

Module 4

Money Matters



Purpose

Money Matters will help you:

- Get a handle on how you spend your money.
- Prepare and follow a personal spending plan or budget.



Objectives

By the end of this course, you will be able to:

- Track daily spending habits.
- Prepare a personal spending plan or budget to estimate monthly income and expenses.



Objectives (Continued)

- Identify ways to decrease spending and increase income.
- Identify budgeting tools that will help you manage your money.



Budget

A step-by-step plan for meeting expenses in given period of time.

Also called a “personal spending plan.”



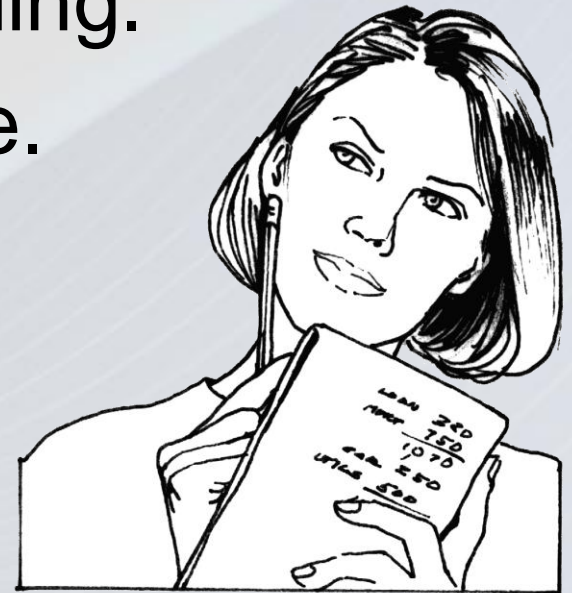
Benefits of Budgeting

- Reduces money-related anxiety.
- Gives you control of your financial situation.
- Helps you build assets to improve your quality of life.



How to Prepare a Budget

1. Track daily spending.
2. Determine income and expenses.
3. Find ways to decrease spending.
4. Find ways to increase income.



Daily Spending Diary

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	



Income

- Wages
- Public assistance
- Child support
- Alimony
- Interest
- Dividends
- Social security
- Other sources



Gross vs. Net Income

Gross income = Total income
without deductions

Net income = Gross income
minus SS, taxes,
other deductions



Social Security Benefits

Social Security covers:

- Retirement
- Disability
- Family
- Survivors
- Medicare benefits



Social Security Statement

A record of:

- Your earnings.
- Social Security taxes you have paid during your working years.
- Estimate of monthly retirement, disability, and survivor benefits.



Fixed vs. Flexible Expenses

Fixed expenses = Expenses with amounts that don't change from month to month.

Flexible expenses = Expenses with amounts that may change from month to month



Tax Credits

- Earned Income Tax Credit (EITC).
- Child tax credit.
- Credit for Child and Dependent Care Expenses.
- Education credits.
- Tax credits for retirement savings contributions.



Recordkeeping Tips

- Keep records in a safe place.
- Keep files organized.
- Keep tax records for at least 3 years.
- Send your bill payments before they are due.



Budgeting Tools

- Monthly payment schedule
- Monthly payment calendar
- Expense envelope system
- Budget box system
- Computer system



Monthly Payment Calendar

Month - _____

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 <i>\$2,000 pay check</i> <i>\$100-savings</i> <i>\$40-food</i> <i>\$150-personal</i>	3 <i>\$160</i> <i>transportation</i>	4	5 <i>\$800</i> <i>child support</i>	6 <i>\$1,000</i> <i>rent</i>	7
8	9	10	11	12	13	14
15	16 <i>\$40</i> <i>phone bill</i>	17	18	19	20 <i>\$200</i> <i>credit card</i>	21
22	23	24	25	26	27	28 <i>\$550</i> <i>child care</i>
29	30					



What To Pay First

- Rent or mortgage
- Utilities
- Food



Loan Payment Decisions

- Pay off loans with the highest interest rate first.
- Talk to your creditors.
- Get credit counseling.
- Enroll in a debt management plan.
- Consider bankruptcy only as a last resort.



Practice Exercise: Budget Considerations

Instructions:

- Read the scenario.
- Answer the questions.
- Be prepared to explain your answers.

