

Money Management

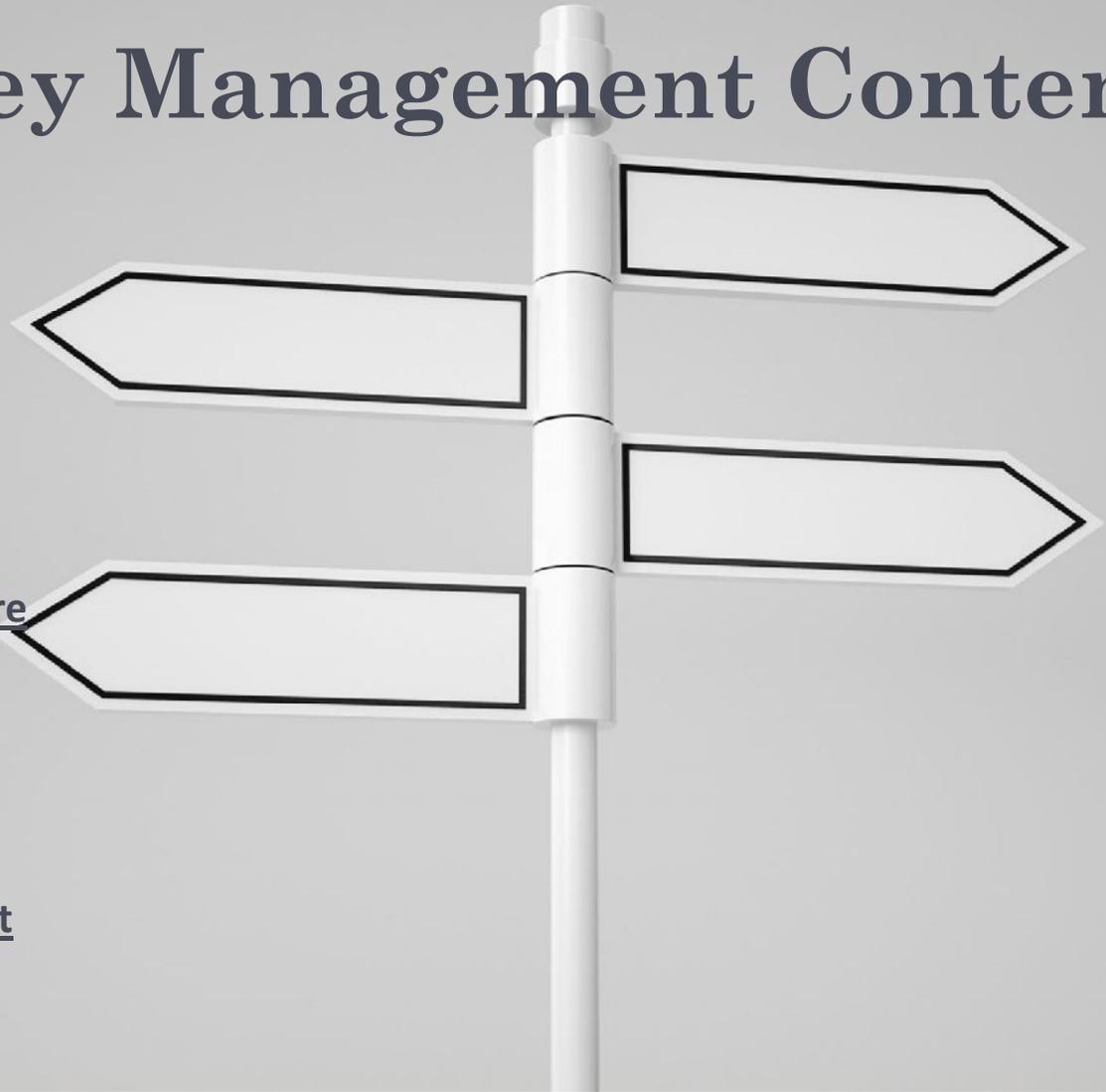


Affordable Housing • Thriving Families

Blessing to Other, Inc.
Life Skills Program Workshop

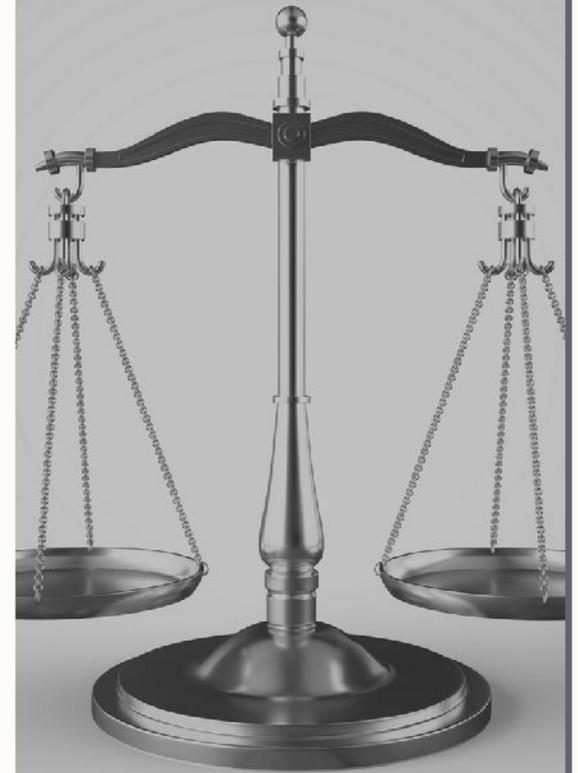
Money Management Content

- Income
- Expenses
- Banking
- Credit Score
- Budgeting
- Taxes
- Insurance
- Retirement



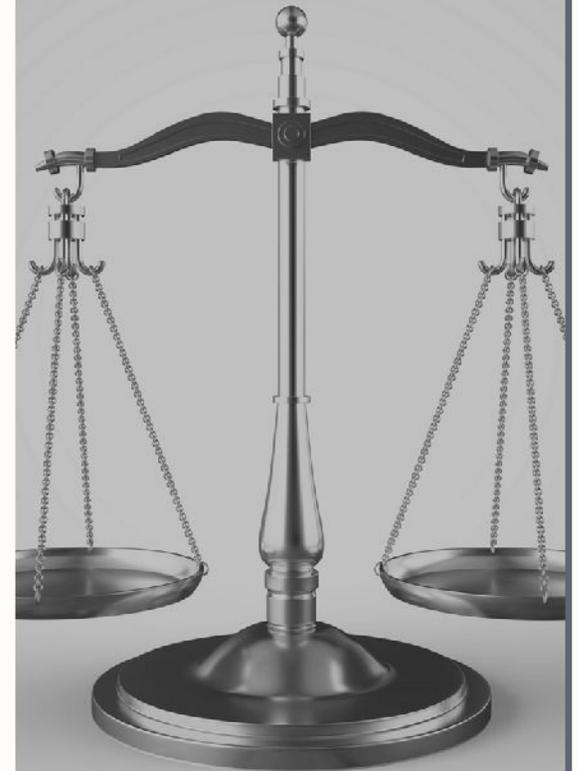
Income

- **Gross income** is an individual's income and receipts from nearly all sources.
 - Salary, wages, tips, capital gains, dividends, interest, rents, pensions and alimony.
- The amount a person receives after taxes is called their **net income**.
 - This is the actual money you use for budgeting.



Income

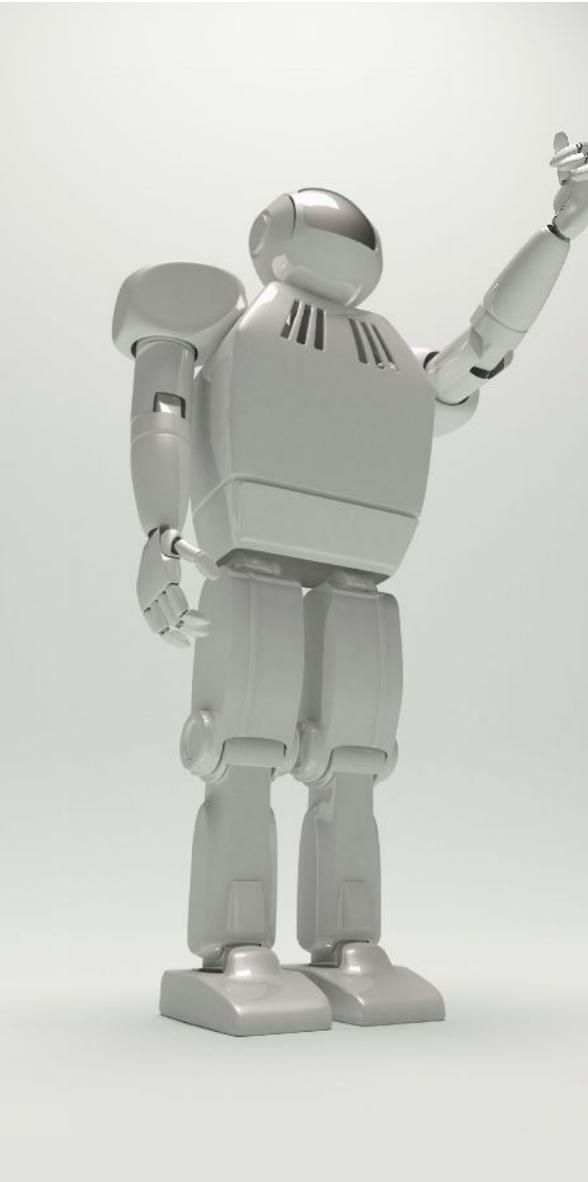
- Direct Deposit
 - loaded Debit Card, paper check
- Mattress Money
 - cash that you are hiding instead of depositing the funds into a bank account
- Credit as cash/pawn shops





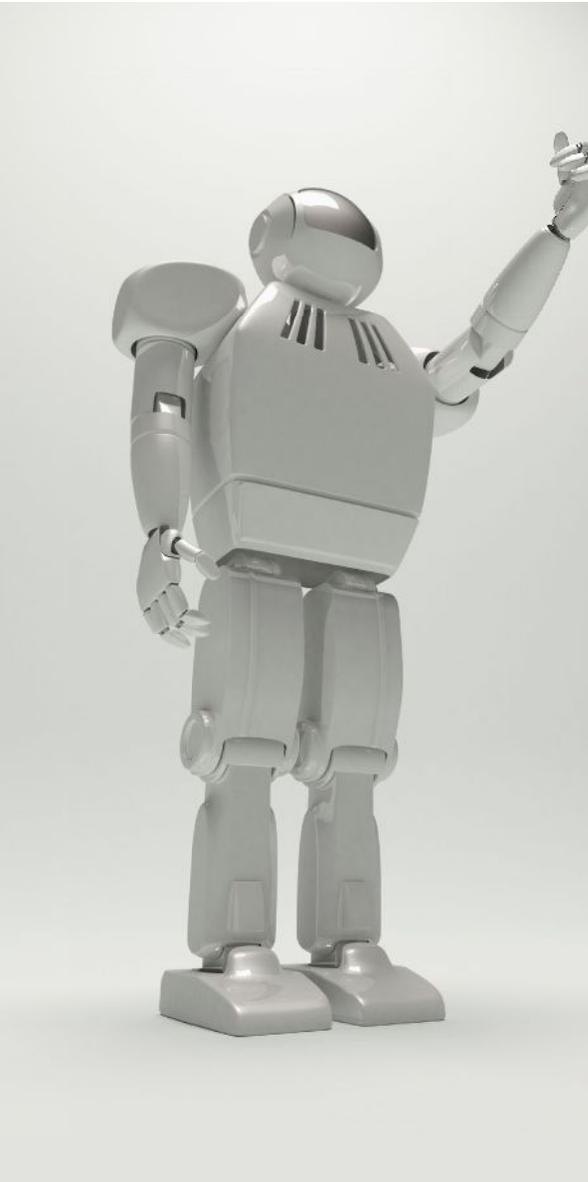
Expenses

- Priority
 - Housing, Food, Utilities, transportation and other necessities.
- Regular
 - monthly-fixed and variable
- Past expenses
 - Dr. Bills, Judgements



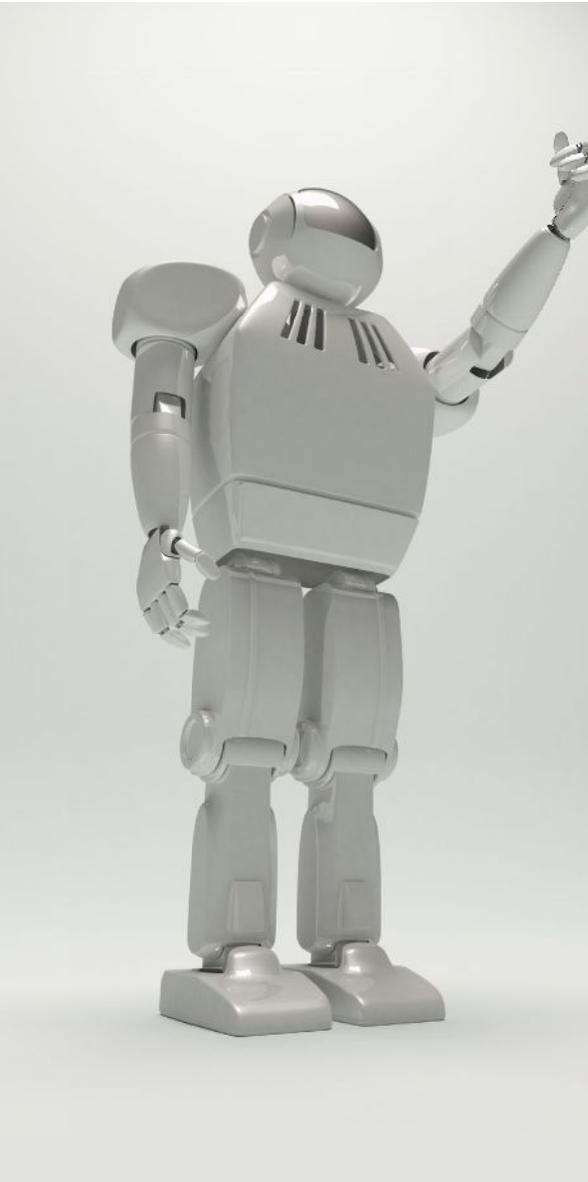
Banking - A Bank Account

- A bank account is one of the simplest, safest ways to manage your finances. In many ways it acts as an essential building block or foundation to successful money management:
 - **Save money** – and in some circumstances **earn interest**.
 - **Pay bills and track expenses** easily.
 - begin building a **solid credit history**.



Banking - A Bank Account

- Things you need to bring to establish a bank account in Missouri:
 - **Identification:** MO ID etc.
 - **Personal details:** Social Security Card, Birth Certificate etc.
 - **Money**
 - **The other applicants, if you're opening a joint account**
 - **A parent, if you're not yet 18**



More than basic checking

- In many cases, a **minimum deposit** is required to open a checking account. Some banks charge a **monthly fee** to maintain the account. Others may **charge** for each check written, which is only a good deal if you plan on writing a small number of checks per month.
- To avoid check fee?
- Alternative convenience services - ask about all requirements before signing up



Banking - A savings account

- A savings account is much more than just a productive and safe alternative to keeping money under the mattress at home. Investing in a savings account means that you are planning for your future.
- When you need money for a big purchase or an unexpected expense, you will have it. When you place money in a savings account, it earns interest. Keep in mind, interest rates vary, and you may be required to keep a minimum balance to avoid fees.

Banking - Payment Cards

- Payment cards allow you to make purchases virtually anywhere in the world, easily and conveniently.
- The most familiar types of payment cards are **credit and debit**. Both provide secure alternatives to cash and checks. Here's what you need to know about the options available to you.





Banking - Payment Cards

Credit basics

A credit card allows you to pay sometime in the future for purchases you make today. Consider a credit card as a short-term bank loan that must be repaid by monthly payments. If you don't pay your balance in full, you will usually be charged interest on the unpaid balance.

Carefully review these card basics:

- ◆ Interest Rates/APRs/Finance Charges
- ◆ Fixed Rates
- ◆ Variable Rates
- ◆ Introductory Rates
- ◆ Balance Transfers
- ◆ Grace Period
- ◆ Annual Fees
- ◆ Fees
- ◆ Customer Service
- ◆ Rewards
- ◆ Payment Options
- ◆ Charge Card
- ◆ Credit Limit
- ◆ Secured Credit Card



Banking - Payment Cards

Debit/ATM Basics

- Debit and Automated Teller Machine (ATM) cards are typically offered when you open a checking or savings account.
- The basic ATM card allows you to withdraw money directly from your checking or savings account.
- Access to the account is restricted by a Personal Identification Number (PIN). To keep your account secure, **never share** your PIN with anyone and do not write the PIN on the card.



Banking - Payment Cards

Debit/ATM Basics(cont.)

- A debit card can be used for purchases at merchants. The purchase amount is deducted directly from your bank account, so there are no interest charges. Keep a running tab of how much you withdraw, so that you will not spend more than you have in your bank account.
- Fees for exceeding your balance can be charged.
- Since the debit card is limited by the amount of money in your bank account, it can be an effective tool to help you control spending. You may be asked to enter your PIN or to sign a receipt, when making a purchase with you debit card.



Banking - Payment Cards

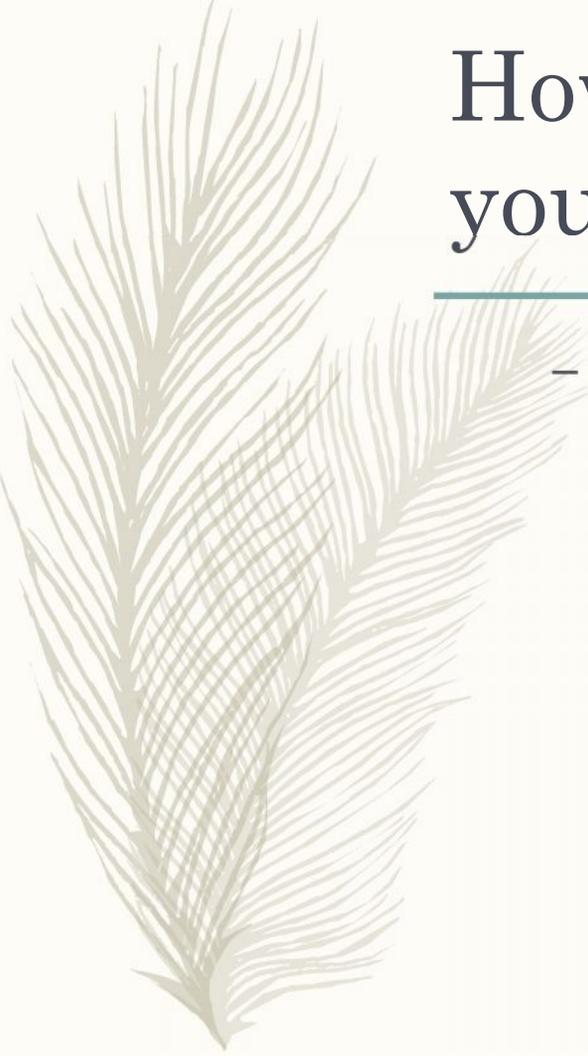
Debit/ATM Basics(cont.)

- Some debit card transactions take several days to be deducted from your account. As a result, tracking your balance only through ATM receipts is not the most effective way to monitor your spending.
- If you deduct purchases and withdrawals as they occur in your checkbook register, you will have the most up-to-date accounting of your available balance.
- For ATM and debit cards, you should check with your bank to determine the fees for using your card to withdraw money from another bank's ATM.

A decorative vertical panel on the left side of the slide. It features a dark horizontal band with three large, gold-colored currency symbols: a dollar sign (\$), a Euro sign (€), and a pound sign (£). The background of the panel is a light gray with a subtle wood-grain texture.

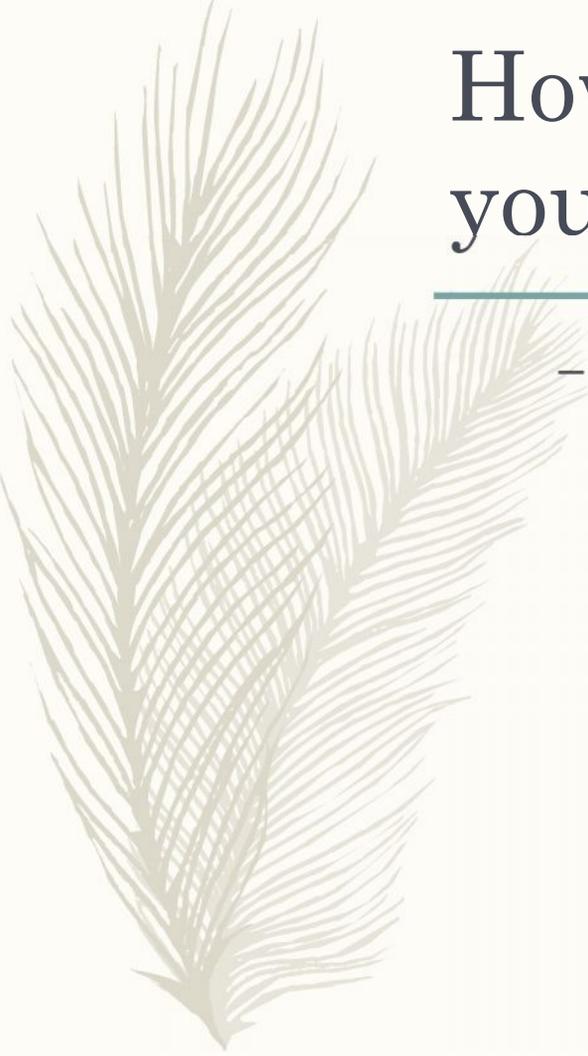
Banking - Credit Card Benefits

- It's worth repeating...credit cards are not free money. If used unwisely, they can cause debt problems and hurt your credit history.
- Before applying for or using a credit card, take some time to be sure you are getting the best deal for your needs. Give yourself a crash course on credit so that you understand the interest rate, fee, payment schedule and other terms and conditions of the card.
- If you are credit wise, you can experience the benefits and convenience of credit cards, including:
 - **Protections.**
 - **Perks.**

A decorative graphic of a feather, rendered in a light beige color, is positioned on the left side of the slide. It has a central rachis with numerous barbs extending outwards, creating a fan-like shape. The feather is oriented vertically, with the base at the bottom and the tip at the top.

How to read and understand your Credit Report

- **Below is a list of information that can appear on a credit report:**
 1. Your name, Social Security number, birth date and current and previous addresses.
 2. Information about your employers, both current and previous.
 3. Your payment history with major credit cards, department store charge accounts and loan payments.
 4. Your payment history with utility and telephone services.



How to read and understand your Credit Report(Con't)

- **Below is a list of information that can appear on a credit report:**
 5. A list of your accounts (if any) that have been referred to a collection agency.
 6. Inquiries made about your credit history that have been made over the past several years, and whether or not you were granted credit.
 7. Public record information: such as bankruptcies, foreclosures, and tax problems.



Getting a Copy of Your Credit Report

Write, phone or visit the website of any of the three national credit bureaus listed. Your report is available for a nominal fee or at **no charge** if you have been denied credit within the past 30 days because of information in your report. You can also get a list of people and organizations who have requested your report within the past six months.

Equifax Information Service Center –
www.equifax.com

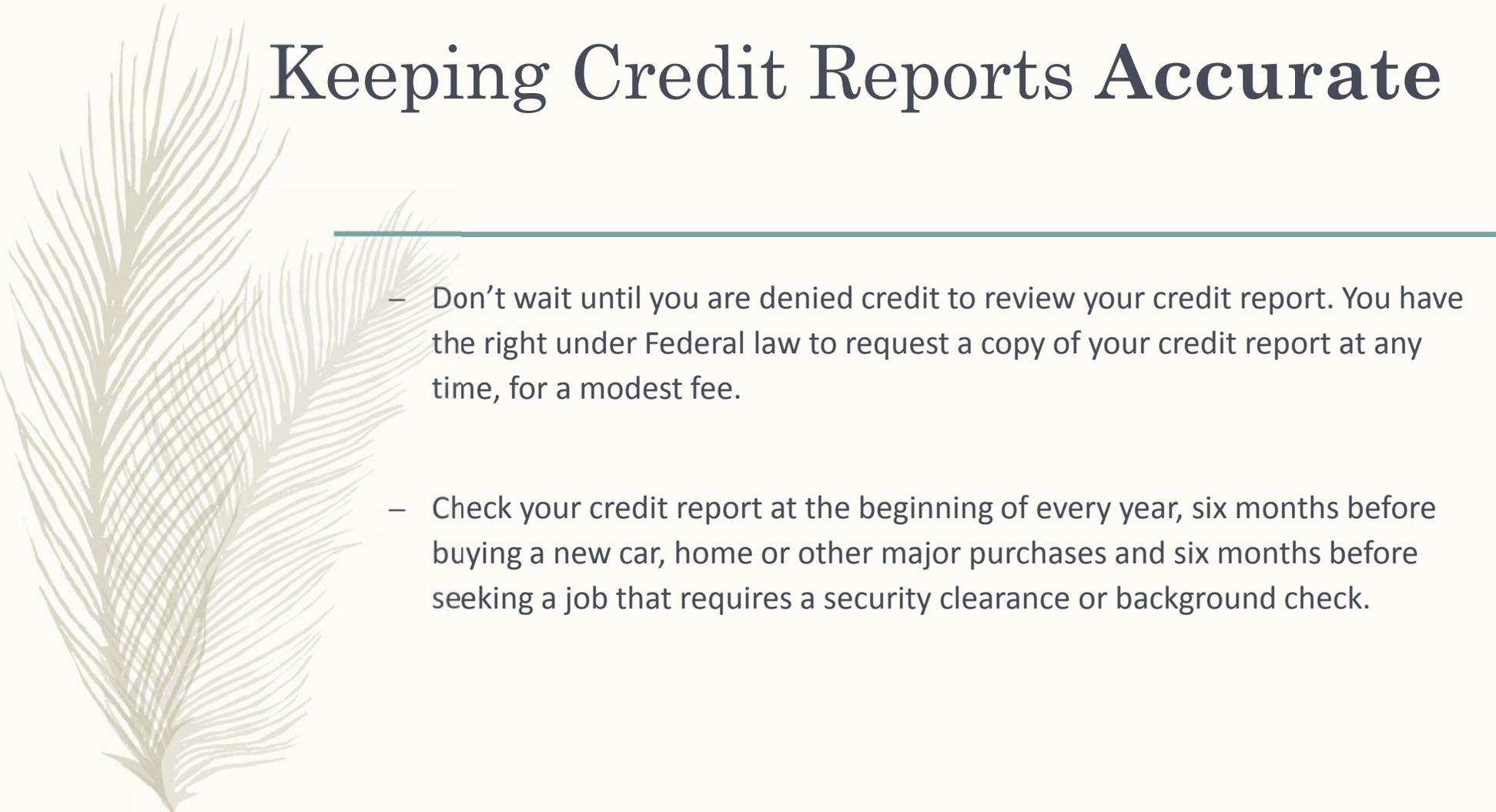
- 800-685-1111
- P.O. Box 740241, Atlanta, GA 30374-0241

Experian Information Solutions, Inc. –
www.experian.com

- 888-397-3742
- P.O. Box 2002, Allen, TX, 75013

Trans Union Corporation – www.tuc.com

- 800-888-4213
- Post Office Box 1000, Chester, PA 19022



Keeping Credit Reports **Accurate**

- Don't wait until you are denied credit to review your credit report. You have the right under Federal law to request a copy of your credit report at any time, for a modest fee.
- Check your credit report at the beginning of every year, six months before buying a new car, home or other major purchases and six months before seeking a job that requires a security clearance or background check.

Incomplete or Inaccurate Information?

- Late payments or other negative information could stay on your credit report for seven years, so it's important to correct inaccurate information. Check hand-out for the steps you can follow!



Budgeting

- Determine realistic income.
- When figuring out your income and setting a budget, it is important to remember that you may never see all of the money that you earn. This is because a portion of your income goes to **taxes** and is usually taken directly from your paycheck.
- The amount a person receives after taxes is called their **net income**. When creating a budget, you want to use your net income (the actual amount of money you have available) rather than your gross income.



Budgeting

- Using a single paycheck, here are some easy ways to estimate your monthly or yearly income.
- **Weekly:** Multiply the amount on the paycheck (after taxes) by 4.3 to figure out your monthly net income. Multiply the amount on the paycheck by 52 to figure out your **yearly** net income.
- **Bi-weekly:** (every other week): Multiply the amount on the paycheck (after taxes) by 2 to figure out your monthly net income. Multiply the amount on the check by 26 to figure out your **yearly** net income.
- **Monthly :** Multiply the amount on the paycheck (after taxes) by 12 to figure out your yearly net income.



Budgeting

- Be Careful: **Periodic Expenses Ahead**
- There are a few expenses that can really cause problems with a budget if you don't plan ahead for them.
- A periodic expense is an expense that does not occur monthly; rather, it happens at less frequent intervals.



Budgeting

- Be Careful: **Periodic Expenses Ahead**
- **Examples:**
- Car insurance – may be payable monthly, quarterly, or semi-annually
- Property taxes – if not escrowed, generally payable twice per year
- Tuition bills – based on the student’s enrollment status, may be due three or four times during the year.
- Water & garbage bills – common to pay these bills on a quarterly basis



Budgeting

- It's very important to budget an amount on a **monthly basis** and set that money aside so that the funds are available when the bill comes due.
- For example, if you receive a \$150 water bill on a quarterly basis, budget **\$50 per month** ($\$150 \times 4 = \600 , $\$600 \div 12 \text{ months} = \50).
- Another very common periodic expense is gift-giving. The holidays come once a year, and many people have a desire to celebrate with gifts to others along with gatherings. Then there are birthdays, and other events such as graduations and weddings.



The Balance Money Formula

- The Balanced Money Formula is a broad budgeting system that has been successfully used by many individuals and families for years.
- Three (3) simple categories:
 - Needs (or Must-Haves): housing, utilities, health care, groceries, insurance etc.
 - Savings: retirement accounts, emergency savings, children’s education etc.
 - Wants: impulse shopping etc.



The Balance Money Formula

- As with any budgeting technique, you must start with your income – specifically, your net (after-tax) income. This system says that with your take-home pay, you should try to:
 - Tithe 10%
 - Pay yourself 10%
 - Household needs, lights, and bills 80%
- When you use a budget, even one as simple as this, you'll need to make constant adjustments. But once you get the most important expenses figured out (your Must-Haves or Needs), you usually don't have to worry about them much. Your housing payment doesn't fluctuate from month to month, for instance.

AVERAGE MONTHLY INCOME AND OUTGO FOR THE PAST CALENDAR YEAR

	PAST ↓	PROJECTED ↓		FROM _____	TO _____
GROSS INCOME PER MONTH		[]			
Salary, Pension, Soc Sec (His)		[]			
Salary, Pension, Soc Sec (Hers)		[]			
Interest and dividends		[]			
Net from Investments/Rents		[]			
Gifts and Inheritance		[]			
Tax Refunds		[]			
Other		[]			
OUTGO PER MONTH					
1. Tithe and Offering		[]			
2. Taxes (IRS - Soc. Sec.-Med.)		[]			
NET SPENDABLE INCOME (GROSS INCOME MINUS LINES 1 & 2) ALSO LIST ON LINE A BELOW		[]			
3. Housing		[]			
Mortgage (Rent)		[]			
House Insurance		[]			
Real Estate Taxes		[]			
Electricity / Gas / Oil		[]			
Telephone		[]			
Water & Sewage		[]			
Trash Removal		[]			
Maintenance		[]			
Cable TV		[]			
Other		[]			
4. Food (Grocery Store)		[]			
5. Auto (Transportation)		[]			
Payments		[]			
Gas		[]			
Auto Insurance		[]			
License Tag		[]			
Repairs / Maintenance		[]			
Vehicle Replacement		[]			
6. Insurance		[]			
Life		[]			
Health		[]			
Other		[]			
7. DEBTS					[]
Credit Cards		[]			
Installment Loans		[]			
Other		[]			
8. Enter/Recreation					[]
Dining Out		[]			
Trips / Vacation		[]			
Babysitters		[]			
Activities		[]			
Video Rentals		[]			
Other		[]			
9. Clothing (Cash)					[]
10. Savings (+or-)					[]
11. Investments (+or-)					[]
12. Medical Expenses					[]
Doctor		[]			
Dentist		[]			
Prescriptions		[]			
Other		[]			
13. Miscellaneous					[]
Drugstore Items		[]			
Beauty / Barber		[]			
Laundry / Dry Cleaning		[]			
Lunch (Work / School)		[]			
Subscriptions		[]			
Gifts (Incl Christmas)		[]			
Special Education		[]			
Pocket Money		[]			
Pet Store / Veterinarian		[]			
Other		[]			
TOTAL EXPENSES (3-13) (ALSO LIST ON LINE B BELOW)					[]
A. NET SPENDABLE INCOME					[]
B. LESS EXPENSES (3-13)					[]
C. DIFFERENCE/MONTH (+OR-) (LINE A MINUS LINE B)					[]
D. DIFFERENCE/YEAR (+OR-) (MULTIPLY LINE C X 12)					[]

INSTRUCTIONS

Insert only "Past" income and outgo on the lines—after chapter 7 insert only "Projected" income and outgo in the boxes. Use pencil—use the most accurate figures possible. Fill every blank; if no amount, insert a dash (—). Round all figures off to the nearest dollar (for example, 941.36 should be 941, and 941.82 should be 942). Convert all weekly figures to monthly (for example, \$100/week x 52 weeks = \$5,200/year ÷ 12 months = \$433/month). If self-employed do NOT include business income and use only your net profit from the business that was brought home for the family's use.

☛ Do these 3 projections last and divide your abundance among them only when planning your budget projections.

FORM #1

TELLING IT WHERE TO GO SHEET

Monthly Cash Flow Statement

Group A	Budget	Actual	Explanation
Wife's Net Income	+	+	
Husband's Net Income	+	+	
Other Income	+	+	
Other Income	+	+	
Group A Totals	=	=	
Group B	Budget	Actual	Explanation
Charity / Church / Titho - 10%	+	+	
Husband - Pay Myself - 10%	+	+	
Wife - Pay Myself - 10%	+	+	
Mortgage / Rent	+	+	
Car Payment 1	+	+	
Other Transportation / Buss Pass	+	+	
Cell Phone / Home Phone	+	+	
Child Care Money	+	+	
Food	+	+	
Natural Gas-Laclede	+	+	
Electric-Ameren	+	+	
Auto Gasoline	+	+	
Water	+	+	
Auto Insurance	+	+	
Credit Card Payments	+	+	
Personal Loans	+	+	
Misc / Mad Money / Weekly	+	+	
Trash	+	+	
Sewer	+	+	
Cable / Internet	+	+	
Medical Exp / Dr Bills / Ins	+	+	
Life Insurance - Term	+	+	
Group B Totals	=	=	
Disposable Income (A - B)	=	=	

Taxes

- If you realize gross income in excess of a specified amount, you are required by law to **file** Federal income tax returns (and pay remaining income taxes if applicable).
- As a family, you may be able to save more on your taxes than a single person can.
- Keep copies of your filed tax returns. They help in preparing future tax returns and making computations if you file an amended return.



Taxes

- Remember to file your tax return annually
 - <https://www.irs.gov/filing>
- Find a good tax professional
 - A CPA





Insurance

- Insurance is a contract between an individual (the policyholder, YOU!) and an insurance company.
- This contract provides that the insurance company will cover some portion of a policyholder's loss as long as the policyholder meets certain conditions stipulated in the insurance contract.
- Examples:
 - Bural(some one dies) 5-10K, Life(term, whole life), Health, Renters/home, Auto

Retirement - 401k

- A 401(k) is a feature of a qualified profit-sharing plan that allows employees to contribute a portion of their wages to individual accounts.
- Employers can contribute to employees' accounts.
- Distributions, including earnings, are includible in taxable income at retirement (except for qualified distributions of designated Roth accounts).

Traditional IRA

Anyone with earned income may contribute to a Traditional Individual Retirement Account (IRA) until age 70 ½.

Contributions may also be made for a non-earning spouse.

- Tax Benefits:
- Tax-deferred growth
- Potential for current tax deduction
- Saver's Tax Credit available
- Distributions available free of IRS penalty for qualifying major life events including early retirement.
- Distribution options available to beneficiaries to minimize tax bite

Roth IRA

Anyone with earned income not exceeding certain limits* can contribute to a Roth IRA at any age.

- Tax-deferred growth
- Potential for current tax deduction
- Saver's Tax Credit available
- Contributions are always withdrawn tax free and without IRS penalty
- Distribution portions available to beneficiaries to extend tax-free growth potential into future generations
- * Adjusted gross income(AGI) cannot exceed \$110,000 for single taxpayers/\$160,000 for married taxpayers filing jointly.

Higher Contribution Limits for IRAs

Maximum Annual Contribution Traditional or Roth		
Tax Year		
Prior to 2002	\$2,000	\$2,000
2002-2004	\$3,000	\$3,500
2005	\$4,000	\$4,500
2006-2007	\$4,000	\$5,000
2008 and after	\$5,000	\$6,000

Social Security

- Social Security can provide you, your spouse, and other eligible members of your family with benefits:
 - when you retire;
 - if you become disabled; and
 - when you die.
- Use our planners to help you better understand your Social Security protection as you plan for your financial future.
- <https://www.ssa.gov/planners/benefitcalculators.html>