



Keys to Effective Money Management

Student Loans & Receivables

Student Debt Management



Keys to Effective Money Management

Learning Objectives: Upon successful completion of this course, the learner will have obtained the skills necessary to:

- ◆ Set Short Term and Long Term Financial Goals
- ◆ Develop a Realistic Budget
- ◆ Maintain an Effective Budget
- ◆ Manage Debt



Setting Short Term and Long Term Financial Goals

- ◆ Developing specific financial goals and writing them down is a key step in the money management process.
 - Goals should be clear.
 - Goals should be specific.
 - Goals should be linked directly to a desired outcome.
 - Goals should be linked to plans for achieving the outcome specified in the goal statement.
 - Goals are often interrelated. In order to achieve one goal, you may need to set some other, related goals.
 - Write them down!



Setting Short Term and Long Term Financial Goals

- ◆ Examples of Short Term Goals:
 - Create a budget and stick to it!
 - Payoff a specific bill
 - Make a specific purchase
 - Start a savings account



Setting Short Term and Long Term Financial Goals


- ◆ Examples of Long Term Goals:
 - Be debt free
 - Buy a car
 - Get married
 - Buy a house



Developing a Realistic Budget

Budgeting Essentials:

- ◆ Creating a realistic monthly budget will provide you with the tools needed to reach your financial goals.
- ◆ In order for your budget to be effective, you must put it in writing.
- ◆ If you need an example worksheet to use, you can access the one that we have developed. Go to the “Budget Worksheet” link on the Student Loans & Receivables website.



Developing a Realistic Budget

- ◆ The first step in developing a budget is determining your monthly income. Identify where your money comes from.
 - Wages and Tips (less taxes and deductions)
 - Financial Aid
 - Support from Parents
 - Savings
 - Other



Developing a Realistic Budget

- ◆ Next, you will need to determine your monthly expenses. There are several types of expenses that you need to be mindful of.
 - Fixed Expenses
 - Flexible Expenses
 - Periodic Expenses



Developing a Realistic Budget

- ◆ Fixed Expenses: Those expenses that do not change from month to month.
 - Examples: Rent, Car Payment, Loan payment, etc.
 - Fixed expenses are usually the most difficult to change.

Developing a Realistic Budget



- ◆ Flexible Expenses: Those expenses that vary from month to month.
 - Examples: Phone bill, utility bills, credit card bills, food, personal care items, etc.
 - Flexible expenses are often the easiest to cut if you are looking for ways to cut your expenses.



Developing a Realistic Budget

- ◆ Periodic Expenses: Those expenses that are non-essential. You need to be sure to include these amounts in your budget so that you are careful not to spend more than your income will allow.
 - Examples: gifts, car repair and maintenance, car tags and inspection, etc.
 - It is a good idea to total all Periodic Expenses for one year, divide the total by twelve and then include that amount in your monthly budget under savings. This way, you will have the money in your savings account when these expenses come up.



Developing a Realistic Budget

- ◆ Tips for decreasing monthly expenses:
 - Reduce your food expenses
 - Find free or inexpensive entertainment
 - Select and purchase gifts that are on sale
 - If you want or think you need something, wait a full 24 hours before you buy it.
 - Click link to “Strategies for Cutting Down on Spending” for additional suggestions (link found on Student Loans & Receivables website).



Developing a Realistic Budget

- ◆ Savings: There are several things to consider when determining your monthly savings amount.
 - Periodic Expenses
 - Debt Reduction
 - Short Term and Long Term Financial Goals
 - Emergencies



Developing a Realistic Budget (Savings)

- ◆ Determine how much to save each month
 - Make a list of the following:
 - all estimated periodic expenses for the year
 - An estimate for short term goals
 - An estimate for long term goals
 - An estimate for emergencies
 - Divide the total by twelve – this is how much you should save each month



Maintaining Your Budget

- ◆ In order to effectively maintain your budget, you must keep organized records.
 - Maintain and balance your checkbook regularly
 - Keep track of your daily expenses to monitor and regulate your spending. (write everything down!)



Maintaining Your Budget

- ◆ Tips for Maintaining a Budget
 - Avoid impulse buying
 - Look for ways to reduce your expenses
 - Plan for large purchases
 - Don't forget to track your expenses
 - Stick to your budget!



Maintaining Your Budget

◆ Checking Account Tips

- Only write checks you know your account can cover.
- Whenever you deposit money or withdraw money, write it down in the check register immediately.
- Balance your check register to your bank statement on a monthly basis.
- Triple check your work!
- Report lost or stolen checks immediately.



Managing Your Debt

- ◆ Know the Warning Signs
 - Unable to make minimum payments
 - Borrow from one credit card to pay another
 - Meet or exceed credit limits
 - Paying some bills while putting off paying others
 - Denied credit
 - Refer to “Maintain Good Credit” link.



Managing Your Debt

- ◆ Determining what level of debt is reasonable
 - 20 % of your net income =
 - Car payment
 - Monthly credit card installments
 - Monthly loan payments
 - 40% of your net income =
 - All of the above, plus
 - Rent or mortgage



Managing Your Debt

◆ Debt Reduction

- Determine how much you currently owe
- List your accounts in order from highest to lowest percentage rate. Include:
 - Outstanding balance
 - Minimum payment due each month
 - Due date
- Total the minimum payments
- Apply extra income to the accounts with the highest percentage rate



Other Resources

- <http://www.cccsintl.org/>
- <http://www.fool.com/>
- <http://www.smartcredittips.com/>
- <http://www.smartmoney.com/>
- <http://www.wellsfargo.com/>

– Banking On Our Future

Thank You!

