



Budgeting and Saving

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AGENDA



In today's presentation, you will learn about...

- **Budgeting** - common pitfalls and a simple 5-step approach to creating an effective budget
- **Savings** - paying yourself first, how to create an easy saving strategy, and how to automate the savings process

BUDGETING

Budgeting Basics



Rule Number One:

It isn't how much you make that matters, but how much you spend.



Why Should I Budget?

- Nearly **70%** of consumers report that they live paycheck-to-paycheck
- **55%** of Americans “always or sometimes” feel stressed about money
- Almost **68%** of Americans could not cover a \$5,000 emergency without having to go into debt



Benefits of Budgeting



- Gives you a sense of control over your money and reduces stress
- Reveals waste and provides you with an early warning of potential problems
- Helps you communicate with your significant other and family members about money - ***conflict over money is still the leading cause of divorce!***

Track Your Spending

*Find a way to track your spending and do it for at least **3** months.*

- Pen and Paper
- Smart Phone App
- Computer Spreadsheet

Tip: try taking pictures of your receipts with your camera phone.



5 Simple Steps to Start Budgeting



1. Calculate Income
2. Calculate Expenses
3. Set Goals
4. Create Budget Categories
5. Track Progress

Step One: Calculate Your Income

Besides your regular salary, add in any extra funds you may receive throughout the year.

Remember to include:

- Work Bonuses
- Holiday Gifts
- Tax Refunds



Step Two: Calculate Expenses



Some bills are the same every month, but it's important to look at all of your expenses and how they may change throughout the year!

Questions to ask yourself:

- > What are all of my monthly expenses?
- > What category do they belong to?
- > Was this expense a want or a need?

Step Three: Set Goals

Goals will be different for everyone, but one goal we should all have in common is paying off any debt you may have.

Income - Expenses = Savings

Setting goals will make it more likely that you will use and stick to your budget.



Step Four: Create Budget Categories

Example Budgeting Categories

- Housing 25%
- Utilities 5-10%
- Food 10-15%
- Transportation 10%
- Health 5-10%
- Insurance 10-25%
- Hobbies/Fun 5-10%



Step Five: Tracking + Adjustments



Tracking your progress and making adjustments is the most important step in order to improve your budget.

Ask yourself:

- Can we add income or cut costs?
- Will any loans be paid off soon?
- Do we have new expenses coming up?

Budget Summary

Like all habits, budgeting will take time to develop. Aim for progress, not perfection.

*After your budget is in place, learn to live a **debt free life**. Research shows that you are likely to spend less money if you don't use credit.*



SAVING

Saving Strategies



Many Americans struggle to save, so it's important to come up with a strategy and game plan.

- Automate your direct deposit
- Switch to a debit card that allows for a “round-up” feature
- Commit any extra income, tax returns, or work bonuses to your savings

How Much Should I be Saving?

*The traditional school of thought is that you should have **3** months worth of living expenses saved for emergencies.*

*For an ongoing savings strategy, many people use the **50/30/20** rule of thumb...*

- 50% necessities
- 30% discretionary
- 20% savings



Build an Emergency Savings Account!



People who've had large and unforeseen expenses arise can probably either tell you how happy they were that they had emergency funds, or how difficult it was to find the money to cover expenses.

Pay Yourself First

*Learn to pay yourself first by using
automatic payroll deduction.*

- Savings account - \$100 per pay
- Retirement Savings - \$75 per pay
- Christmas Savings - \$80 per pay
- Travel Savings - \$50 per pay
- Checking Account - “NET”



Maximize Your Savings Rate



- Traditional Savings Account
- Money Market Account
- Reverse Tier Savings Account
- Certificates of Deposit (CD)
- Individual Retirement Accounts
(Traditional IRA, Roth IRA)

Don't Overspend

*This sounds like a simple concept, but just last year Americans paid **\$11 billion** in overdraft fees according to data released by the Consumer Financial Protection Bureau.*



Stretch Your Dollar



*Reducing your expenses goes hand-in-hand with **living within your means**.*

- Move into a less expensive home or apartment
- Carpool or consider taking public transportation
- Shop for lower rates on insurance and other services

Use Technology!

You can become a better saver and simplify your personal finances by using technology and smart phone apps.



Things to Remember

- 1. It isn't how much you make, but how much you spend.*
- 2. Budgeting is the best tool for improving your finances.*
- 3. Pay yourself first and automate the process.*



We're here to

Help You Afford Life,

so you can Go Live.