FINANCIAL LITERACY

"Essential Keys for Good Stewardship Over Your Resources"

Soft Skills, Module 2
COURSE OBJECTIVES

- 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 tack 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

<table>
<thead>
<tr>
<th>INCOME (After Tax)</th>
<th>Budgeted Amount</th>
<th>Actual Amount</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income #1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Income #2</td>
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<tr>
<td>Other</td>
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<tr>
<td>Other</td>
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</tbody>
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**Total Income**

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>SAVINGS</td>
<td></td>
</tr>
<tr>
<td>CHARITABLE GIFTS</td>
<td></td>
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<tr>
<td>Housing - Mortgage/Rent</td>
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<tr>
<td>Electric</td>
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<td>Gas</td>
<td></td>
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<tr>
<td>Internet</td>
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<tr>
<td>Food</td>
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<tr>
<td>Credit Card Payment #1</td>
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<tr>
<td>Loan Payment</td>
<td></td>
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<tr>
<td>Car Payment #1</td>
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<tr>
<td>Clothes</td>
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<tr>
<td>Haircuts</td>
<td></td>
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<tr>
<td>Gifts - Birthdays and Holidays</td>
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<tr>
<td>Social and Entertainment</td>
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<tr>
<td>Other</td>
<td></td>
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<tr>
<td>Other</td>
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</tbody>
</table>

**Total Expenses**

**Surplus/Shortage**
• 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
  - mymoney.gov
  - www.learnvest.com
- www.daveramsey.com
  - www.michellesingletary.com
- www.suzeorman.com

REMEMBER:
“If you don’t give your money direction, it will go anywhere.”
Dave Ramsey
QUESTIONS???

Thank you for your time and attention.