

TEACHING LIFE SKILLS TO PARENTS

PARTICIPANT GUIDE

Teaching Life Skills to Parents

Section Four: Money

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Money Tool Kit

Teachable moments

- Client says to you that her money never lasts through the month.
- Client asks you for a loan.
- Client uses a check-cashing place to cash her checks.
- Client has been evicted. (Might be financial, might be something else. In any case, it's a good teachable moment.)

Life skills questions

- Do you know who can help you with budgeting money?
- Do you have a budget?
- Do you have a bank account?
- Do you regularly put money into a savings account?
- Do you know where to find tax information on a pay stub?
- Does your money last through the month?
- What is the downside of buying something on credit?
- Do you plan for the expenses that you must pay each month?
- Do you keep a record when you pay bills?
- Are you impulsive when making significant purchases?

Pitfalls

- Be mindful of whether or not there may be active substance abuse in the client's family. This just sucks the money out of any household and will foil any of your budgeting attempts with a client.
- Money is a charged subject. It may or may not be something your client feels comfortable discussing.
- People can get themselves into real financial trouble very quickly with credit cards, high interest payday loans and any kind of shady financial dealings.
- Client may be participating in the "underground economy", either by working on a cash-only basis or by participating in illegal activities. This may make it hard to work with the client on money management.

Life skills

- How to Develop a Budget.
- How to Decode a Pay Stub
- How to Save Money
- What Services Do Banks Offer
- How to Maintain a Bank Account
- How to Maintain Good Credit

Curriculum Units for Money

Setting priorities: Developing financial goals

- Learn the difference between Wants, Needs and Goals.
- Make a list of short and long-term financial goals

Making a budget

- Get organized
- Track spending
- Make a list of income and expenses
- Where does the money go?
- Make a balanced spending and savings plan (a budget)

The pay stub

- What is the difference between gross and net income?
- What are all the deductions on a pay stub for?

Saving money

- What are various strategies for saving money?
- What are some specific ways to save money?

Banking services

- What are the various services that banks offer?
- What are the different types of checks?

Money Activities to do with Clients

Setting priorities: Developing financial goals

- Help client make one short-term financial goal.
- Help client make one long-term financial goal.
- With client, look at any purchase \$100 or more she has made in the last month and determine if it was a want or need.

Making a budget

- Help client create a file for all her monthly expenses.
- Help client develop a system for keeping track of her monthly expenses.
- Using any of the budget worksheets, help client make a list of her income.
- Using any of the budget worksheets, help client put together a simple budget.

The pay stub

- Look at the client's pay stub and make sure she understands all the deductions.
- Help the client calculate the weekly gross for various jobs.

Saving money

- Help the client pick two ways to save to try for a month.
- With client, review the grocery shopping strategies she uses to save money.

Banking services

- With client, shop around for the best deal on a checking account
- Go with the client to open a savings account.

Exercise One: Your values and money

Please write down two values you have regarding money:

1. _____

2. _____

From whom did you learn these values? _____

To whom do you talk about money? _____

Who knows all about your finances (i.e. how much you make, how much you have in savings, etc. if you have any investments, etc.)?

\$\$\$\$ Take Charge of Your Money \$\$\$\$

- **Set goals.** Set short-term and long-term goals. Set due dates for reaching your goals. Be realistic. Be flexible. Go back and look at your goals to check your progress.
- **Develop a budget.** Find out where your money is going. Write down all of your income. Keep track of your expenses for a month. Look for places to save. Make a budget. Review it each month.
- **Start saving, no matter how little.** Put it in a savings account or someplace else where you won't be tempted to spend it. Shop for the best interest rates. Understand all fees and charges. As your income increases, increase your savings.
- **Manage credit wisely.** Always ask yourself if you really need to borrow money. Avoid spur-of-the-moment purchases. Set a monthly limit on credit card purchases. Pay more than the minimum.
- **Protect your credit rating.** Pay all bills on time. If you're having trouble paying bills, get advice from a reputable organization before you are delinquent. Find out your credit rating. Check your credit report every year. Alert the credit bureau if you see an error.
- **Get the best deal on borrowing money.** Know the loan's terms and conditions. What is the interest rate? What are the fees? How much will I have paid in interest? Can I pay it off early without a penalty? Shop around and compare. Question an offer that sounds too good to be true. Always read and understand the fine print. Seek help if you need it.
- **Learn more about money.** Look for organizations in your community that can help you learn more about setting financial goals, budgeting, savings, using credit wisely and getting the best deal.

Budgeting Basics — Wants, Needs, Goals

We all have basic needs in our life — shelter, clothing, and food. Each person in the family has additional needs that costs money. There is a difference between needs and wants. A want is something you would like to have but could live without. It is important to discuss with your family what are their wants and needs and how do they fit into the family's financial plans.

A car may be a need for the family, but a new car probably is a want. Would you consider a radio in the car a need; what about a CD player? A phone in the house may be a need for your family, but a cell phone could be a need or a want.

Have each family member write down five needs. Then ask each person to write down five wants. Read the lists aloud. Discuss how you could include the needs in your budget, and plan to save for the wants of family members.

Goals:

What is really important to you and your family? Do you have goals? What goals do you plan to work toward?

A goal is a broad general statement of what you want to achieve. Goals provide direction for your plans and actions.

Goal setting is more than deciding what is important to you. To help write your goals, ask yourself these questions:

1. What do I want to do with my money?
2. How much will it cost?
3. How long will it take to get that much money?

Write down your immediate, short-term, and long-term goals. Immediate goals are those things you want to get done in the next week, month, or three months. Short-term goals are things you want to do or accomplish in six months to a year. Long-term goals are goals you want to reach in 1 to 5 years or longer.

You may have more goals in one category than another. You need not have all three types of goals.

As you list your goals, decide which goals you want to use your money for first. Set dates to reach your goals. Ask yourself which goals are the most important and which are the least



Budgeting Basics – Wants, Needs, Goals

important. Just because a goal is short or long term it may be just as important to save for it as the immediate goal. Ask yourself these questions:

1. How important is this goal to me and my family? Is it something I want, but could do without?
2. How urgent is this goal? If you have to buy a new car tag and pay personal property taxes in two months (or you will get a ticket), saving to pay that bill is an immediate goal.
3. What will happen if I don't work on this goal? Will your bills continue to grow with interest charges, or will your credit rating be affected? How will you store food if your can't replace your old refrigerator?
4. How much will I have to save each payday to reach this goal?

Goals are important to successful money management. Goals guide you to use your money for the things that are really important to you and your family. Don't let setting goals be just an exercise. Build them into your spending and saving plans.

Immediate Goals
(within next three months)

Costs

Save Each Month

Short-Term Goals
(six months to a year)

Costs

Save Each Month

Long-Term Goals
(1 to 5 years or longer)

Costs

Save Each Month

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Budgeting Basics

Money is a part of our life every day. What we wear, what we eat, where we live, and the fun things we do are only a few money related decisions we make.

For some people, having a million dollars wouldn't be enough to satisfy their wants. Millions of other people manage to pay their bills, save for the future, and enjoy life while still living within their income. Managing money takes time and effort.

The way you spend or save money today will help determine what you have and whether you can pay your bills in six months, a year, or many years from now. For example, if you spend your money as fast as it comes in, you may find yourself in debt when unplanned expenses occur.

Do you have control over how you spend money? Can you live within your income – meeting expenses and putting some money into savings?

Budgeting is a way to get the most out of your dollars. It is not just about saving money or being a tightwad or doing without. Budgeting is about deciding where your money will go and making a spending and savings plan.

Money Management Skills

No one is born with natural money management skills. You may have learned some money management skills from your family, but you may want to manage your money differently than your parents managed their money. You also may have learned some money management skills at school or through life experiences. Developing good money management skills takes time, practice, and patience.

Budgeting

If you run out of money before all the expenses are paid, you are not alone. While people work hard to earn an income, they often do not work at planning how income will be spent. There are steps you can take to make a budget work for you. The basic steps in successful budgeting include:

1. Track how your money is spent for one month.
2. List all income for the month.
3. Compare expenses to income.
4. Determine what changes need to be made.
5. Make a spending and savings plan.
6. Try to follow the spending and savings plan, adjusting as necessary.

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Budgeting Basics — Getting Started

1. Get organized.

- Get your bills and financial records together. Have a designated box, basket, or file where bills are placed when they arrive. Open the bill and mark on the outside of the envelope the date the bill should be paid. If you are going to mail the payment (rather than pay it in person), the date noted should be four or five days before the due date (to allow the payment to arrive before the due date and avoid a late fee).
- After paying a bill, mark it "paid" and put it in large envelope, box, or file marked "Paid bills." Keep receipts for cash payment of bills in the same place.

2. Track spending.

- Keep a folded sheet of paper or small notebook with you at all times to track all of the money you spend for one month.

3. Record spending.

- Record your spending on the budget expense worksheet, adding categories if necessary to fit your spending pattern.

4. Record all income on the income worksheet.

5. Compare expenses to income.

- If your expenses are more than your income, look for what you can cut.
- Determine what expenses are absolutely necessary, such as housing, utilities, and food.
- Decide which other expenses can be cut to meet the necessary expenses.
- Look for ways you can increase your income.

6. Make a budget (spending and savings plan) for next month.

- Fill in planned expenses and expected income on budget sheet.
- As it is received, record income on income sheet and monthly calendar.
- As bills arrive, list them on the monthly calendar on the date they should be paid. Also record other monthly expenses if no bill is received (such as rent).
- Plan what bills and expenses will be paid out of each paycheck or other source of income, as well as how much of the income must be saved to pay expenses later in the month.



Budgeting Basics — Getting Started

Fact Sheet

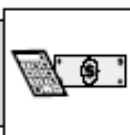
- 7. As money is spent, record all expenses on expense worksheet.**
- 8. At the end of the month, subtract expenses from income and determine if you have stayed within your budget.**
- 9. Review expenses and income to determine what needs to be changed. Do you need to cut some expenses or increase income?**

Don't be discouraged. The first few months you try to follow your budget will be a learning experience. You may need to make changes in your budget. Remember, a budget is a guideline for spending and saving money. It helps you identify where your money goes and helps you plan how to use your money to get the things you need and want.

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Budgeting Basics — You and Your Money Quiz

Activity

Each person handles money differently. Have each member of the family complete this quiz and then compare and discuss your answers.

1. How would you rank your family's spending habits?

	You	Your Partner	Kids
Too thrifty	_____	_____	_____
Reasonable	_____	_____	_____
Easy going	_____	_____	_____
Spend every cent	_____	_____	_____

2. What do you enjoy spending money on? _____

3. What does your family enjoy spending money on? _____

4. What causes the most discussion about money in your household? _____

5. What would you like to change about how family money is spent? _____

6. Within a few dollars, how much does your family spend each month on:

_____ Eating out

_____ Utilities – heat, water, cable TV, phone, etc.

_____ Entertainment

_____ Purchases at discount stores

_____ Snacks, cigarettes, alcohol

_____ Gas for car

7. Do you feel any of your monthly expenses are too high? _____

Which ones? _____

8. If your family had to cut spending, what would you cut? _____

What would your partner cut? _____

9. How would you pay an unexpected expense of \$150? _____

10. If someone gave you \$1,000, what would you do with it? _____

11. What would you like to change about your financial situation? _____

12. How much does your family put into savings each month? _____

How much does your family have saved for emergencies? _____

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Fact Sheet

Tracking your daily spending helps you see where your money goes. One easy way is to take a sheet of paper and fold it in half three times. This will give you eight sections. Write the days of the week on seven sections, and "totals" on the last section. Keep it in your pocket or purse, and every time you spend money, write down how much and what it was spent on. Be sure to record purchases made in cash and by check, credit card, or debit card. Record weekly totals and transfer to your budget worksheet.

Other methods to track your spending include carrying a small notebook to record expenditures, or saving receipts and writing on them what you purchased.

Track your spending for a month to get a good picture of where your money goes. Ask each family member to participate in tracking their spending to get a total picture of the family's spending.

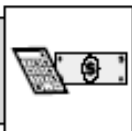
Here's a money tracking sheet example:

Dates: _____ to _____

Monday	Tuesday	Wednesday	Thursday
Friday	Saturday	Sunday	Totals

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Budgeting Basics — Worksheet Calendar of Monthly Income and Expenses

Month _____ Year _____	Sunday	Income	Bills to pay	Income	Bills to pay	Income	Bills to pay	Income	Bills to pay
	Monday								
	Tuesday								
	Wednesday								
	Thursday								
	Friday								
	Saturday								

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Budgeting Basics — Budget

Worksheet

Month: _____ Year: _____

Income (Take home pay and all other income): \$ _____

Expenses:	Planned	Spent
Housing and utilities	\$ _____	\$ _____
Transportation	_____	_____
Food	_____	_____
Other debts	_____	_____
Insurance	_____	_____
Clothing	_____	_____
Entertainment	_____	_____
Other	_____	_____
		Total Expenses: \$ _____

Income Minus Expenses (+ or -): \$ _____

Available For Savings And To Reduce Debt: \$ _____

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Budgeting Basics — Budget (Income)

Worksheet

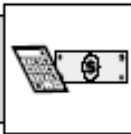
Month: _____ Year: _____

Take Home Pay	Week 1	Week 2	Week 3	Week 4	Week 5	Monthly Total
Job 1	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Job 2	_____	_____	_____	_____	_____	_____
Child support	_____	_____	_____	_____	_____	_____
WIC	_____	_____	_____	_____	_____	_____
TAF	_____	_____	_____	_____	_____	_____
Food Stamps	_____	_____	_____	_____	_____	_____
Other income	_____	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

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Budgeting Basics — Budget (Expenses and Savings)

Worksheet

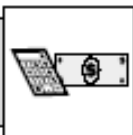
Month: _____ Year: _____

Planned		Spent					
		Week 1	Week 2	Week 3	Week 4	Week 5	Month Total
Savings	\$ _____						
Housing & Utilities							
Rent, mortgage	_____						
Gas, elec.	_____						
Water, sewer, trash	_____						
Telephone	_____						
Cable TV	_____						
Home supplies	_____						
Transportation							
Auto payments	_____						
Gas	_____						
Maintenance, repair	_____						
Other	_____						
Food							
Groceries	_____						
Eating out	_____						
School lunches	_____						
Other Debts							
Loans	_____						
Credit card payments	_____						
Other	_____						
Insurance							
Auto	_____						
Life	_____						
Health	_____						
Homeowner, renter	_____						
Clothing							
New, used	_____						
Laundry	_____						
Entertainment							
Movies, videos	_____						
Other	_____						
Other							
Medical	_____						
Child care	_____						
Personal care, supplies	_____						
Personal allowances	_____						
Gifts, contributions	_____						
Tobacco, alcohol	_____						
Other	_____						
Other	_____						
Total Expenses	_____						

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Budgeting Basics – Does Your Money Have Wings?

Worksheet

Does it seem like money flies out of your pocket or bank account without you noticing where it is going? Purchases of even small items can add up to quite a few dollars over a period of time.

Check the items your family spends money on. Total how much you spend each year. Look for ways you can save. This is just a sample; you may want to add to the list.

	Cost	How Often	Monthly Cost	Yearly Cost
___ Soda	\$ _____	_____	\$ _____	\$ _____
___ Candy bar	_____	_____	_____	_____
___ Movies	_____	_____	_____	_____
___ Snacks	_____	_____	_____	_____
___ Tobacco	_____	_____	_____	_____
___ Alcohol	_____	_____	_____	_____
___ Eating out	_____	_____	_____	_____
___ CD's	_____	_____	_____	_____
___ Lottery tickets	_____	_____	_____	_____
___ Bingo	_____	_____	_____	_____
___ Overdraft charges	_____	_____	_____	_____
___ Late payment charges	_____	_____	_____	_____
___ Caller ID and other phone charges	_____	_____	_____	_____
___ Long distance phone calls	_____	_____	_____	_____
___ Cell phone charges	_____	_____	_____	_____
___ Cable TV extras	_____	_____	_____	_____
___ Garage sales	_____	_____	_____	_____
___ Auctions	_____	_____	_____	_____
___ Book and video clubs	_____	_____	_____	_____
___ Health club	_____	_____	_____	_____
___ Magazine subscriptions	_____	_____	_____	_____
___ Rent to own	_____	_____	_____	_____
___ Other	_____	_____	_____	_____
___ Other	_____	_____	_____	_____
___ Other	_____	_____	_____	_____

Small amounts add up in a year. Before spending ask yourself:

1. Do I "need" this expense or item? Or is it a "want" I could do without?
2. How long did I have to work to pay for it?
3. Could the money be better spent on something else such as building savings or reducing bills?

What could you cut down or cut out? _____

How much would you save each month \$_____ or year \$_____?

Managing your money is like managing your life. You have to take an active role and make good decisions. If you don't, you will wonder how it slipped away without you noticing.

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The Paycheck and Pay Stub

Along with an actual check for your take-home pay, a paycheck generally has a pay stub attached that lists everything that happened to the money you just earned. A big adjustment when you get your first job is coming to understand the difference between gross pay and net pay. When you see what wage a job pays and calculate how much you are going to earn, based on the number of hours you anticipate working, the result is your gross pay. This is your total earnings before any deductions are taken out. What you are left with after all the deductions are taken out is your net pay--what you actually get in your paycheck. Here is an example:

Employee: Jerry Brown		McDonald's Corp.	
Social Security Number: 111-22-333		1234 Capitol Way	
For week ending: April 12, 2014		Sacramento, Ca.	
1. No. of regular hours worked:	40	3. Gross pay	\$416.00
Rate of pay: \$8 an hour		4. FICA	\$25.79
2. No. of overtime hours worked	8	5. Federal	\$31.00
Rate of pay: \$12 an hour		6. State	\$22.40
		7. Disability	\$1.10
		8. Medical	\$.90
		9. 401(K)	\$15.00
		10. Total Deductions	\$121.98
		11. Net Pay	\$294.02

An Explanation:

1. Regular Hours Worked: A standard work week generally is between 35 and 40 hours a week. This period of time (or anything less) is what a regular wage covers. In this case, the wages earned were $\$8 \times 40 = \320 .
2. Overtime Hours Worked: Any hours worked over 40 hours in a week is considered overtime for hourly workers. The usual pay for overtime is 1-1/2 times the regular hourly wage. In this case that is \$12.00 an hour. The overtime wages earned were $\$12 \times 8 = \96 .

3. Gross Pay: This is the total amount of money that Jerry Brown made this week, which is a total of the standard and overtime earnings: $\$320 + \$96 = \$416$.
4. FICA: This stands for the Federal Insurance Contribution Act and is money that is deducted for a person's social security fund. This is a mandatory deduction. A worker will contribute to this fund during his/her whole working life. When someone retires or becomes disabled, this fund will be available to supplement any retirement, pension or other source of income.
5. Federal: Federal income tax. This is also a mandatory deduction and is calculated based on what you make and the number of deductions you claim. You decide on your deductions when you complete a W-4 form.
6. State: State income tax. This is a mandatory deduction, again based on what you earn and your deductions.
7. Disability: This is a deduction that goes towards a type of insurance that is available if you get hurt or sick and can't work for a short period of time.
8. Medical: Medical insurance. This deduction is an employee's contribution towards the medical insurance an employer supplies for employees.
9. 401(K): This is an employee's contribution to a tax-free retirement account established by an employer. A 401(K) is an account through a for-profit company. A 403(B) is a retirement account through a non-profit agency.
10. Total deductions: This is the total of all the deductions taken out of this paycheck.
11. Net pay: This is what Jerry Brown will take home from this pay period.

This is not a complete list of deductions. There are other deductions that can be taken out of a paycheck such as city taxes and child care (if the employer has made a provision for it.)



read and interpret pay stubs

directions

Answer the following questions using the pay stubs on the following pages:

1. What is the name of Jane Brown's employer?
2. How much did Jane earn before taxes?
3. What is Jane's hourly wage?
4. List Jane's deductions.
5. What pay period does Peter Smith's check cover?
6. How much federal income tax has been taken out of Peter's check so far during 1999?
7. How much did Peter contribute to a retirement plan from this paycheck?
8. How much is Peter's take-home pay?
9. Where does Mary Stone work?
10. How much is Mary's salary?
11. How much money was deducted from Mary's paycheck?
12. How much has Mary been paid in total during 1999?



read and interpret pay stubs

HAMBURGER PALACE ENTERPRISES, INC.

NAME JANE BROWN **PAYROLL ENDING** 3/14/09 **CHECK NO.** 9343
EMPLOYEE NO. L4325 **AMOUNT** \$87.50

EARNINGS			TAXES WITHHELD			OTHER DEDUCTIONS	
Description	Hrs.	Amount	Tax	Current	YTD	Description	Amount
Regular	20	120.00	Fed Income Tax	12.72	174.90	MEALS	7.00
			Social Sec	7.44	102.30		
			Medicare	1.74	23.93		
			State Income Tax	3.60	49.50		
CURRENT		120.00					
YTD		1650.00					

THE BANANA BREADBOX **EMPLOYEE** PETER SMITH
SSN 999-99-9999
PAY PERIOD 8/06/09 TO 8/12/09
PAY DATE 8/15/09
CHECK NO. 3259
NET PAY \$182.41

EARNINGS			TAXES WITHHELD			OTHER DEDUCTIONS	
Description	Hrs.	Amount	Tax	Current	YTD	Description	Amount
Regular	40	140.00	Fed Income Tax	35.28	429.84	401(K)	30.00
Overtime	6	54.00	Social Sec	18.23	222.08	HEALTH	15.00
Current		194.00	Medicare	4.26	51.94		
YTD		3582.00	State Income Tax	8.82	107.46		

read and interpret pay stubs (continued)

EMPLOYEE Mary Stone
EMPLOYEE # A5926
PAY PERIOD 7/01/09 TO 7/15/09
PAY DATE 7/14/09
CHECK NO. 3691215
NET PAY \$349.21

DANCE-O-RAMA

EARNINGS			TAXES WITHHELD			OTHER DEDUCTIONS	
Description	Hrs.	Amount	Tax	Current	YTD	Description	Amount
Regular		448.00	Fed Income Tax	49.95	385.62		
Salary			Social Sec	27.79	361.09		
Current		448.00	Medicare	6.50	84.45		
YTD		5824.00	State Income Tax	14.56	182.28		

Budgeting Basics — Saving for Tomorrow

Saving money is important for several reasons:

1. Provides funds for emergencies and unexpected expenses.
2. Helps you reach your financial goals.
3. Gives you a feeling of security.

First, save and build an emergency fund so you have money available for unexpected expenses such as car repairs, medications, and appliance breakdowns. Most experts suggest having an emergency fund equal to three months of living expenses in case you lose your job or become ill and cannot work. This allows you a cushion to pay bills. Often people feel they cannot save that much money, but you can start by saving small amounts out of each paycheck.

Save some money from each paycheck toward your goals, and to pay those expenses that do not occur monthly, but at specific times during the year.

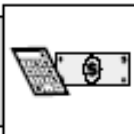
“Pay yourself first” is a good rule to follow each time you receive money. Put money aside for savings before spending your income and you will have a reserve to fall back on when needed.

Practicing “pay yourself first” may mean you delay buying some items you want now to build up your savings. The security of knowing you have money if your car breaks down may be worth more than eating out a couple times a week.

How money grows:

Your savings will grow as you add money to it, but it also grows through compounding interest. With compounding, saving even small amounts can add up over time.

Compounding means the interest that is earned also earns interest when it is left in the savings account. Let interest work *for* you on your savings instead of *against* you on credit card debt.



Budgeting Basics – Saving for Tomorrow

Fact Sheet

If you save \$5, \$10, \$15, or \$20 at the beginning of each week and earn 5% interest, your money would grow to the following amounts:

Amount saved per week	Value after (5% interest)		
	<u>2 yrs.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>
\$5	\$547	\$1,478	\$3,375
\$10	1,094	2,955	6,749
\$15	1,641	4,433	10,124
\$20	2,189	5,910	13,498

As the chart shows, the more you save, the more interest you earn and the faster the account grows. If you save at the beginning of the week rather than the end of the week (or month/year), your money grows faster (since it has more time to grow). How much do you want to try to save each week?

Rule of 72:

The Rule of 72 is a quick way to figure how your savings will grow:

- Divide 72 by the “interest rate” your money will earn. This will tell you how many years it will take for your money to double.

Example: If you earn 6% interest on your money, it will take 12 years for your money to double.

$$72 / 6\% = 12 \text{ yrs.}$$

- Divide 72 by the number of “years” you want your money to double and you will know what interest rate you must earn. If you want to double your money in 6 years, you must earn 12% interest.

$$72 / 6 \text{ yrs.} = 12\%$$

Yearly savings to reach a goal:

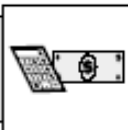
If you want to have \$1,000, \$5,000, or \$10,000 by a certain time, how much would you have to save at the beginning of each year if your savings earned 6% interest?

Years to save		Goals	
		\$1,000	\$5,000 \$10,000
			<u>Save per year</u>
2 yrs.	\$457.96	\$2,289.80	\$4,579.59
5 yrs.	167.36	836.78	1,673.55
10 yrs.	71.57	357.87	715.74
15 yrs.	40.53	202.65	405.31

If you divide the amount to save per year by 12, that is approximately how much you need to save each month to achieve the same goal.

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Budgeting Basics — Saving for Tomorrow

Fact Sheet

Tips to start saving:

- Save your change.
- Cut back on eating out.
- Put a dollar a day in a piggy bank, then into a saving account.
- Save any raise in pay.
- Save birthday money or any gifts of money.
- Hide your savings in a safe place until you have enough to put in the bank (so you won't be tempted to spend it).
- Open an interest paying savings account.

What suggestions do you have for building your savings?

Start saving early in your life

The following chart shows how much you would have at age 65 if you save either \$1,000 or \$600 at the beginning of each year for 10 years, starting at age 25, compared to how much you would have if you save either \$1,000 or \$600 at the beginning of each year for 30 years, starting at age 35.

How money grows:

Saving early in life and allowing the money to grow does make a difference.

Save early in life (7% Interest)					Save later in life (7% Interest)				
Age	Save each year	Value	Save each year	Value	Age	Save each year	Value	Save each year	Value
25-33	\$1,000		\$0		25-33	\$600		\$0	
34	\$1,000	\$14,784	\$0		34	\$600	\$8,870	\$0	
35-43	\$0		\$1,000		35-43	\$0		\$600	
44	\$0	\$29,082	\$1,000	\$14,784	44	\$0	\$17,449	\$600	\$8,870
45-53	\$0		\$1,000		45-53	\$0		\$600	
54	\$0	\$57,208	\$1,000	\$43,865	54	\$0	\$34,325	\$600	\$26,319
55-64	\$0		\$1,000		55-64	\$0		\$600	
<u>Invested \$10,000</u>					<u>Invested \$6,000</u>				
Value at 65: \$112,537					Value at 65: \$67,522				
\$101,073					\$60,644				

To save \$1,000 a year, save \$80.23 at the beginning of each month.

To save \$600 a year, save \$48.14 at the beginning of each month.

By: Mary Lou Odle, Saline County Extension Agent, Family and Consumer Sciences, K-State Research and Extension

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Budgeting Basics — Money Saving Suggestions

Consider what you and your family can do to save money that could be used to increase your emergency fund, save toward goals, or meet other family needs.

Check what you are doing now and the changes you might try.

Do Will Now Try

Food

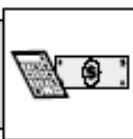
- _____ Check sales each week at grocery stores.
- _____ Use a shopping lists for groceries and don't be tempted to buy what is not on the list.
- _____ Check day-old bread rooms for reduced items.
- _____ Use coupons if available for things you normally buy.
- _____ Cut down on eating out. Set a budget for eating out and stick to it.
- _____ Take brown bag lunches to work.
- _____ Ask about reduced cost or free lunches for kids at school.
- _____ Eliminate high-cost, low-nutrition snack foods, soft drinks, and candy from shopping list.
- _____ Plan no meat meals a couple times a week.

Clothing

- _____ Shop garage sales and thrift shops for clothing and household items. Ask if they will accept your offer if the price is higher than you want to pay.
- _____ Watch seasonal sales for items you cannot find at thrift stores.
- _____ Buy washable clothing or use home dry cleaning.
- _____ Watch for shoe sales, especially for children. Trade speciality sport shoes with friends.
- _____ Take at least one day to think about a purchase if you have to buy it at regular price.
- _____ Take care of clothing such as hanging up garments, treating stains promptly, and making minor repairs such as sewing on buttons.

Energy costs

- _____ Change the furnace filter every 4 to 6 weeks.
- _____ Put plastic over windows in winter to reduce air leaks.
- _____ Turn thermostat down to 55 degrees at night in winter.
- _____ Don't waste energy on an empty house. Turn thermostat down during the day in winter or up during the summer when no one is home.
- _____ Use weather stripping and caulking around doors and windows to reduce air leaks.
- _____ Place "draft dodgers" such as rolled up towels at bottom of doors.
- _____ Turn water heater down to 120 degrees and keep hot water usage to a minimum.
- _____ Wash clothing only when you have a full load. Use cold water when appropriate.



Budgeting Basics – Money Saving Suggestions

Worksheet

Do Will Now Try

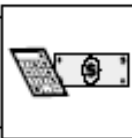
- _____ Hang clothing to dry on hangers or outside when possible instead of using the clothes dryer for everything.
- _____ Turn water off when washing hands and brushing teeth.
- _____ Fix leaky faucets – have a friend show you how.
- _____ Use fans instead of (or along with) air conditioner since circulating air feels cooler.
- _____ Turn air conditioner up at night and run a fan in the bedroom.
- _____ Close blinds and pull shades to keep out heat and cold.
- _____ Open windows in early hours of summer days, then close before the temperature heats up.
- _____ Turn off the TV, lights, and computer screens when not in use.

Fun

- _____ Plan “family fun nights” at home a couple times a month and play games, watch videos, and pop popcorn.
- _____ Attend free events, such as fairs and festivals. Look at exhibits and don’t spend money on rides.
- _____ Plan visits to museums and other historic places in area.
- _____ Pack a lunch and go to park to play.
- _____ Use the library to borrow books and videos and magazines. Check out other library activities.

Shopping and personal

- _____ Make a list and plan shopping so you don’t make trips for one or two items and waste gas.
- _____ Walk where possible – it is good exercise.
- _____ Watch gas prices since costs can vary depending on the service station.
- _____ Change oil in auto on a regular schedule, or ask a friend to change it for you.
- _____ Ask several friends to recommend a good auto mechanic in case you need one.
- _____ Always get a written estimate of repair costs.
- _____ Pay bills on time and avoid late charges.
- _____ Check phone cards for lowest cost per minute. Use phone cards for long distance so you are not surprised when bills arrive.
- _____ Sign up only for basic phone service. Say no to caller ID, call waiting, and other phone services that can add up to substantial costs in a year.
- _____ Cut down or eliminate tobacco and alcohol use.
- _____ Buy personal items such as shampoo and makeup at discount stores. Look for low cost brands or sales.



Budgeting Basics – Money Saving Suggestions

Worksheet

Do Will Now Try

- ___ ___ Don't shop in convenience stores for personal or home items. Prices generally are much higher.
- ___ ___ Limit the number of household cleaning products you purchase.
- ___ ___ Measure laundry detergents so you don't overuse products.
- ___ ___ If you shop for pleasure or to kill time, leave your money, checkbook, and credit cards at home.
- ___ ___ Set limits on spending for gifts and holidays; then stick to them.
- ___ ___ Watch out for great sales such as "66% off." If you don't need the item or can't afford it (even on sale), don't spend the money. Think about what it costs, not just what you save.
- ___ ___ Don't be tempted by impulse items at the checkout stands, such as candy and magazines.
- ___ ___ Don't buy on credit items that will be used up before you get the bill.
- ___ ___ Use a debit card instead of credit card (where the amount of the purchase is deducted immediately from your account), but be sure to write the amount in your checkbook and subtract it from your balance.
- ___ ___ If you use a credit card, keep it wrapped in a 5" x 7" card and keep a running total of amounts charged and dates of purchases.
- ___ ___ Know payday loan fees and avoid using the service (and paying the fees) if possible.
- ___ ___ Find a place to cash checks that charges no fee or only a small fee.
- ___ ___ Pay credit card bills in full to avoid paying interest.
- ___ ___ Compare bank services to get free or low cost banking.
- ___ ___ Eliminate money orders and their fees when possible.
- ___ ___ Don't shop for recreation or because you are bored; it's too easy to be tempted to spend. Just stay out of stores.

By: Mary Lou Odle, Saline County Extension Agent, Family and Consumer Sciences, K-State Research and Extension

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Banking Services

Do I need a bank?

- A bank is a safer place to keep your money than a mattress. You can keep money in a checking account and write a check when you want to pay a bill.
- You can keep savings in a savings account and, not only will it be safe, but you will earn a little interest, too.
- You can deposit or cash checks. Without a bank account, it is often very hard to cash a check. Many times you have to use a check-cashing store which charges a fee (sometimes hefty) for the service.

How do I choose a bank?

Comparison-shop. Look for one that has the lowest fees, has the services you want and is convenient both in location and hours.

Different types of accounts

Savings Account: for people who want to keep their money in a safe place and earn a little interest. You can take your money out at any time. Almost no-risk savings.

Checking Account: You keep your money in a checking account and can write checks from this money to pay a bill or to purchase something. Fees can vary greatly.

NOW Account: This is a checking account that pays interest. Some banks require that you keep a minimum balance.

Money Market Deposit Account: Also an interest-paying checking account. They pay a higher interest rate than a NOW account but also require a higher balance and limit the number of checks you can write.

Certificates of Deposit (CD): Savings accounts that require customers to keep a certain balance in a savings account for a certain fixed period of time. The

interest rate is higher but you don't have access to your money for a period of time.

Individual Retirement Accounts (IRAs): Savings deposits that require a customer to leave them in the account until a certain age (usually 60 or older.) There are significant tax benefits to this account but also significant penalties if the customer withdraws the money before the specified age.

Different types of checks

Certified Checks: Certified checks are usually used when called for by legal contract, such as real estate or automobile sale agreements. Certified checks are considered less risky than personal checks because the bank on which they are drawn has certified that the funds are available to the payee.

Cashier's Checks: A less expensive alternative to a certified check is a cashier's check, sometimes called a bank money order or a treasurer's check. A person who buys a cashier's check does not need to have a checking account. He or she merely goes to the bank, requests a cashier's check for a certain amount, and pays the bank that amount plus a service charge.

Personal and Postal Money Orders: For people who don't maintain a checking account or who prefer not to make payments with cash, money orders often serve the same function as personal checks. Personal money orders, sometimes called register checks, can be purchased at banks and some retail stores. Personal money orders are usually issued in smaller amounts and are cheaper than cashier's checks.

Postal money orders, issued by the U.S. Postal Service, are similar to those issued by banks, but there are some differences. A postal money order will not be paid if it has more than one endorsement, so it must be cashed or deposited by the payee.

Government Checks: Almost everyone has received a government check of one type or another: tax refunds, TANF, Social Security, and Supplemental Security Income. Sometimes people are surprised that a bank may be unwilling to cash a government check. A bank faces the risk that the person cashing the check may provide fraudulent identification, and it has no recourse to recover the funds.

Loans

Loans are often used to obtain goods or services that are expensive (i.e. beyond the person's regular budget) or to meet an emergency. Individuals can obtain a loan from commercial banks, savings and loans, credit unions, consumer finance or loan companies, or even life insurance companies (if you have a life insurance policy that has built up a "cash value.") Other sources of loans – which can be very expensive – include pawnshops, and those offering payday loans.

Credit

Basically the idea behind credit is that you buy now and pay later. A loan is a type of credit. One of the most common ways of using credit these days is the credit card. Having a credit card means that a bank has okayed you to borrow money up to certain limit. In turn, you agree to pay them interest on the money you have borrowed as you pay it back.

There are advantages and disadvantages to using credit. These are:

Advantages	Disadvantages
▪You get to use a purchase while you pay for it.	▪Purchases cost more when using credit. Don't forget to add in the price of the interest to the cost of the item.
▪You can buy things that are needed when you don't have enough money on hand to pay for them	▪Credit ties up future income you need to pay the credit card off.
▪Credit can be helpful in financial emergencies.	▪Credit can encourage overspending.
▪Credit is convenient. You do not have to carry a lot of money around with you.	▪If poorly managed, credit can lead to financial problems!!!!!!!!!!!!!!
▪Using credit wisely helps build a good credit history.	
▪You may be able to take advantage of special bargains when you don't have enough money with you.	