Financial Freedom

Budgeting Basics

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Utah State University is an affirmative action/equal opportunity institution.
Relating with Money

“How we handle our money impacts every part of our lives. It is a huge factor in marriage, a tremendous responsibility in parenting and a potential landmine for singles. The flow of money in a household represents the value system under which that household operates.”

-Dave Ramsey
When You were Young

• How money was handled in your family when you were a child will greatly affect how you handle money with your children.

• Money values develop as children are raised, as they view the ways their parents deal with money, and through experiences with money throughout life.
  • For example, children may tithe the same amount to their church as their parent’s did.

• Even if an individual’s behavior is exactly the opposite as their parents’, the parents probably still had an influence.

• Many adults have financial “baggage”.

Marriage and Money

• Both partners should do the financial decision making in marriage.

• “A couple with $10,000 in debt and no savings is twice as likely to divorce as a couple with no debt and $10,000 in savings” – CNN.

• Financial problems are a major cause of divorce.

• Couples who reported disagreeing about finances once a week were over 30 percent more likely to get divorced than couples who reported disagreeing about finances a few times a month. - Jeffery Dew, Utah State University.

• Money is valued differently by each individual.
“Understanding the value that each partner places on money, and respecting that both partners will have equal rights and responsibilities with control of the finances, will strengthen the marriage bonds.”

“Couples must realize the great importance that money has in their relationships and learn to define guidelines for money management.”

“True financial partners do better financially.”

In a recent study, the primary cause of conflict is finances.

How does this affect children?
Definition:
The amount of money that is available for, required for, or assigned to a particular purpose.

or...

Telling your money what to do instead of wondering where it went.
Utah Statistics

• 25% are spending more money than they make.
• 34% are breaking even.

Overall 63% of Utahns are having a tough time making ends meet each month.
Personal Goal Setting

Goals can guide you financially

• Where do you want to live?
  ➢ What kind of home?
  ➢ What sort of neighborhood?
• What will your lifestyle be like?
• How many children will you have?
• What career will you have?
• What are your plans for retirement?
• What legacy will you leave to the next generation?
Write Down Your Goals

- Immediate
- Short-Term
- Long-Term
Why You Should Budget

- Work towards your goals

• Work toward retirement and investments.
• Control your financial future.
• Get out of debt.
• Build an emergency fund.
• Pay cash for large purchases.
• Protects your credit score.
Why you should budget

- Peace of Mind

- Control your finances instead of it controlling you.
- Managed money feels like getting a raise.
- Eliminates the stress of living paycheck to paycheck.
- Eliminates management by crisis.
- Eliminates many of the money fights.
- No overdraft and late fees. Fees are a sign of crisis living.
- Live within your means.
- Identifies wasteful spending.
- Spend money on what is most needed.
- Build an emergency fund - $1,000.
Types of Expenses

• Fixed
  ✓ Mortgage payment
  ✓ Car Loan
    – Automatic Deduction

• Flexible/Variable
  ✓ Groceries
  ✓ Gas
  ✓ Clothing
  ✓ Discretionary
    - Envelope System

• Irregular-Planned/Expected non-monthly expenses
  ✓ Christmas
  ✓ Birthdays, Anniversaries, etc.
  ✓ Car Registrations
  ✓ Annual vacations
  ✓ Some insurances
    - Special Account
Tools to help track/monitor:

- Ledger or Worksheet
- Online Banking
- Computer Programs
  - Excel Worksheet
- Budgeting software
  - Mint.com
  - Budgetsimple.com
# Quick-Start Budget

Taking control of your money starts here!

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Add up totals from all categories.
Three Possible Outcomes

- **Come up short**: can you either increase income or decrease expenses?
- **Break even**: can, or will this continue, and did you remember to save?
- **Have extra**: Do you have plans for the extra? Every dollar should have an assignment.
Obstacles To Budgeting

• Never had a budget that worked.
• Bread and water connotation.
• Paralysis from fear of what you may discover.
• Leave things out – baby shower, school pictures, etc.
• Control Issues.
• Over-complicate your plan.
**Envelope System**

For Variable Expenses
- Groceries
- Gas
- Clothing
- Entertainment
- Discretionary or Spending Money
Managing Irregular Expenses

• Review past spending – bank statements, check registers, etc.
• Use an annual expense calendar.
• Create a revolving savings – set aside a specific amount of money each month.
• Use envelope system.
Review And Evaluate

• Is your budget working?
• Which category always seem to go over budget?
• Are you getting closer to your goals?
• Are the tools you are using working?
And.....Re-evaluate

- Budgets are a work in progress. Evaluation is ongoing.
- Identify problems and focus on solutions.
- Keep trying. A spending plan or budget takes time to work out the kinks.
- Changing behavior can be a challenge – allow yourself time to become successful.
A budget isn’t about restricting what you can spend. It gives you permission to spend without guilt or regret.