Budgeting & Banking 101
Road Map

- Why we need a budget
- Making financial decisions
- Defining realistic financial goals
- Being financially healthy
- Fis & money management
- Avoiding unnecessary costs

A budget is telling your money where to go instead of wondering where it went.

---Jane R. Brown---
It's not just about having MORE money...

60% of NBA players go broke within five years of departing the league. And 78% of former NFL players experience financial distress two years after retirement.

Simply put, a budget is a money

Fail to plan, plan to fail.

Why Budget?

Spending Freedom vs. Financial Freedom

Spending freedom
- Instant gratification — future need is unknown

Financial freedom
- Prioritize saving for the future
- Reward yourself for reaching goals
- Build wealth having financial stability so emergencies are less of a problem
Basic Parts of a Budget

Income
Expenses
Savings
Budget

Tracking
• Record everything for the next month.
• This means keep track of what you spend no matter how small.
• The method is your choice (spreadsheet, get receipts for everything and then tally them up, use an app on your phone).

Let's get started...
Honestly Ask Yourself is it a **NEED** or a **WANT**:

1. Can I live safely and with dignity without this purchase?
2. If I lost my source of income, would I keep spending money on this?
3. Can I live without this purchase for 6 months?

What do you **VALUE**?
What is important to you?
Goals

• Define your money goals
  - Identify your priorities
  - Ask yourself: "Why is money important to me?"

• Lifestyle choice
  - How do you want to live

Financial Goals

• Short-term goals
  - Emergency fund
  - Vacation

• Mid-term goals
  - Car
  - Home
  - Education

• Long-term goals
  - Retirement
Set Goals: MINDFUL habits pay off!

Save around $38 a week and you can have this vacation for 2: $38.12 x 52 = $1,982.27

Riu Palace Peninsula All Inclusive Resort
12/16 to 12/20/2019
Round trip flight from Philadelphia to Cancun
Total price $1,982.27
Hotel 4.5 stars out of 5

"Beware of little expenses: a small leak can sink a great ship."
Frederick Franklin

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<table>
<thead>
<tr>
<th>WHERE DOES YOUR MONEY GO?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habit</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Coffee</td>
</tr>
<tr>
<td>Breakfast</td>
</tr>
<tr>
<td>Energy Drink</td>
</tr>
<tr>
<td>Cigarettes (1 pack)</td>
</tr>
<tr>
<td>Soda</td>
</tr>
<tr>
<td>Bottled Water</td>
</tr>
<tr>
<td>Lunch</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>
What does a healthy, balanced budget look like?

50/30/20: A BUDGETING GUIDELINE

What does the 50/30/20 Rule look like in real life?

<table>
<thead>
<tr>
<th>Net monthly household income 2 working adults</th>
<th>26 Bi-weekly Paychecks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Pay</td>
<td>$3,461.54</td>
</tr>
<tr>
<td>Federal</td>
<td>$333.54</td>
</tr>
<tr>
<td>Medicare</td>
<td>$590.19</td>
</tr>
<tr>
<td>State</td>
<td>$108.37</td>
</tr>
<tr>
<td>SSN</td>
<td>$2.08</td>
</tr>
<tr>
<td>401K/403B contributions</td>
<td>$0.00</td>
</tr>
<tr>
<td>401K</td>
<td>$103.89</td>
</tr>
<tr>
<td>Net Pay</td>
<td>$2,649.99</td>
</tr>
</tbody>
</table>

20% = Savings & Debt Servicing
- Investment
- Mortgage
- Home improvement

30% = Wants
- Housing
- Utilities
- Insurance
- Health Insurance
- Food

50% = Needs
- Groceries
- Rent
- Taxes
- Student Loans
- Transportation
- Entertainment
- Vacations
- Retirement Contributions

Total:
- Income
- Monthly Bills
- Monthly Savings
- Debt Payments

Total:
- Income
- Monthly Bills
- Monthly Savings
- Debt Payments
What could budget afford for housing?

- Selling price $100,000
- 20% down = $20,000
- Property tax estimated $1,382
- Total monthly payment approximately $1270.05

*The illustration questions you may or may not qualify for a mortgage.

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Buying & Financing an Auto

20/48/10 Rule

- 20% down
- Finance for no more than 48 months
- Payment and insurance 10% of your gross monthly income

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What does the 20/48/10 Rule look like in real life?

<table>
<thead>
<tr>
<th>26 Bi-weekly Paychecks</th>
<th>Married couple filing jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross household income</td>
<td>$34,651.54</td>
</tr>
<tr>
<td>FICA</td>
<td>$2,641.62</td>
</tr>
<tr>
<td>Medicare</td>
<td>$1,513.19</td>
</tr>
<tr>
<td>State</td>
<td>$1,063.27</td>
</tr>
<tr>
<td>SUT</td>
<td>$2.00</td>
</tr>
<tr>
<td>LDT</td>
<td>$0.00</td>
</tr>
<tr>
<td>401(k)</td>
<td>$3,153.65</td>
</tr>
<tr>
<td>Net Pay</td>
<td>$24,648.99</td>
</tr>
</tbody>
</table>

$750 per person per month including insurance for each car
What can this budget afford for an auto?

*20% down = $1296
Amount to finance = $13,965
4.44% rate x 48 Months = $269
$100 monthly insurance*

$370 per month payment

2015 Honda Civic LX Sedan
Certified Pre-owned 33,654 miles

$13,991
Source: local dealer website

50/30/20: A BUDGETING GUIDELINE

In Practice

Net Monthly Income $5739

50% - Wants
- Housing
- Entertainment
- Travel
- Hobbies
- Vacations

My Wants Budget $1722

50% - Needs
- Housing
- Utilities
- Transportation
- Groceries
- Health
- Other

My Needs Budget $2870

27% - Savings & Debt Servicing
- Transportation
- Housing
- Emergency Fund
- Credit Cards

My Savings Budget $1148

You need Emergency Funds...
but how much do I need?

Short Term Emergency
- 2 weeks pay or $1000 whichever is greater
  - Car Repairs
  - Emergency/ Vet appointment
  - Repair appliance

Longer Term Emergency
- 3 to 9 months living expenses (not salary)
  - rent/mortgage
  - Utilities
  - Food
  - Etc.
Creating a budget is key...

Your success can either be aided or sabotaged by not understanding your FI’s roll in the process.

What are my options for managing my money?

- Bank
- Credit Union
- Unbanked
  - Check Cashing Service
  - Money Orders
What is the Difference?

Not-For-Profit
- Credit Union

For-Profit
- Bank
- Check Cashing Service

Keeping your money safe, how are they insured?

Credit Union
- NCUA

Bank
- FDIC

Check Cashing
- None

How much is it actually costing me?

Check Cashing
- Check cashing fees range from 1.5% to 10%
  - Computer generated payroll check will cost you around 2.75%
- Weekly Payroll = $400 x 2.75% Fee = $11 a week
  - 52 weeks a year = $572 a year to cash a check
- How do you pay bills?
  - Money orders?
  - Postal or Western Union $2 Each
  - Pay 5 bills a month and it will cost you $60 a year for Money orders
- Total cost of Check cashing and money orders

$632 a year
How Much is it actually costing me?

**Bank**

- **Monthly Fee**
  - $3-$5 per month
  - Some will let you avoid the fee
  - Minimum balance
  - Direct deposit
  - Minimum number of debit card transactions
- **ATM Fee**
  - Average is $3 for using another bank's ATM
  - The other bank usually charges an additional $2 on top of this fee
- **Paper Statement Fee**
  - 5 of the 7 large banks in our area charge a fee of $1-$3 a month for receiving a paper statement

**Credit Union**

- **FMFCU Free Checking**
  - No minimum balance to avoid a fee
  - No minimum transactions to avoid a fee
  - No minimum deposit to avoid a fee
  - No charge for paper statements
  - 30,000 free ATMs nation wide with the Co-op Network
  - First 5 out of network ATM transactions per month free
Why would I need a **Checking & Savings** account?

- Checking Account
  - Transaction Account
  - Bill paying

- Savings Account
  - Emergency reserves
  - Regulation D limits transactions

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Comparing Costs between Checking Accounts

- Is there a minimum balance to waive a maintenance fee?
- Is there a minimum deposit amount or auto-deposit requirement to waive a fee?
- Do I have to pay for paper statements?
- If direct deposit is a requirement is my pay enough to meet their minimum?
- If they offer "student checking" will I be able to meet the fee waiver requirements when I age out?
- What are the rules/fees for ATMs?
- Is there a sustained overdraft fee?

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Comparing Costs between Savings Account
Key points when shopping...

- What are your needs/habits?
  - Are they compatible with the way your financial institution operates?
  - Are fees eating away at your budget?
- You have the right to know the costs of services before you choose a financial institution.
  - What does it cost if I overdraft (go negative)?
  - What are the balance/transaction requirements to avoid fees?
  - Will they charge me to have a savings account?
  - ATM & Debit Card Fees?
30% - Wants
- Dining Out
- Hobbies/Recreation
- Vacations
- Non-Necessities

50% - Needs
- Groceries
- Housing
- Utilities
- Health Insurance
- Transportation
- Minimum Debt Obligations

We consider a NEED to be anything you can't safely or legally live without.

My Wants Budget
Monthly income x .3

My Savings Budget
Monthly income x .2

30/30/20 Budgeting Guideline

Net Monthly Income
(paid biweekly=paycheck x 26 / 12)

20% - Savings & Debt Servicing
- Retirement
- Emergency Fund
- Extra payments towards debt

My Needs Budget
Monthly income x .5

FMFCU.ORG
Budgeting Guideline  50/30/20 NET INCOME

50% - Needs (Basic food, shelter, insurance, transportation)
Can I live safely and legally without this?
30% - Wants (Recreation, vacation, hobbies, non-necessities)
20% - Savings & Debt Servicing (Retirement, Emergency, down payment & More than minimum payments on existing debt)

Use this guideline to gauge if you can sustain yourself without too much financial strain.
Additionally it is recommended:
   Housing: no more than 25%
   Utilities: no more than 5%
   Transportation: 10-20% (insurance, gas & maintenance) (see 20/48/10)
   Clothing: no more than 5%
   Retirement: 15-25%

Check out Thebalance.com, Teachmepersonalfinance.com, & Moneyunder30.com for more tips.

Car Payment Affordability Guide
20/48/10 Gross Income

20% down payment to avoid being in a Negative Equity Situation /Upside Down. This means you owe more on a car than its actual value
48 months maximum finance terms whenever possible. This is because an initial higher cost usually means a higher cost of ownership. If you are stretching out the finance terms to make the monthly payment more affordable you may be short signed with the additional costs down the road. (Insurance, fuel, parts & maintenance)
10% of your GROSS monthly income should cover the auto payment and the vehicle insurance. If not you may be taking on more than you can handle.

Check out Edmonds.com for cost of ownership estimators & Truecar.com for shopping help.

FRANKLIN MINT FEDERAL CREDIT UNION
The Credit Union of Choice!

University City Branch
Dan Catamusto, Manager
Beth Manley

3200 Chestnut Street
Danielc@FMFCU.ORG
Adult Financial Education Manager
# Basic Budget Starter

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income after taxes but before health insurance and retirement plan</td>
<td></td>
</tr>
<tr>
<td>Employer retirement Contributions (monthly)</td>
<td></td>
</tr>
<tr>
<td>Sporadic income: Rental, etc. If varies month-to-month take an average of three months</td>
<td></td>
</tr>
<tr>
<td><strong>Total Monthly Income</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Basic Obligations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing: Mortgage/Rent</td>
<td></td>
</tr>
<tr>
<td>Utilities (average 3 months): Gas, water, sewer, electric</td>
<td></td>
</tr>
<tr>
<td>Health Care: Insurance, co-pays, deductibles, vet bills</td>
<td></td>
</tr>
<tr>
<td>Transportation: Car/lease payment, insurance, gas, tolls, parking, public transportation</td>
<td></td>
</tr>
<tr>
<td>Insurance: (Car, disability, life)</td>
<td></td>
</tr>
<tr>
<td>Basic Groceries (Average week)</td>
<td></td>
</tr>
<tr>
<td>Basic Clothing (Average out to monthly)</td>
<td></td>
</tr>
<tr>
<td>Phone: Cell and or Land line</td>
<td></td>
</tr>
<tr>
<td>Cable &amp; Internet</td>
<td></td>
</tr>
<tr>
<td>Legal Obligations: Student loans, Contractual Obligations Minimum Credit Card Payments</td>
<td></td>
</tr>
<tr>
<td><strong>Total Must Haves</strong></td>
<td></td>
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<tr>
<td>Monthly Savings</td>
<td></td>
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<tr>
<td>----------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Monthly contribution to retirement plan (divide by</td>
<td></td>
</tr>
<tr>
<td>12 if you make an annual contribution)</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Savings</td>
<td></td>
</tr>
<tr>
<td>Emergency Fund (Goal: 6x Monthly needs)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Savings</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Monthly Wants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extra Groceries/Dining Out</td>
</tr>
<tr>
<td>Extra Clothing (special items above and beyond,</td>
</tr>
<tr>
<td>designer)</td>
</tr>
<tr>
<td>Vacation</td>
</tr>
<tr>
<td>Entertainment (concerts, movies, books, etc.)</td>
</tr>
<tr>
<td>Cable TV &amp; Internet</td>
</tr>
<tr>
<td>Debt Payment (above and beyond minimum)</td>
</tr>
<tr>
<td>Charity</td>
</tr>
<tr>
<td>Gifts (other)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Wants</th>
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</table>

<table>
<thead>
<tr>
<th>Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minus Total Must Have</td>
</tr>
<tr>
<td>Minus total Savings</td>
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</tbody>
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