Budgeting & Saving

Lunch & Learn/Facts & Snacks
September 2019

Interactive Activity - Spent

As we begin, think about the following:

- How do you feel at the beginning of the game as the facts about your situation flash on the screen? Do you think you can live 30 days with $1,000 in savings?
- The first decision you make involves your choice of employment. Which job did you choose? Why?
- What will be your take-home pay for the month? What is the difference between your gross pay and your take-home pay?
- What decision did you make about health insurance? Why?

As we progress through the game, consider these questions:

- Which decisions are particularly difficult to make? Think about times you had to say “NO” because you were short on cash <u>or</u> times you said “YES” even though you knew it was going to cost you.
- Which decisions had unintended consequences you didn’t consider before you made the choice? What surprised you?
- Are any of the facts popping up on the screen surprising or disturbing to you? Which ones?
- Did you ever reach out to a friend for help? Why or why not?
- Did you make it through the entire month? If not, what day did you run out of money?

Reflection

- Describe your emotional state as you played the game.
- How would you play the game differently if you had another opportunity?
- What lessons did you learn from playing the game that you can apply to your life?
    - How many of our kids do you think live this way?

Building Wealth

While we are not in the same situation as the game, stress about finances is real to all of us at one time or another, which is why we need to plan ahead.

> You can create personal wealth. It’s possible to meet your financial goals. By choosing to budget, save and invest, you can pay off debt, send your child to college, buy a comfortable home, start a business, save for retirement and put money away for a rainy day. Through budgeting, saving and investing, building credit and controlling debt, all these goals are within your reach. (Building Wealth, 2019)

What is your definition of wealth? What are your financial goals? Check out more here

If you make a good income each year and spend it all, you are not getting wealthier. You are just living high.

- Thomas J. Stanley and William D. Danko, The Millionaire Next Door

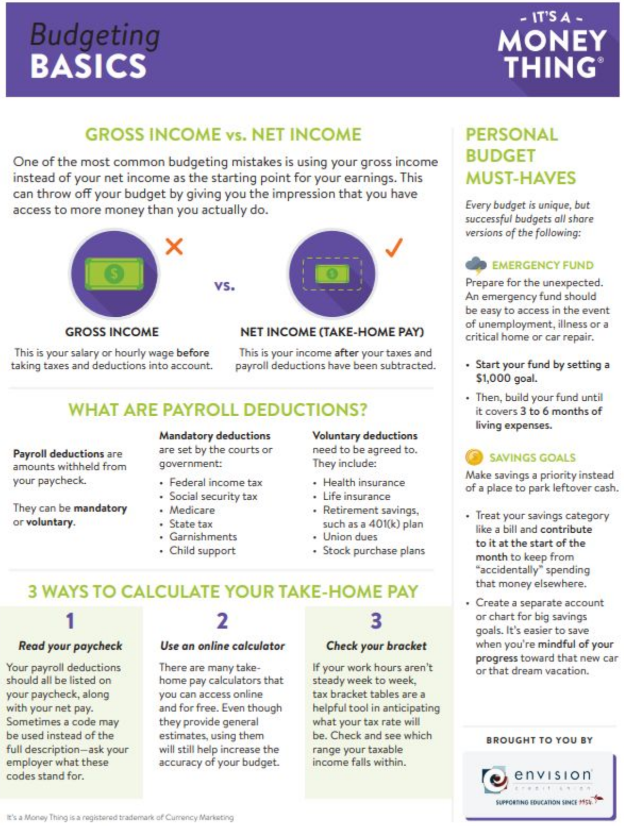
One of the first things we need to do to build wealth and reach our financial goals is to budget our money. This sounds easy and we know we need to, but are we taking those steps or falling victim to budget busters?

Budgeting Basics

What are the ground rules?

1. Budgeting is about confidence, not guilt
2. Stop comparing yourself to others
3. Be real about your income
4. Savings is an expense, too
5. Look to your budget instead of your balance
6. Prepare for emergencies

(Envisioncu.com)



Budgeting BASICS

- IT'S A - MONEY THING®

GROSS INCOME vs. NET INCOME

One of the most common budgeting mistakes is using your gross income instead of your net income as the starting point for your earnings. This can throw off your budget by giving you the impression that you have access to more money than you actually do.

vs.

GROSS INCOME

This is your salary or hourly wage **before** taking taxes and deductions into account.

NET INCOME (TAKE-HOME PAY)

This is your income **after** your taxes and payroll deductions have been subtracted.

WHAT ARE PAYROLL DEDUCTIONS?

Payroll deductions are amounts withheld from your paycheck.

They can be **mandatory** or **voluntary**.

Mandatory deductions are set by the courts or government:

- Federal income tax
- Social security tax
- Medicare
- State tax
- Garnishments
- Child support

Voluntary deductions need to be agreed to. They include:

- Health insurance
- Life insurance
- Retirement savings, such as a 401(k) plan
- Union dues
- Stock purchase plans

3 WAYS TO CALCULATE YOUR TAKE-HOME PAY

1 ***Read your paycheck***

Your payroll deductions should all be listed on your paycheck, along with your net pay. Sometimes a code may be used instead of the full description—ask your employer what these codes stand for.

2 ***Use an online calculator***

There are many take-home pay calculators that you can access online and for free. Even though they provide general estimates, using them will still help increase the accuracy of your budget.

3 ***Check your bracket***

If your work hours aren't steady week to week, tax bracket tables are a helpful tool in anticipating what your tax rate will be. Check and see which range your taxable income falls within.

PERSONAL BUDGET MUST-HAVES

Every budget is unique, but successful budgets all share versions of the following:

EMERGENCY FUND

Prepare for the unexpected. An emergency fund should be easy to access in the event of unemployment, illness or a critical home or car repair.

- Start your fund by setting a **$1,000 goal.**
- Then, build your fund until it covers **3 to 6 months of living expenses.**

SAVINGS GOALS

Make savings a priority instead of a place to park leftover cash.

- Treat your savings category like a bill and **contribute to it at the start of the month** to keep from "accidentally" spending that money elsewhere.
- Create a separate account or chart for big savings goals. It's easier to save when you're **mindful of your progress** toward that new car or that dream vacation.

BROUGHT TO YOU BY

envision credit union

It's a Money Thing is a registered trademark of Currency Marketing

How to Handle Debt

Dave Ramsey's debt snowball method is a debt reduction strategy in which you pay off bills in order of smallest to largest, regardless of interest rate.

Step 1: List your debts from smallest to largest.
Step 2: Make minimum payments on all debts except the smallest
Step 3: Repeat this method as you plow your way through debt.
(daveramsey.com)

Investing

You have your budget set, debt under control, and savings in check...are you ready to invest?

- Investing is putting money you've saved into things you think will increase in value over time.
- There are lots of possible investments. Examples include stocks, bonds and real estate.
- Buy investments when the price is low, then try to sell when the price is high. That's how you make a profit.
- One big difference between saving and investing is that investing always involves risk. (Hands on Banking)

Which two of the following should be in place before you start investing?

A. Enough savings to cover two to six months of expenses.

B. Debts low enough that you can comfortably pay them.

C. Own a home with a 30-year mortgage loan.

D. You've repaid all of your loans on time and in full.

E. No more than $1,000 in credit card debt.

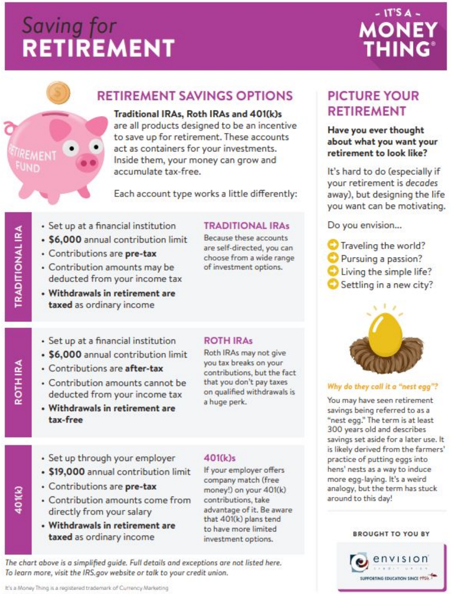
F. Enough savings to cover 9 to 12 months of expenses.

Consider working with professionals. Ask at your financial institution—many offer investment products and guidance.

- Erik Von Hellens (229) 225-9393 or via mail Erik.vonHellens@edwardjones.com
- Ali McKay (229) 588-6228 or via email Alison.McKay@edwardjones.com

Looking Toward Retirement!

- Ways to Save/Invest in your retirement
- Know the Rule of 72
  - 72 ÷ interest rate = years it will take to double your investment.
    - Take the interest rate of your investment.
    - Divide 72 by the interest rate.
    - The number you come up with is how many years it will take your original investment to double.
- Countdown to Retirement game
  - Many studies indicate that if you want your retirement savings to last, you should withdraw no more than 4% to 6% of your savings each year.


Saving for **RETIREMENT**

- IT'S A - MONEY THING®

RETIREMENT SAVINGS OPTIONS

RETIREMENT FUND

Traditional IRAs, Roth IRAs and 401(k)s are all products designed to be an incentive to save up for retirement. These accounts act as containers for your investments. Inside them, your money can grow and accumulate tax-free.

Each account type works a little differently:

TRADITIONAL IRA

- Set up at a financial institution
- **$6,000** annual contribution limit
- Contributions are **pre-tax**
- Contribution amounts may be deducted from your income tax
- **Withdrawals in retirement are taxed** as ordinary income

TRADITIONAL IRAs

Because these accounts are self-directed, you can choose from a wide range of investment options.

ROTH IRA

- Set up at a financial institution
- **$6,000** annual contribution limit
- Contributions are **after-tax**
- Contribution amounts cannot be deducted from your income tax
- **Withdrawals in retirement are tax-free**

ROTH IRAs

Roth IRAs may not give you tax breaks on your contributions, but the fact that you don't pay taxes on qualified withdrawals is a huge perk.

401(k)

- Set up through your employer
- **$19,000** annual contribution limit
- Contributions are **pre-tax**
- Contribution amounts come from directly from your salary
- **Withdrawals in retirement are taxed** as ordinary income

401(k)s

If your employer offers company match (free money!) on your 401(k) contributions, take advantage of it. Be aware that 401(k) plans tend to have more limited investment options.

The chart above is a simplified guide. Full details and exceptions are not listed here. To learn more, visit the IRS.gov website or talk to your credit union.

It's a Money Thing is a registered trademark of Currency Marketing

PICTURE YOUR RETIREMENT

Have you ever thought about what you want your retirement to look like?

It's hard to do (especially if your retirement is *decades* away), but designing the life you want can be motivating.

Do you envision...

- Traveling the world?
- Pursuing a passion?
- Living the simple life?
- Settling in a new city?

Why do they call it a "nest egg"?

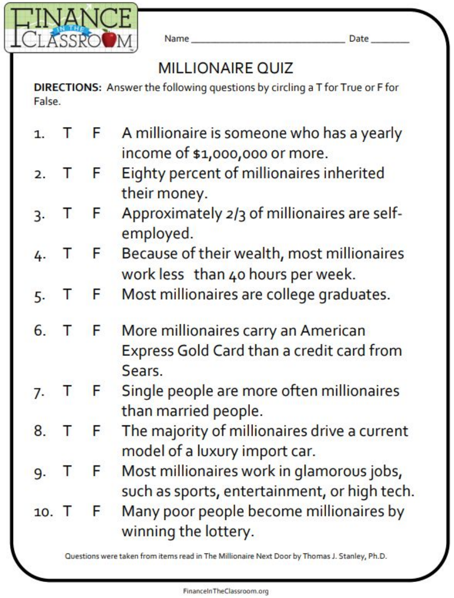
You may have seen retirement savings being referred to as a "nest egg." The term is at least 300 years old and describes savings set aside for a later use. It is likely derived from the farmers' practice of putting eggs into hens' nests as a way to induce more egg-laying. It's a weird analogy, but the term has stuck around to this day!

BROUGHT TO YOU BY

envision

SUPPORTING EDUCATION SINCE 1956

Financial Resources


FINANCE IN THE CLASSROOM

Name ____________________ Date ______

MILLIONAIRE QUIZ

DIRECTIONS: Answer the following questions by circling a T for True or F for False.

1. T F A millionaire is someone who has a yearly income of $1,000,000 or more.
2. T F Eighty percent of millionaires inherited their money.
3. T F Approximately 2/3 of millionaires are self-employed.
4. T F Because of their wealth, most millionaires work less than 40 hours per week.
5. T F Most millionaires are college graduates.
6. T F More millionaires carry an American Express Gold Card than a credit card from Sears.
7. T F Single people are more often millionaires than married people.
8. T F The majority of millionaires drive a current model of a luxury import car.
9. T F Most millionaires work in glamorous jobs, such as sports, entertainment, or high tech.
10. T F Many poor people become millionaires by winning the lottery.

Questions were taken from items read in The Millionaire Next Door by Thomas J. Stanley, Ph.D.

FinanceInTheClassroom.org

envision® credit union

SUPPORTING EDUCATION SINCE 1954.

- Apps
  - Albert
  - Mint
  - Prism
- Budgeting Spreadsheets
  - FTC Interactive
  - SAM (Smart About Money) Worksheets
- Envision Financial Education
  - Balance - FREE budgeting and debt counseling
  - Workshops & Webinars
    - FAFSA