

There's a Hole in my Pocket

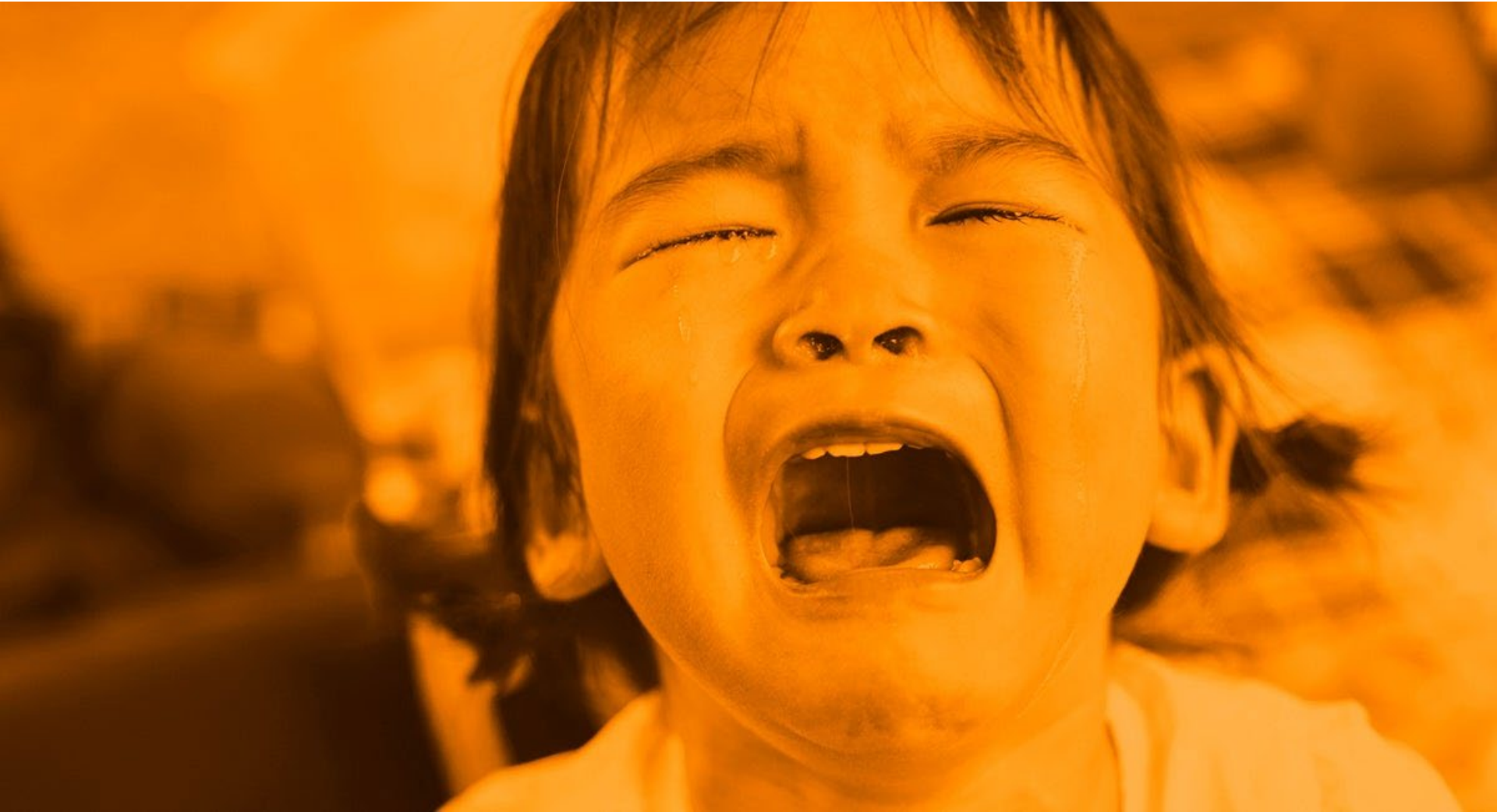
Ready to patch it?



TWO PREMISES ABOUT MONEY TO GET YOU STARTED

1. Money is like a 2 year old!
 - I want. I want. I want.
2. You are the adult.
 - “How can you have any pudding if you don’t eat your meat?”

Money is like a two year old



You are the responsible adult



“How can you have any pudding if you don’t eat your meat?”

PLAN:

Make the most of your money



BUDGET = PLAN

A budget is a spending plan. You need to know your

1. Income
2. Less Saving
3. Less Goals
4. Less Expenses
5. Equals more money at the end of the month!

WHY BUDGET?

1. You can't leave your 2 year old unattended can you?
2. You want to know what your 2-year old is up to at all times don't you?
3. You want the 2-year old to abide by some rules right?
4. Because you want your 2-year old to grow up into a thriving adult



KNOW BETTER. DO BETTER.

- Before COVID 40% of Americans could not handle a \$400 emergency
- Don't go broke trying to look rich
- No savings is like no gas money, you are going nowhere
- Plan to thrive, not just survive

HOW TO BUILD A BUDGET?

1. Plan

- List all sources of income—amount and how often and if reliable
- Calculate monthly saving—at least 10%
- Set SMART Goals
- List all expenses and track them
- Categorize your expenses

2. Test the plan

- Try it out for 3-6 months
- If the budget does not work, go back to the drawing board

3. Make the math work

- Increase income
- Adjust goals
- Decrease expenses

4. Turn your saving into savings

A BUDGET PLAN

Taxes	25%
Save/Goals	20%
Home & Family	40%
Mobility (physical/economic)	8%
Living (health/feel good)	7%

- Home: Rent, mortgage/taxes/insurance, water, sewer, electric,
- Family: cellphones, groceries, children, gifts,
- Mobility: auto loan, insurance, gas, parking, repairs, student loan,
- Living: internet, entertainment, eating out, medical, clothing,

WHERE SHOULD I BE THIS YEAR?

If my housing and family expense is \$600. I need to earn $(100/40) * 600$ or 1500. But I earn 1200.

Taxes	25%	300
Save/Goals	20%	120
Home & Family	40%	600
Mobility (physical/economic)	8%	96
Living (health/feel good)	7%	84

All else is the correct percentage except two categories: home & family AND Savings & Goals because income is insufficient. Should save \$240 so an IOU of \$120 goes in a shoe box

OTHER WAYS TO PLAN

You start with Income and subtract expenses until you are down to zero. Then you borrow.

Or, you start with expenses, take up a second job, and if still unable to make ends meet, a third job or borrow.

Or, Income matches your savings and expenses.

INCOME

1. Earned—job, gig work, social security, pension, etc.
2. Profit—business, buying and selling
3. Interest—income from lending/bonds
4. Dividend—income from shares/stocks
5. Rental—income from investment in real estate
6. Royalty—income from patents/franchise, etc.
7. Capital Gains—profits from sale of an asset
8. Other—social security, alimony, child support, disability, SNAP, gifts, inheritance, spouse's income, etc.

MAKE A LIST, CHECK IT TWICE

1. List every source of current income
2. Make sure you know the amount you can use for your budget (after tax income) and the frequency of earning it
3. List every source of potential income such as rental, gig, second job, etc.
4. Goal--\$48,000 livable income for 4 person household (\$4,000/month) OR
5. \$1,000/person in your household.

INCOME BY FAMILY SIZE

Family Size	50% area median	80% area median	Area median (NCC)
1	33,100	52,950	66,200
2	37,800	60,500	75,600
3	42,550	68,050	85,100
4	47,250	75,600	94,500
5	51,050	81,650	102,100
6	54,850	87,700	109,700

\$4,000 A MONTH?

- | | | |
|---------------------|------------|------------|
| 1. Weekly | \$923.08 | each check |
| 2. Twice a month | \$2,000.00 | each check |
| 3. Every other week | \$1,846.15 | each check |

NOTE: Benefits cliff is real. You could lose all benefits—child care, housing voucher, Medicaid, etc....

\$4,000 A MONTH OH MY!

1. I bring home \$1,000 a month!
 - Are you sure? Are you adding two paychecks? You get 26 checks a year. It only adds \$83.
2. Where do I get the other 3,000?
 - Let us go back to the slide about various sources of income. Anything there?
3. What do others in my profession make? Should I change my job?

MONEY! MONEY! MONEY!

1. I could change my job and get more money
2. I could ask for more hours at work
3. I could get a second job
4. I am quite good online—how about selling some of my stuff; maybe buy at sales and make some profit
5. Since people are always borrowing from me, how about earning an interest on it

TURN ASSET INTO INCOME

1. I am told I have a gift/talent, can I turn it into an income generator?
2. I have a nice car, maybe I can rent it out—Turo
3. I have stuff I could sell on Ebay
4. Gift cards and other gifts—unused—sell!

NOTE: A 1099 generates a tax event

I AM A GREAT DRIVER

1. I own a good car, have a good driving record, and licensed and insured.
2. How about lyft/uber/prime/etc.
3. There is a driver's shortage... I love to drive. Should I consider Commercial Driver's License—don't go there if poor driving record.

NOTE: A 1099 generates a tax event

MONEY ON THE TABLE?

1. Child support?
2. Taxes not planned well?
3. Food stamps?
4. Disability denied too many times?
5. Ask for cash gifts for all occasions?
6. Gift cards yet to be used

Tax time review

If you receive a refund regularly, you are creating a cash flow problem for yourself.

In addition, Uncle Sam does not pay you a penny in interest.

In fact, there may be times when you could be penalized for withholding too much.

If you receive 1099s, please plan for a tax bill at tax time.

Get in the habit of saving each pay check for taxes.

Do you need to file a return?

www.irs.gov

Depending on your age, filing status, and source of income, you may have to file a return.

To receive a stimulus check, you may have to file a return.

Tax Planning Strategies

1. Child Tax Credit
2. Credits for Higher Education
3. Education IRA
4. Interest deductions for student loans
5. IRA flexibility
6. Becoming a home owner
7. Non-cash charitable contributions

Managing your Taxes

Withholding Allowance Form (W-4) Plan your withholding

<http://www.paycheckcity.com/codmba/w4instruction.asp>

Free Tax Preparation sites

EITC and all other credits

Missed Opportunities

Interest bearing account

Tax-deferred investments such as an IRA or 401(k).

Flexible spending plan to reduce taxable income.

Maximizing Income

1. Name 10 ways to maximize your income this year
2. <http://www.irs.gov> W4 and Advanced EIC
3. Property tax credits for seniors
4. Social security/SSI/Veterans Benefits
5. Public assistance
6. Medicare/Medicaid
7. Food stamps
8. <http://www.helpengen.com/>
9. <https://www.benefitscheckup.org/>
10. Today's actions and attitudes determine tomorrow's options and opportunities.

NET MONTHLY INCOME

money you get in hand

<u>Paid</u>	<u>Annual</u>	<u>Monthly</u>
Weekly	Income x 52	Annual/12
Bi-monthly	Income x 24	Annual/12
Bi-weekly	Income x 26	Annual/12

BI-WEEKLY

There are two months in the year when you get extra paychecks! If you can live on 2 paychecks a month, you can save 2 paychecks a year.

NET MONTHLY INCOME

self-employed, mom & pops

Your dilemmas are numerous.

1. For tax purposes, you legally reduce your taxable income.
2. This reduced income is used to underwrite your loans.
3. As a result, your borrowing capacity is greatly reduced. You may have to put much more of your own money into the endeavors—mortgage or business or any form of borrowing. Build your savings and credit scores.
4. You are also at a higher risk of owing Uncle Sam. And, if your income changes each period, managing finances is even more trickier.

A young girl with blonde hair in pigtails, wearing a purple floral shirt, is pointing her right index finger towards the camera with a serious expression. The background is slightly blurred, showing what appears to be a classroom or play area with colorful items.

DON'T BUY THE \$300 BAG TO
HAVE NOTHING IN IT. BUY THE
\$10 BAG AND HAVE \$290 IN IT.

Rebel Dietitian

DON'T GO BROKE TRYING
TO LOOK RICH.

PAY YOURSELF FIRST

How much?

10% of your income

Why?

If you have no savings, it is like having a car but no gas money. You are going nowhere.

TITHE

How much?

1. 10% of your income
2. Can't afford? How about give of your time?
3. No time? What about your talents?
4. Not a tither? Not a problem.

Saving

Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like.

Start small—50 cents a day is \$180 a year

Avoid paying fees: ATM surcharge, late fees, NSF fees, overdraft fees, etc.

Feed the piggy

Grocery bill is \$37 and you used \$7 in coupons,
put \$7 in the piggy bank.

Days you don't drive your car
add \$1 to the piggy bank.

If you budgeted \$180 for electric/gas and your bill is
\$178

put \$2 in the piggy bank.

When you find coins,
toss it into the piggy bank.

Find savings

Food: Coupons, cook at home, pack lunch

Transportation: Driving a Land Rover? Are you a landowner?

Banking: ATM charges, other fees?



Each time you pay yourself first, your future self will thank you

1. Sweat the small stuff
2. Pick an item or expense
 - How can you buy it cheaper?
 - How can you make it last longer?
 - How can you use less of it?
3. Start small—50 cents a day is \$180 a year
4. Pack lunch and save at least \$600 a year
5. Avoid paying fees
6. Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like.

Goals

Without a date and dollar, a goal is just a dream!



S-M-A-R-T GOALS

Specific – Be specific about your goals

Measurable – How will you know when you reach your goal?

Attainable – You know that there is money to help you attain it

Realistic – Your budget and taste are aligned

Timed – There is a date that you will reach it.

List, Prioritize, Buy-in

Nearly all goals have a dollar amount attached to it. Get married, divorced, have a baby—costs money!

Make a list of your goals. Then prioritize them. Work on your # 1 priority. Create a vision board and keep it in sight.

Answer these questions:

1. Why do you want it?
2. When do you want it?
3. What are you willing to sacrifice?
4. How much will it cost you?

SETTING GOALS

Start with at least one goal. Make a plan

1. When will you reach this goal?
2. How much will it cost you?
3. How much must you save per month?
(Cost of goal divided by number of months to reach goal)

Set your goal

My goal is _____

It will cost \$ _____

I have _____ months to save for it

I will save \$ _____ each month

By making this sacrifice _____

To reach my target date _____

SACRIFICE

To reach most goals, you may have to make sacrifices.

1. What are some things that you are willing to give up to reach a goal?
2. If you can't think of anything, look at your goal carefully. Do you really want it?

S-M-A-R-T Goals--Examples

1. I will be a millionaire on my 60th birthday
2. I will save \$1,378 by December 31, 2022 by starting the 52 week savings challenge
3. I will increase my credit score by 50 points in 12 months.

Stick to it!

1. CREATE A SIMPLE CONTRACT WITH YOURSELF. Sign & Date it.
Keep it front and center.
2. Go to www.stickk.com. Set your goal, Set the stakes, Get a referee,
Add friends for support
3. You can create a text reminder to yourself at
<http://ohdontforget.com/>



----- MONTHLY EXPENSES -----

EXPENSES

And what to do about them

WHEN INCOME IS NOT ENOUGH

1. It is easier to cut back than get another job.
2. Why?
 1. Time
 2. Taxes
 3. Other expenses—commute, child care, etc.

He who buys what he does not need, steals from himself

1. Where is your money going?
2. Are you happy with where it is going?
 1. Eating out 4 times a month for \$80 is \$960/year
 2. Coffee everyday for \$1 is \$365/year
3. Identify spending leaks
4. Can you take a 52 week challenge? Save \$1 week 1. \$2 week 2. \$3 week 3 and so forth until week 52 when you save \$52. For a total of \$1378

IDEAS FOR CUTTING COST

Make a list. Do not shop on impulse

Clip Coupons

Mail in rebates

Stock up and buy bulk

Use debit card or cash instead of credit

Shop around for prices

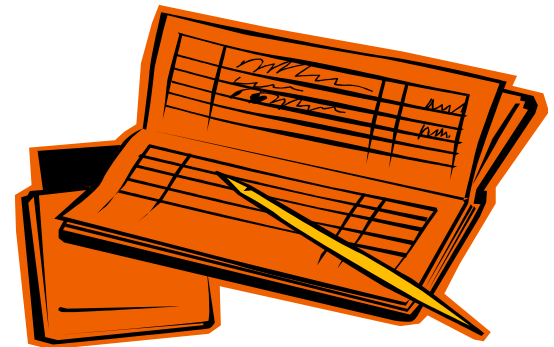
Change your thermostat at night and when not home

EXCESSES?

1. Poor buying habits--Fridge to trash can
2. Poor Planning & Willingness to pay for Conveniences--ATMs
3. Instant Gratification--Rent to own
4. Entertainment—Eating out, movie nights
5. Personal—Cigarettes/Alcohol. Salon care

Balance your checkbook

- Compare cancelled checks
- Compare ATM transactions
- Look for fees on bank statement
- Compare deposit records
- Look for interest paid to your account
- Check bank statement against register
- Balanced?



Why Balance?

1. No bounced checks
2. No NSF fees
3. No bad credit
4. No unauthorized charges/withdrawals
5. No unwarranted fees
6. Lastly, when you make this a habit, you find mistakes in time to have them corrected. Banks do make mistakes sometimes. Law gives you only one year from the date that an error was reported to you in the form of a statement to have that error corrected.

Delayed gratification

My big screen TV story!



Husband's super bowl party

The year: 2000.

Big screen TV—about \$3,000.

Savings: Zero.

Plan: Save \$200/month for the next 12 months.

The Plan

1. Use ING's offer of \$25 to open an account. We open 3! Not readily accessible for withdrawals. Made saving and keeping it easy.

2. Change our habits. No more trips just for bread, milk, or eggs.

Grocery days: Fridays Savings: \$100

Pack Lunch Savings: \$100

Automation, refunds, CDs

Set up regular transfers.

My tax return of \$400 went into ING.

Certificate of Deposit (CD) rates: 7%.

Every 3 months: \$600

Laddering: I would open a CD for 9, 6, and 3 months.

I needed all my CDs to mature at the same time.

12 months later

Big screen TV \$2,000
I buy now and pay later.
I open a CD and earn
\$210

Category	Amount
ING Opening Account	75
Savings	2400
Tax refund	400
CD and savings interest income	125
TOTAL	3,000

NEEDS & WANTS

NEEDS	WANTS
Roof over your head	An unaffordable mortgage
Peanut butter sandwich	Steak & Lobsters
Clothes in my closet	New Brand Names
Transportation	A new AUDI
Saving	Spending
Food on the table	Eating Out
Utilities	Alexa/Echo/Streaming package
Retire comfortably	Spend now
Looking good—on a budget	Looking good

WHAT IS A NEED?

“Need is a necessity”

1. Tithe/Saving
2. Mortgage/rent
3. Utilities, Telephone, Insurance
4. Commuter expenses/car payments
5. Groceries, Child Care
6. Debt—only if you already owe.

UTILITIES

1. Apply Weather Stripping
2. Insulate outlets and light switches.
3. Install a programmable thermostat.
4. Install & insulate a tank less water heater.
5. Wash clothes in warm or cold water.
6. Pack the dishwasher.
7. Air dry pots & pans.
8. Buy Energy Star appliances.
9. Microwave/toaster/air fryer versus oven

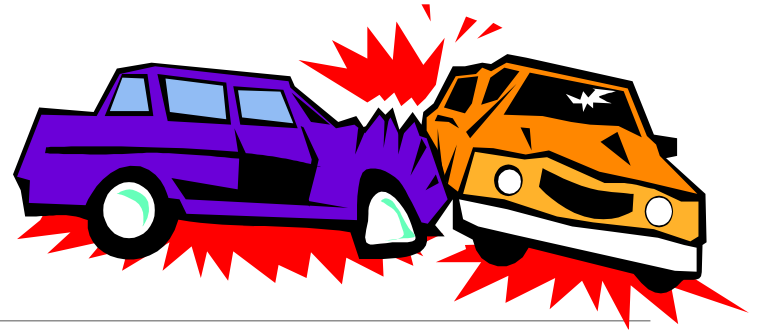
FOOD & COOKING

DO	DON'T
Cook at home—check the pantry	Buy food that will waste—fridge to trash
Cook foods that reheat well—soups	Buy individually wrapped foods
Buy food with longer shelf life and a variety of uses	Assume on sale means best value

ENTERTAINMENT

1. No Eating Out- Try Potlucks or family dinners instead
2. Cut cable!
3. Cancel unused or underused gym memberships
4. Cancel magazine and newspaper subscriptions-- -those are available for free at local libraries
5. Cut out/cut back - lottery tickets, alcohol, tobacco, etc.
6. Use coupons

Insurance



1. Shop for insurance first, then the car
2. Shop around
3. Get a higher deductible
4. Drive safe--no traffic violations
5. Install safety features and devices
6. Defense driving course

SEEK OTHER HELP

- TANF- Temporary Aid for Needy Families
- General Assistance, Purchase of Care, Food Stamps
- Child Support Enforcement,
Medicare/Medicaid/Cobra
- Dress for Success, Work Incentive Planning and
Assistance
- Delaware Division of Employment & Training
- Crisis Alleviation, Mortgage Modifications
- Anything else that could help you stretch your dollars
or assist in an employment search

PEOPLE WITHOUT A BUDGET

1. Are less likely to meet their financial goals
2. Have no plan, coming up short before their next pay check
3. Have no plan to save

Are you a Good Consumer?

1. Think before you buy?
2. Think the maximum I will pay for it is \$_____?
3. Compare prices?
4. Deal with reputable merchants?
5. Evaluate warranties?
6. Know your rights?

Turn that saving into SAVINGS

Money is fickle. It finds a way out of our pockets.

Buy a piggy bank or use the shoe box.

Set up a bank account that you cannot touch.

Name this account—example: Saving for My Home.

Each month, move your savings into this account.

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