

Money Management

A Basic Financial Overview of Money Management Principles

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Purpose

Money Management will help you:

Create good financial habits.

Develop and track a spending plan or budget.



Objectives

By the end of the webinar, you will be able to:

Create a strategy for tracking your daily, weekly and monthly expenses.

Identify ways to decrease spending and increase income.

Utilize tools that will help you to manage your money more effectively.



Pennsylvanians

A 2011 Financial Capability Study by FINRA Investor Education Foundation reported 17% of Pennsylvania households spent more than their income.

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Budget

A step-by-step plan for meeting expenses in a given period of time.

Also referred to as a “personal or family spending plan”.



Benefits of Budgeting

Reduces money-related anxiety

Helps you

- ✓ Pay your bills on time
- ✓ Cover unexpected emergencies
- ✓ Reach your financial goals

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How to Create a Budget

Evaluate your current financial status.

Make two lists – one for needs and one for wants.

Track daily spending.

Helpful Hints: This will help you to estimate expenses and find ways to decrease spending.



How to Create a Budget (Continued)

Set Guidelines

- Budgets vary according to needs and wants.
- Here is a chart which shows guidelines on how much should go toward different expenses.
- Remember, this is just a guideline!

Chart from *Building A Budget, Practical Money Skills, Budget Basics 2012*

30%	Housing
18%	Transportation
16%	Food
8%	Miscellaneous
5%	Clothing
5%	Medical
5%	Recreation
5%	Utilities
4%	Savings
4%	Other Debts



Income

- Wages
- Public Assistance
- Child Support
- Alimony
- Investment Returns
- Interest
- Dividends
- Social Security
- Business Income
- Other Sources



Income (Continued)

Your budget should be based on your Net income.

Gross Income = Total income without deductions.

Net Income = Gross income minus Social Security, taxes and other deductions.



Expenses

Your budget should include two types of expenses.

Fixed Expenses: expenses with amounts that do not change from month to month.

Flexible Expenses: expenses with amounts that may change from month to month



Budgeting Tools

Weekly, Bi-Weekly and Monthly

- Create a Personalized Budget Notebook
- Use existing computer programs such as Microsoft Excel, which provide budget templates.
- Use free, online tools and resources.
- Contact your local bank or credit union to learn about free tools available to consumers.

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Basic Example of Monthly Budget Worksheet

Monthly Net Income	
Income 1	\$ -
Income 2	\$ -
Other Source of Income	\$ -
Total Income	\$ -
Monthly Fixed Expenses	
Mortgage/Rent	\$ -
Food	\$ -
Utilities	\$ -
Transportation	\$ -
Health	\$ -
Other	\$ -
Total Fixed Expenses	\$ -
Monthly Flexible Expenses	
Food	\$ -
Entertainment	\$ -
Debt Payments	\$ -
Other	\$ -
Total Flexible Expenses	\$ -
Total Expenses	\$ -
(Add fixed and flexible expenses)	
Total Monthly Income	\$ -
Total Monthly Expenses	\$ -
Total for Saving	\$ -

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Prioritize Payments

If you are experiencing a financial hardship, prioritize payments as follows:

1. Mortgage/Rent
2. Food
3. Utilities
4. Child Support
5. Taxes
6. Car Loans
7. Bank Credit Cards
8. Student Loans
9. Medical Bills



Prioritize Payments

- ✓ Payoff loans with the highest interest rate first.
- ✓ Talk with your creditors.
- ✓ Get credit counseling.
- ✓ Consider bankruptcy only as an absolute last option.



Next Steps...

Now that you understand the importance of budgeting, in the next 12 weeks to 6 months, you should

Use a budget for daily, weekly and monthly expenses and spending.

Develop and implement strategies to decrease the amount of money you spend each day, week and month.

Save money each month in a bank account.



Next Steps...

In the next 6 months to 1 year, you should

Budget. Save. Invest.

How you budget, save and invest your money today, will directly affect your financial status in the future!

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Understanding Your Future

The Pennsylvania Treasury offers two distinct 529 plans to meet the needs of nearly anyone who wishes to save for college:

The Pennsylvania 529 Guaranteed Savings Plan

Growth in the PA 529 GSP is based on tuition inflation. For example, if you save enough now for a semester at one of Pennsylvania's State System of Higher Education universities you will have enough for a semester there in the future – no matter when or how much tuition increases in the meantime.

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Understanding Your Future

The Pennsylvania 529 Investment Plan

Returns in the PA 529 IP are based on financial market performance. The PA 529 IP features low fees and more than a dozen conservative and aggressive investment options from Vanguard, one of the nation's largest financial services companies.

Families saving through either plan receive tax-deferred growth on earnings and tax-free withdrawals when funds are used for qualified educational expenses.

For more information or to participate in a webinar conducted by a Treasury program specialist, please visit www.PA529.com.

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Additional Resources

For more information on how to manage your money, visit

Practical Money Skills for Life
www.practicalmoneyskills.com

Jump\$tart Personal Finance Clearinghouse
<http://www.jumpstartclearinghouse.org>

Mint
<https://www.mint.com/>

To attend free financial workshops or to join a money club in PA
<http://www.uac.org/fan-clubs>

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Thank You!

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