



Personal Finance Overview

Understanding Your Financial Situation and Budgeting

Welcome!

Plan for *this session* of Understanding Your Financial Situation and Budgeting

Speaker(s) Introduction



Goals for the Session

Topics of Interest

Preparation for Q&A Session

Financial Education Workshops

This is the *first* workshop in a three-part series.



Understanding Your Financial Situation and Budgeting

- ☐ Taking a financial inventory
- ☐ Budgeting: Making the most of your money
- ☐ Allocating your Money



Savings, Investing, and Maximizing Wealth

- ☐ Save for retirement and other goals
- ☐ Maximizing Income
- ☐ Setting Financial Goals and Budgeting



Building & Maintaining Good Credit/Debt Management

- ☐ Establishing Credit
- ☐ Taking a Financial Inventory
- ☐ Managing Debt
- ☐ Building and Maintaining Good Credit

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Facing Financial Fears

When it comes to finances...

People generally fall into the following groups:

- **Planners:** Control their financial affairs. They budget to save.
- **Strugglers:** Have trouble keeping their heads above rough financial waters. They find it difficult to budget to save.
- **Deniers:** Refuse to see that they are in financial trouble. They do not see a need to budget or to save.
- **Impulsives:** Seek immediate gratification. They spend today, and hope that tomorrow will take care of itself. They do not prioritize budgeting or saving.



Taking a Financial Inventory

ASSETS – LIABILITIES = NET WORTH

ASSETS are the value of possessions (savings, investments such as stocks, bonds, or property). Typically, they appreciate over time and can help generate cash flow.

LIABILITIES are debt or money borrowed.

NET WORTH is the difference between your assets (what you own) and your liabilities (what you borrowed). Your net worth is your financial wealth.

Understanding your current financial position will help you prioritize your budget goals moving forward.

Bob's Balance Sheet	
Wealth-building assets	Amount
Cash	\$ 1,500
Savings account	1,000
Stocks, bonds and other investments	5,000
401 (k) retirement plan / IRA	25,000
Market value of home	0
Other assets	
Market value of car	14,000
Total assets	\$ 46,500
Liabilities	Amount
Home mortgage	\$ 0
Home equity loan	0
Car loan balance	13,000
Credit card balances	3,000
Student loan	5,000
Child support*	2,400
Miscellaneous liabilities	1,500
Total liabilities	\$ 24,900
Net worth	\$ 21,600

* Represents one year of payments.

Budgeting: Making the Most of Your Income

A budget allows you to:

- Understand where your money is being spent
- Control spending
- Plan your savings to account for future purchases and unexpected expenses

To develop a budget, you need to:

- Calculate your average monthly take home income
- Identify your average expenses (monthly preferably)
- Account for any potential upcoming expenses (car maintenance, home repair, etc.)
- Determine your financial priorities
 - Needs, wants, wishes

Monthly Budget

Income	Expected	Actual
Paychecks	\$	\$
Other	\$	\$
TOTAL	\$	\$
Giving	Expected	Actual
Tithe	\$	\$
Charity/Donations	\$	\$
TOTAL	\$	\$
Housing	Expected	Actual
Mortgage/Rent	\$	\$
HOA Dues	\$	\$
Gas/Oil	\$	\$
Electric	\$	\$
Water	\$	\$
Trash Removal	\$	\$
Landscaping	\$	\$
Cable/Satellite	\$	\$
Telephone	\$	\$
Cell Phone	\$	\$
Internet	\$	\$
TOTAL	\$	\$
Transportation	Expected	Actual
Loan/Lease Payment	\$	\$
Registration/Fees/Taxes	\$	\$
Gasoline	\$	\$
Oil change/Maintenance	\$	\$
Parking Fees (Monthly/Metered)	\$	\$
Public Transportation	\$	\$
Private Car Service/Taxi/Uber/Lyft	\$	\$
TOTAL	\$	\$
Food	Expected	Actual
Groceries	\$	\$

Activity: Identify Potential Areas Where You Can Save

In this example of a monthly budget, you can see a list of Sophia's expenses and income.

Sophia spends more than she makes indicating she is in a budget deficit.

Activity: List the ways that Sophia might potentially save money across from each line item of her monthly expenses.

Take 10 minutes to complete this activity.

Sophia's monthly expenses		Ways Sophia can save money
Rent	\$1,200.00	
Electric bill (including heat and air conditioning)	\$86.00	
Phone bill	\$40.00	
Cable TV bill	\$90.00	
Car insurance bill (\$960/year)	\$80.00	
Groceries	\$400.00	
Gas for car	\$240.00	
Clothes and shoes	\$200.00	
Hairdresser (once a month)	\$75.00	
Movies (once a week)	\$80.00	
Coffee before work (\$5 a day)	\$100.00	
Lunches out at work (\$20 a day)	\$400.00	
Interest on credit card	\$12.00	
Total expenses	\$3,003.00	
Sophia's monthly income		
Weekly paycheck \$500	\$2,000.00	
Total Income	\$2,000.00	

Did You Know?

Packing your lunch for work instead of eating out could result in:

- Daily savings: \$20
- Monthly savings: \$600
- Yearly savings: \$7,200

Making your coffee at home instead of getting a Starbucks coffee (\$10) every day equates to:

- Monthly cost: \$300
- Yearly cost: \$3,600

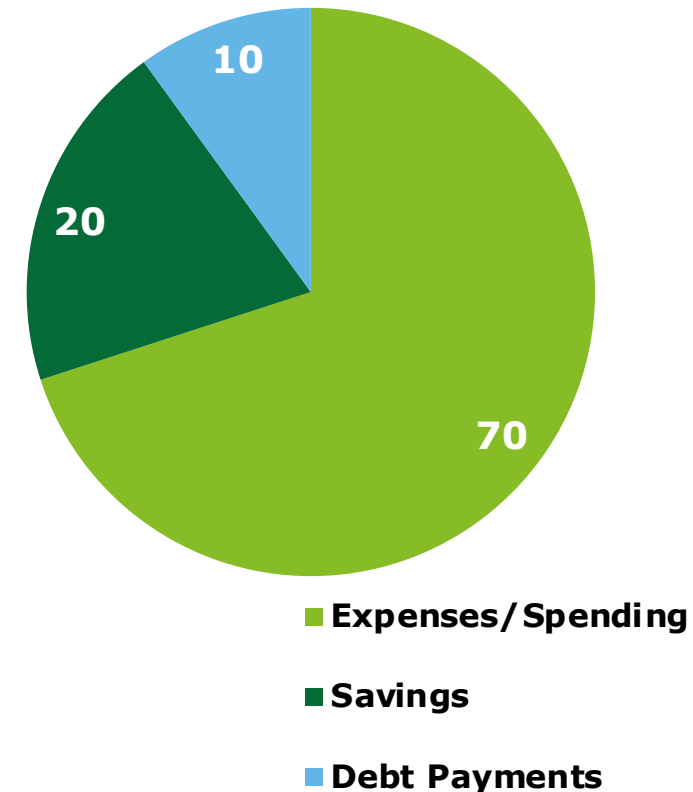


**Is there room in your
budget to cut back?**

Allocating Your Money: Monthly Percentage

How should you allocate your after-tax money?

- **Expenses/Spending** (~70%): Mortgage/rent, heat and electric, cable/internet, food, clothing, gasoline, and medicine etc.
- **Savings** (~20%): 5% emergency fund, 5% goals such as computer, vacation, tuition, car, special events, designer apparel, 10% long term (retirement) such as IRA, 401(k), 403(b), company pension
- **Debt Payments** (~10%): Credit cards, student loans, car, or other financed debt



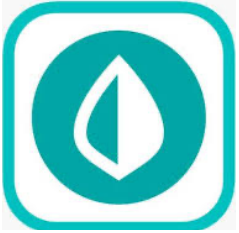
Allocating Your Money: Monthly and Annual Income After Tax

- Tailor to individual circumstances – may need to borrow from one bucket to supplement another bucket (Exception: borrowing from savings)
- Please note that premiums paid toward a Section 125 health plan, which is an employer-sponsored benefits plan, are excluded from this withholding. For example, if you earn \$50,000 on an annual basis and pay \$7,500 total toward your pretax health care plan, only \$42,500 would be subject to taxation.

What are your individual circumstances?



Helpful Apps and Websites to Use for Budgeting



MINT – Free Budget Tracker & Planner



Personal Capital – Free Wealth Management tool that tracks your Assets and Liabilities



Nerd Wallet – Free resource that can answer most personal finance questions

Coronavirus (COVID-19) Considerations



Due to restrictions being lifted, it is important to re-evaluate your budget, as new costs may arise due to the changing environment

- **Brainstorm costs that will arise during 2021 due to restrictions being lifted (i.e., travel expenses, dining out, commuting, etc.,)**
- **How will these additional costs impact your budget?**
 - Do you have room in your current budget for these additional costs?
 - If not, prioritize what is most relevant/important to you
 - For example, if you now plan on eating out more due to restrictions being lifted, account for this when developing your budget
- **Stick to your budget!**
 - Now that restrictions are lifted, it is easy to steer away from a developed budget
 - Keep in mind your long-term goals and use these goals as motivation to stay on track!

Coronavirus (COVID-19) Resources in the DMV Area



- **Washington, District of Columbia (D.C.)**

- <https://coronavirus.dc.gov/>

- **Maryland**

- Anne Arundel County: <https://www.aacounty.org/coronavirus/>
 - Charles County: <https://charlescountycovid.org/resources/>
 - Frederick County: <https://health.frederickcountymd.gov/614/Novel-Coronavirus-COVID-19>
 - Montgomery County: <https://www.montgomerycountymd.gov/HHS/RightNav/Coronavirus.html>
 - Prince George's County: <https://www.princegeorgescountymd.gov/3397/Coronavirus>

- **Virginia**

- Alexandria: https://www.alexandriava.gov/Coronavirus_
 - Arlington County: <https://www.arlingtonva.us/covid-19/>
 - Fairfax County: <https://www.fairfaxcounty.gov/covid19/>
 - Falls Church: <https://www.fallschurchva.gov/CivicAlerts.aspx?AID=1125>
 - Loudon County: <https://www.loudoun.gov/5323/COVID-19-Resources>
 - Manassas: <https://www.nvfs.org/covid-19-resource-guides/>
 - Prince William County: <https://www.pwcva.gov/covid19>
 - Stafford County: [https://staffordcountyva.gov/residents/public_safety/covid-19_\(coronavirus\)/health_information_and_assistance.php](https://staffordcountyva.gov/residents/public_safety/covid-19_(coronavirus)/health_information_and_assistance.php)

Additional Resources



Federal Reserve Bank of Dallas – “Building Wealth: A Beginner’s Guide to Securing Your Financial Future” provides introductory guidance to help develop a plan for building personal wealth. (<https://www.dallasfed.org/-/media/microsites/cd/wealth/index.html>)

Capital Area Asset Builders (CAAB)- The mission of the Capital Area Asset Builders (CAAB) is to create opportunities for low- and moderate-income individuals in the greater DC region to build financial security, savings, and wealth for the future. (<https://www.caab.org/en>)

National Endowment for Financial Education® (NEFE®) is an independent, nonprofit foundation committed to educating Americans on a broad range of financial topics and empowering them to make positive and sound decisions to reach their financial goals. (www.nefe.org and www.smartaboutmoney.org)

Questions?

