



# FINANCIAL LITERACY

*"Essential Keys for Good Stewardship Over Your Resources"*

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Soft Skills, Module 2

- Define income, expense, a budget, savings, disposal income and an emergency fund
- Describe credit verses debt
- Describe and understand the importance of saving
- Understand the importance of managing money on paper first
- Create a budget
- Describe the basic financial strategies for managing money



- **Definitions**
- **Credit and Debit**
- **Savings**
- **Creating a Budget**
- **Financial Tools**



**Budget.** An estimate, often itemized, of expected income and expenses for a given period in the future.

**Charity.** The voluntary provision of money, materials, or help to people and organizations in need.

**Credit Card.** Card that enables holder to charge expenses for purchases or to get money (with interest).

**Debtor.** An individual who signs a promissory note and assumes liability to repay under the terms of that note. (also called a borrower)

**Discretionary Income.** It is what remains after expenses for basics (such as food, clothing, shelter, utilities) and prior commitments (such as school fees and loans) are deducted from the disposable income.

**Disposable Income.** Money remaining after taxes and all expenses are paid.

**Emergency Fund.** The money you set aside for unexpected expenses...medical bills, car repairs, home repairs

**Expense.** Cost or charge for goods or services

**Financial Literacy.** The ability to use knowledge, skills and tools to effectively manage financial resources, resulting in a lifetime of financial stability.

**Income.** The monetary payment received for goods or services or other sources, as rents or investments

**Savings.** Money set aside for future events, i.e. vacations, furniture

**Savings Account.** A deposit account that pays interest and allows for unlimited deposits and withdrawals.

- ▶ **Credit is more than just a plastic card you use to buy things—it is your financial trustworthiness.**
- ▶ **Good credit means that your history of payments, employment and salary make you a good candidate for a loan, and creditors will be more willing to work with you.**
- ▶ **Having good credit usually translates into lower payments and more ease in borrowing money. Bad credit, however, can be a big problem.**
- ▶ **Ability to manage credit reveals personal integrity**

- **Credit card** - You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan—you have to pay the money back as agreed upon.
- **Charge card** - If you use a charge card, you agree to pay your balance in full when you get your regular statement.
- **Debit card** - This card allows you to access the money in your checking or savings account electronically to make purchases.





- ▶ **PAY YOURSELF FIRST..a percentage of your income must be saved for your future**
- ▶ **Establish an Emergency fund/Savings**
- ▶ **Develop a plan to pay off debts**

*"Don't spend all of your money a quarter at a time. Save up and buy something special, something fine, something of lasting value, or something that will give you rich memories for a lifetime. Remember, all that candy money can add up to a small fortune." -- Jim Rohn*





## Before opening a savings account figure out how you'll be using it. Ask yourself:

- ✓ How long will I need to keep my money in the savings account
- ✓ How often will I need to withdraw money from the account
- ✓ How much money will I need to keep in the account each month

# Types of Savings Accounts:

- Personal
- Money Market Savings
- Certificates of Deposit (CD)
- Investments ...Mutual Funds, Bonds, Stocks



## ➤ **Getting Started:**

- ✓ Write down your income for the month
- ✓ Create a list of your fixed monthly expenses like rent, childcare, utilities, etc.
- ✓ Track your incidental spending for a month. Your credit and debit card receipts may help you track your expenses
- ✓ Allocate a specific amount for saving and/or investing.



➤ **If more money is going out than coming in you need to cut back. Here are some steps to assist you with streamlining your spending:**

- ✓ Examine your spending habits
- ✓ Set a spending limit
- ✓ Give yourself an allowance and don't exceed it
- ✓ Curb your impulse buying
- ✓ Eliminate unnecessary expenses





Monthly Budget			
INCOME (After Tax)			
	Budgeted Amount	Actual Amount	Difference
Income #1			
Income #2			
Other			
Other			
<b>Total Income</b>			
EXPENSES			
SAVINGS			
CHARITABLE GIFTS			
Housing - Mortgage/Rent			
Electric			
Gas			
Water			
Phone			
Cell Phone			
Cable			
Trash			
Internet			
Food			
Credit Card Payment #1			
Loan Payment			
Car Payment #1			
Clothes			
Haircuts			
Gifts - Birthdays and Holidays			
Social and Entertainment			
Other			
Other			
<b>Total Expenses</b>			
<b>Surplus/Shortage</b>			

- **You must be Disciplined!!!**
  - **Pay yourself first**
- **Always do your budget prior to your payday**
  - **Give charitable causes**
- **Be consistent...Your future depends on it.**





## ONLINE RESOURCES

- [www.saveandinvest.org](http://www.saveandinvest.org)
  - [mymoney.gov](http://mymoney.gov)
  - [www.learnvest.com](http://www.learnvest.com)
  - [www.daveramsey.com](http://www.daveramsey.com)
- [www.michellesingletary.com](http://www.michellesingletary.com)
  - [www.suzeorman.com](http://www.suzeorman.com)

### REMEMBER:

*“If you don’t give your money direction, it will go anywhere.”*

*Dave Ramsey*



# QUESTIONS???

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Thank you for your time and attention.

