



Setting Financial Goals

FDIC Money Smart for Young Adults



Building: Knowledge, Security, Confidence

Purpose

- Learn how to manage money by preparing a personal spending plan
- Identify ways to decrease spending and increase income



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



To make a Budget or to NOT Make a Budget?



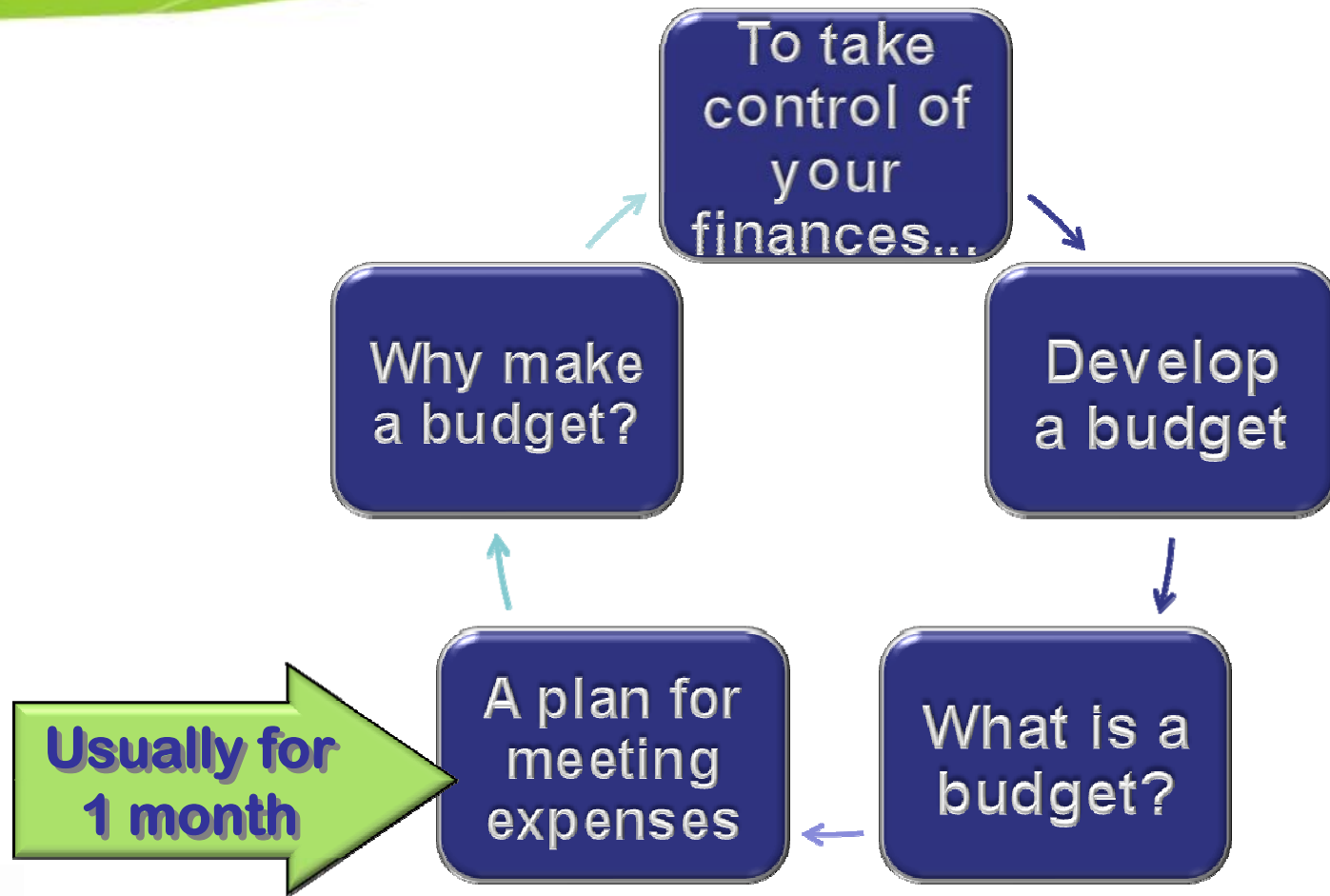
What is a Budget?

Budgeting is:

- **An important step to financial security**
- **About choices – choosing how to make and spend money**



Why Budget?



Preparing a Budget



Budgeting is about:

- **Choosing how to use your money**
- **Knowing what your income and expenses are every month**



Four Steps to Preparing a Budget

1. **Keep track of your daily spending**
2. **Determine what your monthly income and expenses are the month before they are due**
3. **Decrease spending**
4. **Increase income**



Step 1: Keep Track of Daily Spending

Many people spend all their money—Do you know where your money goes each month?



- Have you ever had any money and then spent it?
- Do you remember exactly what you bought?

Control Your Money!

- Know where your money goes
- Keep a personal spending diary



Set Your Goals

Consider them when planning a budget:

- **Be realistic**
- **Be specific**
- **Have a time frame**
- **Say what you want to do**
- **Have milestones**



Daily Spending Diary

Watch Spending Closely

- Use a daily spending diary or log
- Know where your money goes
- Cut expenses to save for goals



Activity 1: Daily Spending Diary

Complete Activity 1 in your Participant Guide

- Write down what you spend in a typical day
- Keep track of everything you spend



Step 2: Income

Income comes in the form of:

- Allowances
- Wages from a job
- Miscellaneous work (like cutting grass)
- Interest and dividends from investments



Step 2: Expenses

Expenses: items you pay for each month

- Housing and car payments
- Insurance
- Food and clothing
- Utility bills
- Personal, child or pet care
- Eating out or other entertainment
- Educational costs



Activity 2: Monthly Income and Expense Worksheet

Complete Activity 2 in your Participant Guide

- Your instructor will explain how to fill in the worksheet
- You will fill it out as you go through the section



What You REALLY Earn: Income

- Your employer must subtract certain taxes from your paycheck



- The time it takes to meet goals for saving may increase



What You REALLY Earn: Income (continued)

Gross Income – Deductions = Net Income

Gross Income:

Total income without deductions

Net Income:

Gross income after deductions or subtractions, such as Social Security and other taxes



What You REALLY Earn: Income (continued)

Social Security:

Insurance for someone who works



- Retirement
- Disability
- Family
- Survivor
- Medicare



Expenses

Expenses:

Everything you pay for in a time period

There are two types of expenses:

- Fixed**
- Flexible**



Expenses (continued)

Fixed Expenses do not change

- Car payment
- Rent

Flexible Expenses might change

- Electricity
- Food
- Clothing or entertainment



Step 3: Find Ways to Decrease Spending

Decreasing Spending = More Money Left



Step 3: Find Ways to Decrease Spending

You can decrease spending by:

- **Carrying little cash and controlling your credit card use**
- **Not shopping “for fun”**
- **Remembering your savings goals**
- **Buying only what you need**
- **Paying your bills on time to avoid extra fees and charges**



Step 4: Find Ways to Increase Income



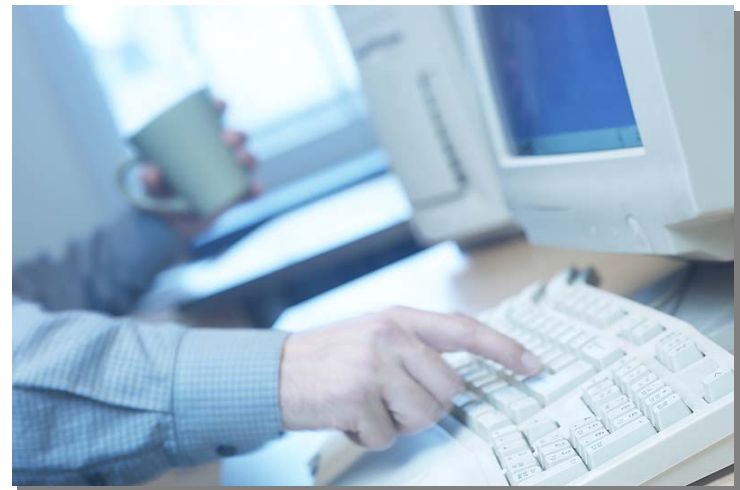
- **Get a second job or a job that pays more to increase income**
- **Use certain tax credits that can help you increase your income (or pay fewer taxes so that you get more in your paycheck)**



Budgeting Tools

These help you manage your budget:

- **Monthly payment schedule**
- **Monthly payment calendar**
- **Computer system**



Budgeting Tools (continued)

We will focus on two:

- **Monthly payment schedule**
- **Monthly payment calendar**

These help you:

- **Record income in advance**
- **Plan ahead to pay your bills**



Activity 3: Monthly Payment Schedule

Complete Activity 3 in your Participant Guide

- Use the Income and Expenses Worksheet
- Follow your instructor's directions to complete the Schedule



Activity 4: Monthly Payment Calendar

Complete Activity 4 in your Participant Guide

Use the Monthly Payment Schedule to fill in your calendar



Monthly Payment Calendar

Month _____						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 \$400 paycheck \$25 savings \$150 car \$25 personal \$30 insurance	3 \$16600 transportation	4	5 \$25 interest (income)	6 \$30 cell phone	7
8	9	10	11	12	13	14
15	16 \$40 phone bill	17	18	19	20 \$10 credit card/ loan	21
22	23	24	25	26	27	28 \$40 entertain- ment
29	30					

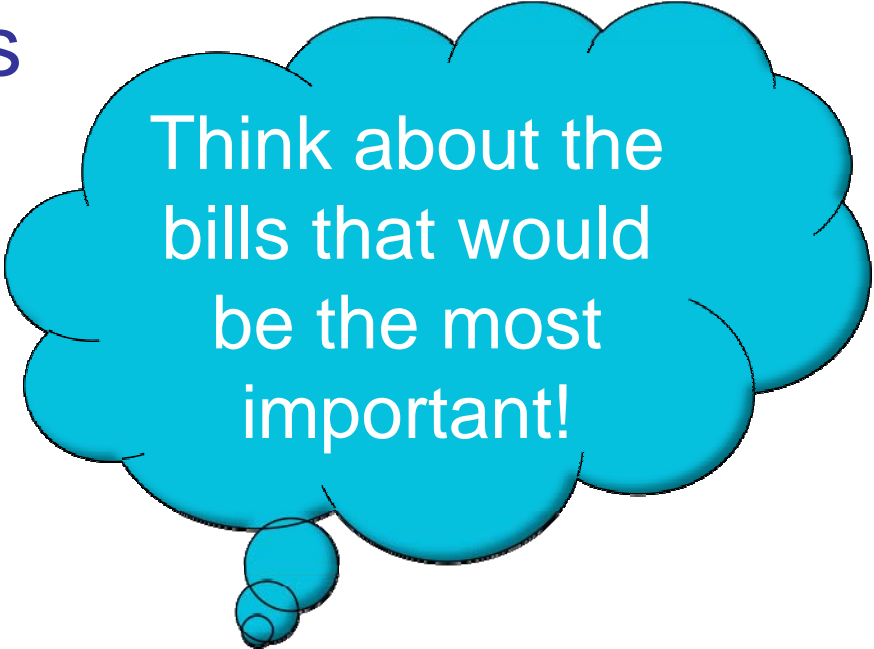
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Help! I Can't Pay My Bills!

Scenario: You add up your bills and the total is \$900, but your income is only \$600....

What do you do?



Think about the bills that would be the most important!



Help! I Can't Pay My Bills! (continued)

If you have to choose, think of major obligations first:



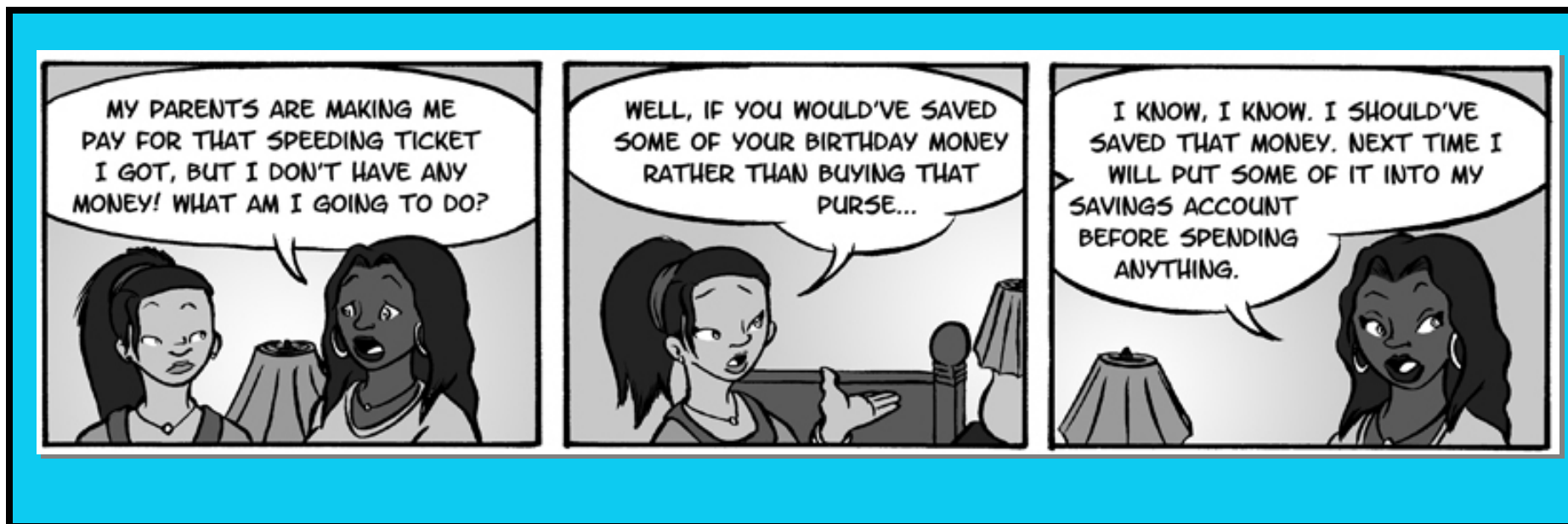
Activity 5: A Hole in Todd's Pocket

Complete Activity 5 in your Participant Guide

Read the scenario and think about what Todd did



CONCLUSION: To make a Budget or to NOT Make a Budget?



Setting Financial Goals



Congratulations! You have completed the *Setting Financial Goals* module.

You have learned:

- **How to track what you spend each day**
- **How to prepare a personal budget to estimate monthly income and expenses**
- **Ways to decrease spending and increase income**
- **About tools for better money management**



Assess Your Knowledge

**Don't forget to complete the
Knowledge Check in your
Participant Guide**

