways to save

Estimated monthly savings: \$500

Transportation

New BMW 335i

- Cost: \$38,900
- Payment: \$789
- Insurance: \$149



5-year old BMW 330i

- Cost: \$20,600
- Payment: \$491
- Insurance: \$123



Monthly difference: \$298
Annual difference: \$3,576

Source: 335i price from www.bmw.com. 330i price from Kelly Blue Book (www.kbb.com). New car financed over five-year term at 8%. Used car financed over four-year term at 9%. Insurance rates for single male, 33, with a clean driving record.

Family Fun & Entertainment

| Event | Alternative | Savings |
|-----------------------|-------------------------|----------------|
| Movies | DVD rental | \$25 |
| Concerts/Plays | Community Events | \$30 |
| Eating out | Picnic | \$25 |
| Shopping | Thrift stores | \$45 |
| Fun centers | Parks | \$30 |

Total possible monthly savings: \$155

Banking

- **Free checking vs. “free” checking**
 - Balance requirements, checks, etc.
 - Overdraft fees, bill paying fees, etc.
 - Account activity
- **Convenience fees**
 - Check card fees
 - Mini statements
 - Using other ATMs
- **Discounts**
 - Using multiple services
 - Automatic payments

Total possible monthly savings: \$25

Checking Account Expenses

- **Overdraft**
 - Known as a bounced check
 - Non-sufficient funds (NSF)
- **What is it?**
 - Funds are not available to cover the value of the check
 - Bank fees can be up to \$50 per transaction
 - Merchant can also charge you a fee

Checking Account Expenses

- **Overdraft protection**
 - A short-term, high-cost loan
 - Use a savings account instead
- **ATM fees**
- **Monthly fees**
- **Avoid fees by having all accounts at one institution**

Online Banking

- **Convenience**

- 24 hours a day, seven days a week
- Available from almost any computer
- Access and manage all of your accounts
- Compatible with budgeting software

Advantages

- More secure
- Saves postage expense
- Reduces chance of mail being stolen
- Transfer funds easily

Online Payments

- **Bill-pay**

- You initiate transaction
- You are responsible to provide payment
- Option to change date, amount and frequency

- **Automatic payments**

- Creditor initiates transactions
- Possible reduction in interest rates on loans
- Creditor is responsible to take payment

Online Banking Security

- **Watch out for fraudulent e-mails**
- **Always type URL directly into browser**
- **Check for 'https' and 'lock symbol'**
- **Always log out and close browser**
- **Be extra careful with public computers**

Online Banking Security

- **Never provide anyone with your**
 - User ID or logon information
 - Password
- **Choose a secure password**
 - Mix numbers and letters
 - User upper case and lower case
- **Learn more**
 - *www.microsoft.com/protect/yourself/password/checker.msp*

Prevention and Detection

- **Free credit reports**
 - All at one time
 - Once every four months
- ***www.annualcreditreport.com***
 - Equifax
 - TransUnion
 - Experian
- **Review statements each month**

Protect Your Identity

- **Thieves go through trash**
- **Stolen wallet or purse**
- **Stolen mail**
 - Bank and credit card statements
 - Pre-approved credit offers
 - New checks
 - Tax information

Opt Out of Offers

- **Pre-approved credit solicitation**
 - 888.5OPTOUT (888.567.8688)
 - www.optoutprescreen.com
- **Telemarketing calls**
 - www.donotcall.gov

Recovery

- **List all items that were stolen**
- **Contact**
 - Police
 - Creditors
 - Social Security Fraud Hotline – 1.800.269.0271
- **Place a credit report fraud alert**
- **Change PINs and passwords**
- **Review future bills and credit reports**
- **Visit *www.ftc.gov/idtheft***

House vs. Apartment Rental

- **House Costs**

- Electricity and gas \$75
- Water, trash, sewer \$65
- Yard maintenance supplies \$25

- **Time Costs**

- Yard maintenance 4 hours
- House cleaning 4 hours

Total possible monthly savings: \$165

Total time savings: 8 hours

Explore Options

- **Least expensive to most expensive**
 - Live at home
 - Campus housing
 - Rent a room
 - Share two or three bedroom apartment
 - Live alone

Finding a Place to Live

- **Conduct the search**
 - How much can you afford?
 - Classified ads
 - Online
 - Rental agencies
- **Review properties**
 - Consider proximity to work, school and stores
 - Monthly rent and what is included
 - Rent should be no more than 30% of income

Ask About Deposits and Fees

- **Security deposit**
- **Pet deposits**
- **Are deposits refundable?**
- **Credit check fee**
- **First month's rent**
- **Last month's rent**

Housing Checklist

- **Application**
 - Current and previous addresses
 - Landlord phone numbers
 - Employer/income sources
- **Credit check**
- **Reference check**
- **Re-inspect property and note concerns**
- **Review and sign lease/rental agreement**
- **Move in**

Healthy Financial Habits

- **Make & use a spending plan**
 - List income & source
 - Write down debts
 - Track expenses
 - Reduce expenses
 - Plan for big expenses
 - Use online calculators

Benefits of Starting Now

- **Save money**
 - Means fewer debt problems
 - Prepares you for the unexpected
- **Learn new money tools**
 - Take control of unknown
 - More knowledge
 - Be prepared
- **Reduce stress**



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