Power of Budgeting

Our purpose is to **partner for positive impact** — to improve the lives of our clients and colleagues, and together, **better our communities** and society.

Knowledge leads to confidence

- Many currently lack the necessary knowledge to manage and improve financial wellbeing.

- Providing access to the basics of personal finance helps achieve financial and life goals.

Confidence creates resilience

- Financial confidence and resilience help prepare you for life

- We are here to put you on a path to achieve greater possibilities

Workshop goals

In this workshop, you will...

1. Explore the importance of creating and maintaining a budget.

2. Examine the differences between wants and needs.

3. Set goals for spending, savings, and debt repayment.
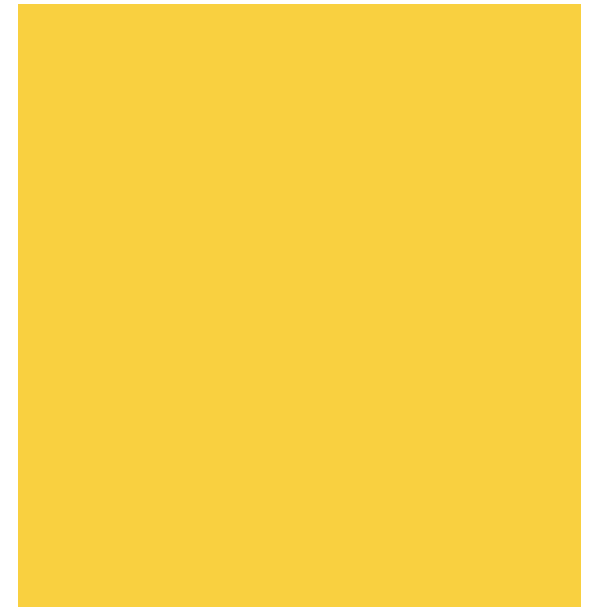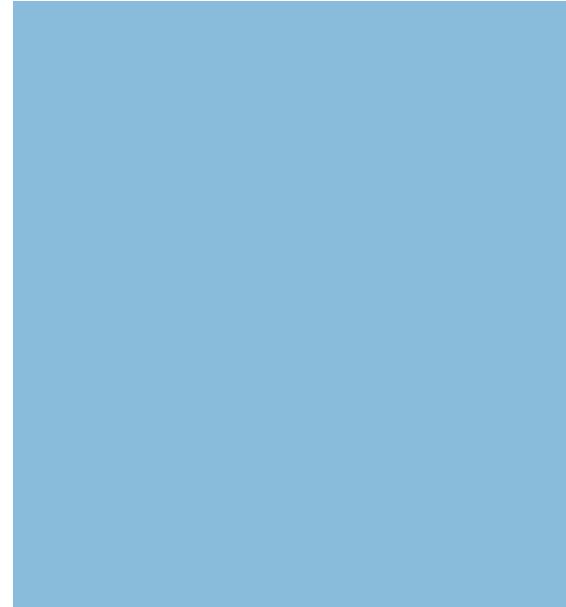
Meet Marta

- Marta is a 30-year-old woman who works two jobs: one at a grocery store and another as a hostess at a restaurant.

- Marta often feels overwhelmed by her debt. She has also paid bills late in the past. One reason is that her personal finances are not very organized.

- Marta wants to become more financially stable.

Marta's income

- Marta makes $2,500 per month in net income.

- Marta feels like she can't make her money last through the end of the month.

- How can Marta help herself get ahead?

She needs to...

A. Make a financial strategy.

B. Make a budget.

C. Have savings.

D. Live within her means.

E. Reduce her debt.

Gross and net income: What's the difference?

Gross income
is the amount of money you earn before any deductions, like taxes, are taken out.

Net income
Net income is the money left in your paycheck after deductions.

Budgeting

Budgeting is the process of creating a plan to spend your money.

How can a budget help me?

- Helps you live within your means.

- Helps you pay down debt.

- Helps you save for the future and emergencies.

Marta's wants and needs

Look at the list of Marta's monthly expenses. Note which items are wants and which are needs.

Marta's monthly expenses:

- Coffee
- Groceries
- Car insurance
- Cell phone
- Restaurants
- Entertainment
- Car payment

- Clothing
- Transportation expenses
- Rent
- Health insurance/ medical expenses
- Utilities
- Salon

Cutting expenses

Marta earns $2,500 per month. Which of Marta's expenses can be reduced or cut?

Wants	
Coffee	$40
Restaurants	$100
Entertainment	$40
Clothing	$100
Salon	$100
Total	**$380**

Needs	
Rent	$900
Groceries	$250
Utilities	$130
Car payment	$240
Car insurance	$120
Transportation expenses	$80
Health insurance/ medical expenses	$200
Internet	$50
Total	**$1,970**

How can I free up funds?

Cut expenses.

Reduce spending.

Price shop for services.

Think about a new job.

Consider freelance or gig work.

Marta's debts

Debt	Balance	Interest Rate
Credit Card A	$400	23%
Credit Card B	$300	18%
Student Loans	$7000	12%

Debt management strategies

Avalanche method

- List all your debts from highest to lowest interest rate.

- Ensure that your monthly minimum payments are met for each debt category.

- Choose the highest interest rate loan to pay off first.

Snowball method

- List all your debts from smallest to largest balance.

- Ensure that your monthly minimum payments are met for each debt category.

- Choose the loan with the smallest balance to pay off first.

Setting financial goals

Financial goals are personal goals you set for yourself about how you will save and spend money. There are three types of financial goals you can set:

Short-term goals can be accomplished in a few months or up to two years.

Medium-term goals can be accomplished in two to five years.

Long-term goals can be accomplished in more than five years.

Setting your own financial goals

What are your financial goals?

Make a list and note if they're small-, medium- or large-term.

Creating your own budget

There are many budget strategies you can use.

Today we will focus on the 50/30/20 rule and the categories method.

The 50/30/20 rule

Marta earns $2,500 per month.

No more than 50% of income on needs.	No more than 30% of income on wants.	At least 20% of income on savings and/or debt repayment.

Marta's monthly expenses after cuts

Marta's Monthly Income: $2,500

Marta's needs	Monthly expenses	Potential cuts	Potential new expenses
Rent	$900	-$0	$900
Groceries	$250	-$75	$175
Utilities	$130	-$10	$120
Car payment	$240	-$45	$195
Car insurance	$120	-$20	$100
Transportation expenses	$80	-$40	$40
Health insurance/ medical expenses	$200	-$0	$200
Internet	$50	-$0	$50
Total	**$1,970**	**-$190**	**$1,780**

Disposable Income: Income – Needs = ?

Marta's wants	Monthly expenses	Potential cuts	Potential new expenses
Coffee	$40	-$25	$15
Restaurants	$100	-$30	$70
Entertainment	$40	-$0	$40
Clothing	$100	-$60	$40
Salon	$100	-$50	$50
Total	**$380**	**-$165**	**$215**

Marta's Debts	Monthly Payment
Credit cards	$200
Student loans	$100
Total	**$300**

Marta's monthly savings	**$200**

Categories method

The categories method is a more detailed breakdown of percentages and categories. Here is an example of a budget using categories method:

Car Insurance & Miscellaneous Auto Expenses **5%**

Clothing and Salon **5%**

Health insurance **5%**

Entertainment, coffee & dining out **5%**

Savings **10%**

Housing **30%**

Debt repayment **10%**

Example budget

Transportation, including car loan **10%**

Groceries **10%**

Utilities and internet **10%**
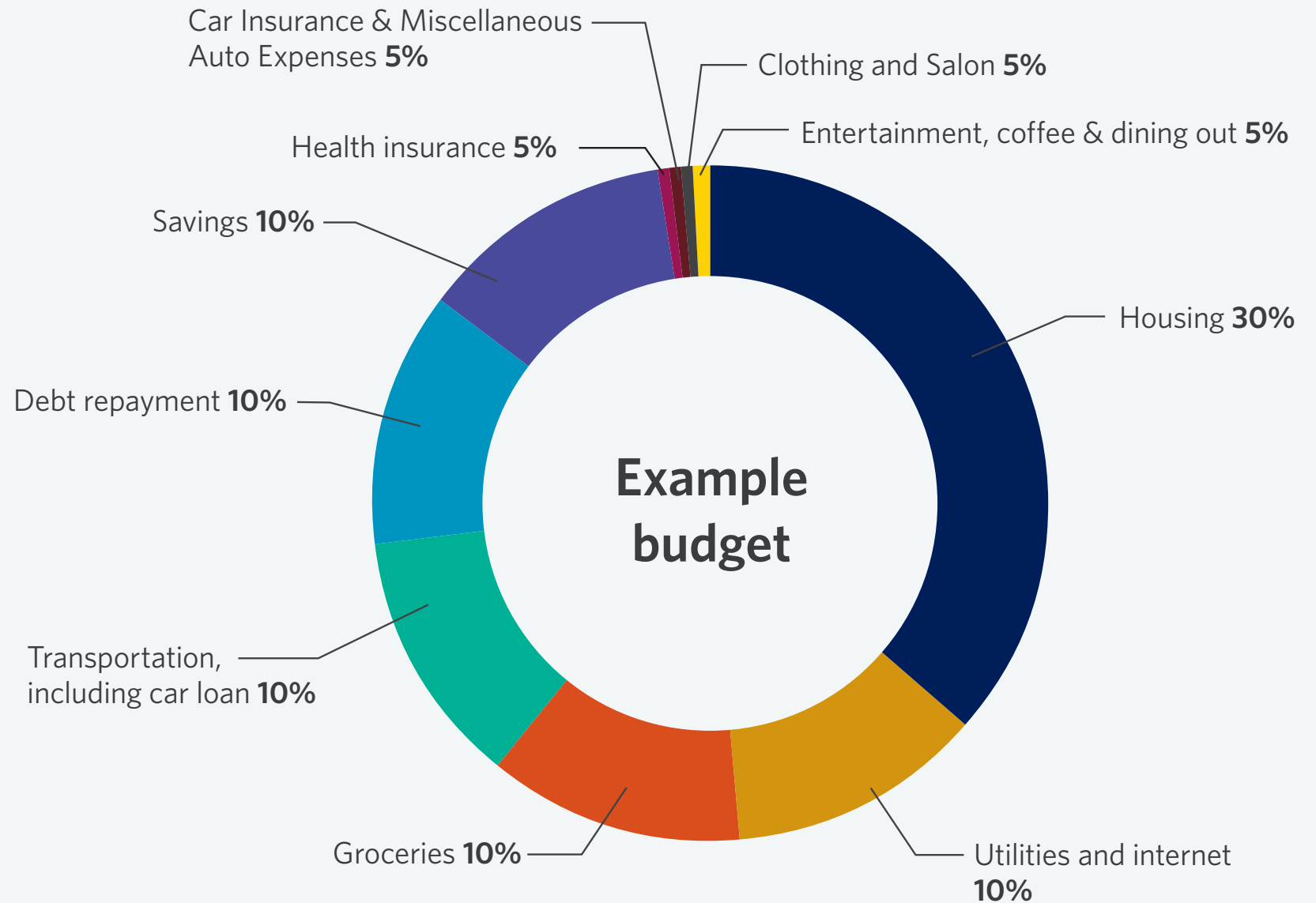
Marta's monthly expenses by category

Marta's Monthly Income: $2,500

Marta's needs	Monthly expenses	Categories method suggestion
Rent	$900	30% ($750)
Groceries	$175	10% ($250)
Utilities	$120	Combine 10% ($250)
Internet	$50	
Car payment	$195	Combine 10% ($250)
Transportation expenses	$40	
Car insurance	$100	5% ($125)
Health insurance/ medical expenses	$200	5% ($125)
Total	**$1,780**	**$1,750**

Marta's wants	Monthly expenses	Categories method suggestion
Coffee	$15	
Restaurants	$70	Combine 5% ($125)
Entertainment	$40	
Clothing	$40	Combine 5% ($125)
Salon	$50	
Total	**$215**	**$250**

Marta's debts	Monthly payment	Categories method suggestion
Credit cards	$200	Combine 10% ($250)
Student loans	$100	
Total	**$300**	**$250**

Marta's debts	Monthly payment	Categories method suggestion
Credit cards	$200	Combine 10% ($250)
Total	**$300**	**$250**

Strategies for savings

These strategies can help ensure that you meet your savings goal each month.

Make a habit of saving

Decide on an amount you'll save each month and stick to it, so you get used to putting your money in savings.
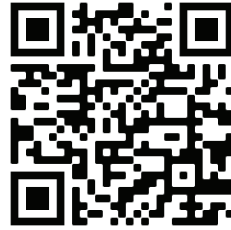
Use automatic savings

An automatic savings plan is a type of savings account where money is automatically transferred into savings at certain times each month.

Limit spending

Spending less can make your savings goal easier, so try to cut back a little when and where you can.

Build and maintain your expertise — edwardjones.com/ financialfitness

- Mobile and online financial resources

- At no cost and self-guided by you with no sign-in required

- 40+ brief, interactive modules (less than five minutes in length)

- Practical application across many of life's key milestones

Key takeaways

Remember...

Use a budgeting strategy to manage your spending, savings, and debt repayment - like the Avalanche or Snowball Methods.

Speak to someone you can trust, like family, a friend, or your financial advisor, for additional support.

Always keep learning by reviewing financial education.

Any questions?