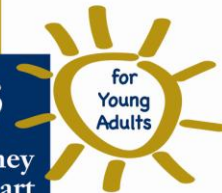


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# Setting Financial Goals

*FDIC Money Smart for Young Adults*



Building: Knowledge, Security, Confidence

# Objectives

- **Track daily spending habits**
- **Prepare a personal spending plan or budget to estimate monthly income and expenses**
- **Identify ways to decrease spending and increase income**
- **Identify budgeting tools that will help you manage your money**



# Why Create a Spending Plan?



# What is a Spending Plan?

- **A spending plan is:**
  - **A step-by-step guide for meeting expenses in a given period of time**



# Financial Goals

- **Be realistic**
- **Be specific**
- **Have a timeframe**
- **State the action to be taken**
- **Have milestones**



# Preparing a Spending Plan

1. **Keep track of your daily spending**
2. **Determine what your monthly income and expenses are the month before they are due**
3. **Find ways to decrease spending**
4. **Find ways to increase income**



# Step 1: Keep Track of Daily Spending



- What is the difference between a “need” and a “want”?
- Do you know where your money goes each month?
  - To control your money:
    - Understand where your money goes
    - Keep a personal spending diary



# Activity 1: Daily Spending Diary

## Complete Activity 1 in your Participant Guide

- Write down what you spend in a typical day
- Use a daily spending diary to keep track of everything you spend





# Step 2: Determine Income and Expenses

- **Income**—money that comes to you from:
  - Jobs
  - Allowances
  - Interest and dividends
  - Other sources
- **Expenses**—items you spend money, on including:
  - Bills
  - Transportation expenses
  - Entertainment



# Activity 2: Monthly Income and Expense Worksheet

## Complete Activity 2 in your Participant Guide

- Enter the income source and income amount
- Total the income



# What You REALLY Earn: Income

- **Gross income – deductions = Net income**
- **Deductions include:**
  - Federal and state income taxes
  - Social Security taxes
  - Retirement savings contributions
  - Premiums for medical insurance



# Social Security Benefits

- **Social Security is like an insurance plan.**
  - It is also called FICA (Federal Insurance Contributions Act)
  - **Benefits include:**
    - Retirement
    - Disability
    - Family
    - Survivor
    - Medicare



# Activity 3: What Grace REALLY Earned

## Complete Activity 3 in your Participant Guide

- Review Grace's paystub
- Answer the questions



# Paying Up: Expenses

- **Fixed expenses do not change from month to month**
  - Example: car payment, rent, and savings
- **Flexible expenses might change from month to month**
  - Example: electricity, food, clothing, and entertainment



# Step 3: Decreasing Spending

- **Decreasing spending = Increasing your cash flow**
- **What are some ways you can decrease your spending?**



# Step 4: Increasing Income

- Other than finding a job or finding a job that pays more, what are some ways you can increase your income?





# Planning Tools

- **Monthly payment schedule**
- **Monthly payment calendar**
- **Computer system**



# Activity 4: Monthly Payment Schedule

## Complete Activity 4 in your Participant Guide

- Enter the income and expense information in the monthly payment schedule
- Use the information provided



# Activity 5: Monthly Payment Calendar

## Complete Activity 5 in your Participant Guide

- Transfer the income and expense information from the monthly payment schedule to the monthly payment calendar



# Monthly Payment Calendar

Month: April

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 \$425.00 paycheck \$150.00 car payment \$30.00 insurance \$25.00 savings	2 \$60.00 gas/car maintenance	3 \$25.00 personal	4	5	6 \$30 cell phone	7
8	9	10	11	12	13	14
15	16	17	18	19	20 \$10 credit card/ loan	21
22	23	24	25	26	27	28 \$40 entertainment
29	30					

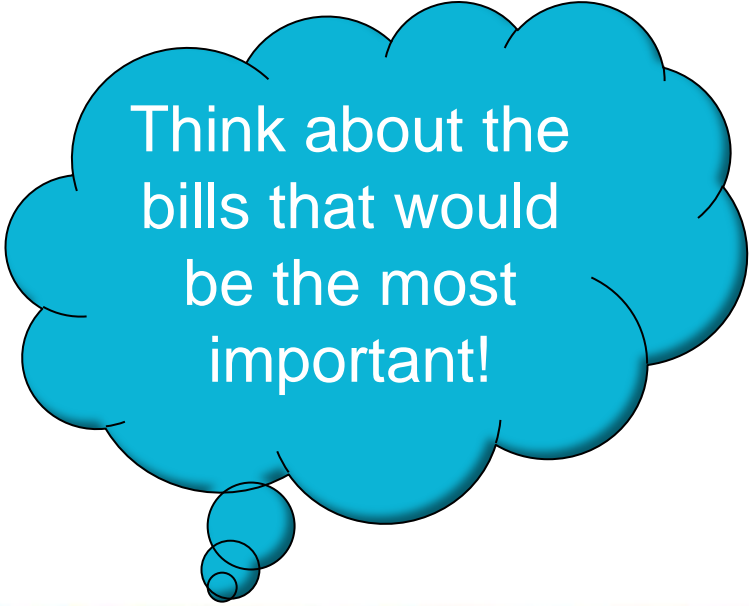
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# Help! I Cannot Pay My Bills!

- **What payments should you make first if you do not have enough money to pay all of your bills?**



Think about the bills that would be the most important!



# Help! I Cannot Pay My Bills!

- **If you are having trouble paying all of your bills:**
  - **Talk with a parent, guardian, or another adult you trust**
  - **Pay your necessary expenses first**
  - **Pay off loans with the highest interest rate first to save on interest**
  - **Talk to your creditors as soon as you think you will have a problem making a payment**



# Activity 6: A Hole in Todd's Pocket

## Complete Activity 6 in your Participant Guide

- Read the scenario
- Develop a spending plan for Todd



# Module Summary





# Setting Financial Goals



**Congratulations! You learned:**

- **How to track what you spend each day**
- **How to prepare a personal spending plan**
- **Ways to decrease spending and increase income**
- **Which tools you can use to help you manage your money**

