

Realizing the American Dream



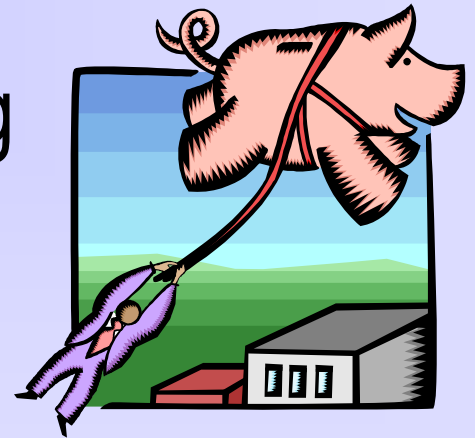
Managing Your Money

Self-Help Tips

- Start with goals
- Call it a spending plan
- Develop simple methods for tracking
- Get buy-in from entire household
- Celebrate small successes

Why Do You Need a Spending Plan?

- To prepare for large expenses
- To encourage savings
- To prepare for surprise expenses
- To identify wasteful spending
- To accomplish goals



How Do Use Money?

- The Miser
- The Conservative
- The Carefree
- The Big Spender
- The Overspender

Rate Your Spending Habits

- What things would be easiest to change?
- What would be hardest?
- Is a house worth giving these things up?
- Are you ready to do this now?
- Are there other things you want to do first?

The Steps in Establishing a Spending Plan

1. Determine your monthly net income
2. Calculate your monthly expenses
3. Subtract your regular expenses from your income

Keeping Track of Spending

- Save all receipts
- Use a small notebook
- Use a Ziploc bag

Setting Family Goals

- Talk about goals as a family
- Be specific
- Write down all family members' goals and rank them in order of importance
- Agree on your top goals
- Figure out how much it will cost to reach your goals

Wants vs. Needs

- Needs= items you must have for basic survival
- Wants= things you desire but can live without

Different Types of Expenses

- Fixed expenses
- Flexible expenses
- Indebtedness expenses

Fixed Expenses

- Cost or payments that generally do not vary from month to month. An example of a fixed expense is a car loan.

Flexible Expenses

- Expenses that change from month to month, like the cost of groceries, entertainment and personal items.

Indebtedness Expenses

- The minimum monthly payments due to creditors

Trimming Expenses

- Clip coupons
- Use a list to do grocery shopping
- Make cost comparisons fun
- Get three quotes for large purchases
- Agree on allowance for each family member



Trimming Expenses (2)

- Eat at home
- Take lunches to work
- Shop in resale stores
- Trade services with friends
- Find fun activities that are free



Money Management Tips

- Plan according to current income
- Plan ahead for six months
- Include spending money for all
- Keep record keeping simple



Money Management Tips (2)

- Set money aside for maintenance
- Pay yourself first at least 10% of take-home pay
- Get consensus from entire family



Reviewing the Plan

- Is our spending plan working?
- Are all family members able to follow it?
- Which costs always seem to be over the planned amount?
- Are we getting closer to reaching our goals?

Ways to Make Money Management Easier

- Decide who pays bills
- Know when bills are due
- Use utilities' level billing payments
- Open a checking account
- Open a savings account



Ways to Make Money Management Easier (2)

- Consider consolidating credit card accounts
- Consider selling a car
- Check your interest rates
- Stick to the plan



Controlling Day-to-Day Spending

- Carry written reminders of your goals
- Carry as little cash as possible
- Use direct deposit



Controlling Day-to-Day Spending (2)

- Put items on layaway
- Buy only what you need
- Try to pay with cash, a check or a debit card



Importance of Saving

\$2/
day

2%
interest

=

\$1,504.09
in 2 years

***Try to save 10% of your income
on a monthly basis!***

Types of Savings Accounts

- Regular savings account
- Club account
- Certificate of deposit (CD)
- Money market account
- Matched savings account



Regular Savings Account

- A savings account is an account that earns interest. You can open a savings account with a few dollars, but you might pay a monthly fee if your balance is below a certain amount. Some banks will give you a booklet called a “passbook” to keep track of your money.

Club Account

- A club account is a type of savings account you “join” to save money for a special reason, such as holidays or family vacations. Club accounts usually require you to make regular deposits.

Certificate of Deposit

- CDs are accounts where you leave your money for a set period of time, such as six months, one, two, or five years, called a term. You usually earn a higher rate of interest than in a regular savings account. The longer you promise to keep your money in a CD, the higher the interest rate. Be sure to think about your cash needs before opening a CD because you will pay a penalty if you withdraw your money early.

Money Market Account

- A money market account is one that usually pays a higher rate of interest than a regular savings account. Money market accounts usually require a higher minimum balance to earn interest, but they also pay higher rates for higher balances.

Matched Savings Account

- Individual Development Accounts (IDAs) are matched savings accounts. When an account is matched, it means another organization, such as a foundation, corporation, or government entity agrees to add money to your account.

Tips for Savers

- Pay yourself first
- Open a savings account far away from home and work
- Save change at end of day
- Bank your surprises



Getting Help

- Neighborhood Reinvestment Corporation
- National Foundation of Credit Counselors
- HUD

Summary

- Importance of creating a realistic spending plan
- Steps involved in developing a spending plan
- Setting financial goals and making a spending plan to meet your goals
- Trimming expenses and making money management easier
- Using strategies to increase savings

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