Managing Your Finances
Part II

Management of Financial Resources
What is a Budget?
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Consumer Activities

- Consumers have many financial decisions to make throughout their lifespan.
  - “How will I utilize the resources available to me and my family?”
Resources Are Limited

- Financial planning can help consumers and their families with their economic choices.

Failure to Plan is Planning to Fail.

-Benjamin Franklin
What Is Financial Planning?

• The process of managing financial (money) resources so you can achieve your goals and dreams.
Financial Planning Begins With A Decision Making Model

Step 1
Define objective

Step 2
Determine choices

Step 3
Evaluate choices

Step 4
Make decision

Step 5
Evaluate decision

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The First Step...

• Define the objective....
  – To Develop and Maintain a Healthy Financial Life!
The First Step...

• A good financial plan allows the consumer and the family to:
  – Live within their income
  – Identify goals
  – Prepare for emergencies
  – Be financially independent
BUDGET

• The financial plan for:
  – Spending $
  – Saving $
BUDGET

• How to do it?
  – Estimate Income – money coming in from work, allowance, gifts, investments
  – Estimate Expenses – money going out to pay for life’s necessities….housing, food, car, taxes…
Preparing a Budget:

• Start with Income
  – Gross Income (before taxes)
  – Net Income (after taxes)
  – Be sure to include irregular payments like
    • Bonuses
    • Tips
    • Gifts
    • Interest payments from savings and investments
Preparing a Budget: Next Step

• Identify Expenses
  – Fixed Expenses
    • Rent or Mortgage
    • Car Payment
    • Credit Card Payment
  – Variable Expenses
    • Groceries
    • Clothing
    • Entertainment
What about SAVINGS??

• Always Treat Savings as an EXPENSE
  – Preferably a FIXED EXPENSE!
What about SAVINGS??

• Reasons to Save:
  – Emergencies
  – Goals such as:
    » Vacation
    » New car
    » Education
    » Retirement
The BUDGET On A Monthly Basis..

• INCOME = Money comes in 😊
• Expenses = Money goes out 😞
• Balanced Budget = Zero!
  – If the ending amount is + => More Savings! 😊
  – If the Ending amount is - => Reduce Expenses
    OR
    Increase Income!
Budget Practice

• Click the links to get some Budget Practice:
  • "Determining Your Budget" from TheMint.org
  • "Creating a Budget" from "learnfree.org"
Resources


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