

Where Does all of My Money Go?

Take Control of Your Finances





Topic One

Identify Needs vs. Wants then Set Goals

You must have a plan. A plan lets you control your destiny rather than be a “victim” of random choices. “A failure to plan is a plan to fail.”

The first step is to understand how much money you must make by identifying your needs – what are your mandatory living expenses (housing, food, clothes, utilities, transportation, etc). Your needs have to be met first and they become the foundation for your spending plan. If you don’t clearly define the needs you will always choose to spend your money on wants, which will lead you to struggle financially.

After defining needs, any left over money can be split between wants and savings (which is just preparing for a future expense). Make a list what you want to achieve in life financially, your goals. One way to determine your goals is to ask yourself, “What am I passionate about?”

- Being debt free?
- Owning a home?
- Purchasing a vehicle?
- Education?
- Taking a vacation?



Make your list in the order of things you really want. If you are married or living with a partner, you must both make separate lists of your goals. Then compare your lists and see what you have in common. Do you both want the same things? It’s important as a couple to agree on what needs to be accomplished first. You must be a team working together to accomplish your plans.

We all have limits on our finances. The thing that sets apart the financially successful from those who are not is the ability to clearly define where they will spend their money (on their goals) and to track their spending to ensure their spending matches those goals.

Start writing down some of your goals. On page 3, complete the *Four Simple Steps for Setting Financial Goals*.

TIP: Review your dreams and goals often—at least monthly. Revise as needed.

Homework:

Fill out the *Four Simple Steps for Setting Financial Goals*.

For the next week write down everything you spend money on. Use the notebook in this packet. Go over all of your spending, including your grocery bill, and mark what was needed versus what was wanted.

Four Simple Steps for Setting Financial Goals

Step 1: Get to know yourself. Spend some time reflecting on your good and bad financial habits. Then, identify and ***write down*** the things you really want to strive for—things that keep you excited and motivated. Some examples are gaining control over your money, having an emergency fund, saving to send yourself or your kids to college, buying a new car, going on vacation, paying off credit card debt, or planning for retirement.

Goal	Date to Achieve It
1	
2	
3	
4	

Step 2: Break each financial goal down into several short-term (less than 1 year), medium-term (1 to 3 years), and long-term (5 years or more) goals. For example:

- **Short-term Goals** may be gaining control over your money and establishing an emergency fund.
- **Medium-term Goals** may be buying a car, going on vacation, or paying off credit card debt.
- **Long-term Goals** may include saving for college or retirement.

Be specific Decide exactly what you’re going to do differently to meet the goal. For example: “I will pay an extra \$25 on my credit card bill every month.”

Be realistic Allow for spending money for small items you enjoy.

Be public You’re more likely to meet your goals if you’ve told others about them and ask for their support.

Step 3: Educate yourself about money matters. Read magazines and books and check out Web sites about money. With a little effort, you can learn enough to make educated decisions that will increase your financial condition. Then, identify small, measurable steps you can take to achieve these goals, and put this action plan to work.

Step 4: Set a time to review your progress. Evaluate your progress. Determine if your plan is working. If you’re not making progress toward a particular goal, re-evaluate your approach and make changes as necessary.

DO SOMETHING NOW! One positive step will change your future.

“Small changes today. Big bucks tomorrow.”

Topic Two

Developing Your Spending Plan

Before you can start on a new course, you need to devise a plan. Rather than a budget, create a *Spending Plan*. Think of a spending plan as a financial roadmap to take you where you want to go. It puts you in control and on the road to accomplishing your goals.

The first step to develop the spending plan is to figure out what your income and expenses are for a month. Once you know where you currently are, you have the information to decide if you need to adjust your course to meet your goals.

Income can include your salary from your job, and other sources like tips, child support, unemployment compensation, Social Security income, public assistance, and food stamps.

To determine **expenses**, use copies of bills or receipts from items you have paid recently. For example, utilities, mortgage payment, medical expenses, credit card bills, groceries, and telephone. Remember to include expenses you don't pay every month, such as car insurance. That means if you pay \$235 for car insurance every six months, you must save \$40 each month to pay the bill. The \$40 is the monthly average listed for car insurance on your expense list. Put this amount in your saving account so you have the money when your insurance bill arrives.

By knowing your financial situation you can make smart decisions on how to manage your money. To keep yourself on track set a time to review you're spending each week (daily, if possible). If in a relationship or married, do this with your spouse or partner. Think of it as a great adventure and you will be amazed how much fun it can be when you meet your goals.

Start charting your course. Below and on the next page is a list of a variety of things to consider when putting together your plan. Fill in your information here or use more paper if needed.

First things first. List your INCOME from ALL sources:

Income Per Month	Amount
Wages/Salary	
Tips or Bonuses	
Child Support/Alimony	
Public Assistance (Food Stamps, Unemployment)	
Social Security/ /Supplemental Security Income	
Disability	

Other	
Total Monthly Income	

Developing Your Spending Plan (Continued on page 6)

Next, list all your EXPENSES.

Category	Monthly Budget Amount	Monthly Actual Amount	Difference
Income			
Total income from page 4			
Expenses			
Savings (Pay yourself first)			
Loans/Credit Cards			
Telephone/Cell Phone			
Car Payment			
Groceries			
Car Payment			
Gas			
Bus/Light Rail			
Health Insurance			
Car Insurance			
Prescriptions			
Vitamins/Supplements			
Cosmetics/Skin Care			
Nails/Hair			
Dry Cleaning/Laundry			
Clothing/Uniforms			
Entertainment			
Snacks/Restaurants			
Doctor/Dentist			
Gifts			

Topic Three

Avoiding Financial Traps

Become aware of financial traps and what they are costing you

There are many businesses and individuals who want to separate you from your money. Learn about the traps to avoid before you make costly mistakes. Even a few extra fees or purchases can add up quickly. Here is a list of common financial “traps” and their costs.

- Payday Loans and Check Cashing Shops – Typical fees can be between \$15 to \$30 per \$100 borrowed. Over a year, if you cash \$20,000 with them, that could be between \$3,000 and \$6,000 or 390% APR! Check cashing charge \$3-\$5 for each \$100 check, or \$600 per year on \$20,000.
- Rent to Own – Furniture and car dealers advertize these regularly. Rentals can cost two to three times the retail price. A TV rented for \$10/week for 24 months = \$1,040 when the retail price was less than \$400.
- Eating out vs. cooking or bringing lunch – Bringing your

Additional examples financial “traps” to avoid:

- Bank/ATM/Fees
- Pawn Shops
- Online Purchasing
- Late Fees
- Pricey Coffee/Drinks
- Impulse Buying
- Expensive Hobbies
- Zero Down & Zero Interest

Three Keys to Financial Success

lunch can save you \$1,300 or more per year, for just one person.

- Credit Card Fees & Interest – Late fees and interest can add up quickly to make purchases much more than their original purchase price. Limit the number of credit cards to 2 or less and pay them off monthly.

Find Simple Alternatives and Save Your Money

- Bank accounts – Some banks & credit unions offer free checking and savings accounts, direct deposit, free checks, debit cards, and online bill pay.
- Prepaid Debit Cards – This alternative is good if you don't have a credit history and don't want a bank account. They cost \$3 - \$10 to activate and may have monthly fees and reload fees. Wal-Mart is currently the cheapest with a \$3 activation fee and if you use direct deposit or and put at least \$1,000 per month they waive both the monthly and reload fees.
- Track your spending plan – people who begin tracking their spending on average can find 1% of their annual salary, per month, just by being more aware of how they spend their money.

Homework: Identify one financial trap that you'll eliminate.
Begin saving today or increase your current monthly savings.

Topic Four

Commitment, ACCOUNTABILITY, and Tracking

You're responsible for your financial well-being. You choose how you spend your money, and those choices affect whether you reach your goals or not. So make the commitment to take charge of your finances. Be pro-active—act now, rather than later—and take control of YOUR money and future.

Make the Commitment

- Review and revise your written goals (short-term and long-term).
- Review and revise your spending plan to reflect the way to achieve your goals.
- Write yourself a letter making a commitment of what you're willing to do to achieve your goals.

All of these steps reinforce your determination to succeed.

Accountability

Strengthen your commitment by asking someone you trust for help. Choose someone who can hold you accountable to your spending plan, who you will listen to when you need to make a change, and who will cheer you on and encourage you to succeed. Get together weekly to review how the plan is working. It's amazing how it helps you stay on course when you have to report to another person how you are doing with your plan.

As you reach a goal, celebrate, and then set another! Keep in mind, though, celebrating doesn't mean you have to spend money.

Tracking

You can't manage your plan if you don't track it. You must know where your money is going.

If you have a computer, an easy way to track your income and spending is to use software such as Quicken or Mint.com. They save a lot of time since your bank account activity can be downloaded directly. They also offer reports to summarize all of your spending.

If you don't have a computer, you can still track your spending activity on paper. It may take a little more time but is well worth the effort. Tracking your expenses also has the added benefit of helping to ensure that you can take tax deductions to which you're entitled. (There are extra Expense forms in the back of this manual.)

Summary

The key to managing your money is to focus on the end result—achieving your goals. Most people plan their vacations with better care than they plan their financial lives. Failure to plan is the reason most people face the future with fear rather than anticipation.

Homework: Review what you've learned so far and implement one new step.

Resources

There are many other resources available to help you manage your financial resources. Here are a few you may find helpful:

www.360financialliteracy.org – This Web site was developed by the American Institute of Certified Public Accountants (AICPA). It includes articles, calculators, and other tools to help plan your finances throughout every stage of your life.

www.feedthepig.org – This is another Web site from the AICPA for young adults, age 24 to 35, but the information applies to everyone. On this Web site you can sign up to receive weekly online money saving tips.

www.educationcents.org – Created by College Invest to help understand finances and provide resource for further education.

www.coloradosaves.org - Colorado**Saves** is committed to improving the well-being of Coloradans by offering health and financial education and empowerment to take control of their finances.

www.mint.com – Web site with online tools to help you manage your money.

www.mymoney.gov - This is the U.S. government's Web site dedicated to teaching Americans the basics about financial education. It also includes a section for children.

www.cdhs.state.co.us – This is the Web site for the Colorado Department of Human Services.

www.colorado.gov – This is the Web site for the State of Colorado. If there's anything you need to know about driver's license, vehicle registration, Colorado income taxes, or anything that involves state government, go to this Web site.

www.irs.gov – This Web site for the Internal Revenue Service has information, publications, and forms to use when it's tax time.

Volunteer Income Tax Assistance (VITA) - The VITA Program offers free tax help to low- to moderate-income (generally, \$42,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites generally are located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient

locations. Most locations also offer free electronic filing. To locate the nearest VITA site, call (800) 829-1040.

Extra form to list all of your EXPENSES.

Category	Monthly Budget Amount	Monthly Actual Amount	Difference
Income			
Total income			
Expenses			
Savings (Pay yourself first)			
House Payment			
Gas/Electric			
Water			
Trash Collection			
Cable TV			
Telephone/Cell Phone			
Child Care			
Alimony			
Groceries			
Loans/Credit Cards			
Pet Care			
Car Payment			
Gas			
Bus/Light Rail			
Health Insurance			
Car Insurance			
Life Insurance			
Prescriptions			
Vitamins/Supplements			
Cosmetics/Skin Care			

Nails/Hair			
Dry Cleaning/Laundry			
Clothing/Uniforms			
Entertainment			
Snacks/Restaurants			
Gifts			
Doctor/Dentist			
Home Repairs			
Other			
Other			
Expense Subtotal			
Net Income (what's left at end of month)			