Ballin’ on a Budget:

$$While Maximizing Your Money$$
(Budgeting, Saving, and Goal Setting)

University of Colorado Denver
Financial Literacy Education

Presenter: M. Lesa Briggs
Basic Overview

- Building and managing a budget and savings
- Monitoring spending habits
- Developing financial and future goals
- Impacts of credit card use
- Protecting from Identity theft
“Budgeting” & “Spending” is about taking the time to improve knowledge & change behaviors.
Things to Consider

- What you will need to borrow for school and if so, how much? (Think about how much you may need to complete college)
- Will you have additional income/money while in school?
- Expect the unexpected (unanticipated changes and expenses)
- Know where your money is coming from (identify the sources and resources)
- Know where your money is going (expenses, purchases, saving, investments)
- Prepare yourself to successfully manage your own personal finances (income vs. expenses)
Creating a Budgeting

- List income and ALL expenses
- Track spending habits (patterns/necessities)
- Evaluate current spending (types of purchases: wants vs needs)
- Set goals (short and long terms)
Income

- Job (don’t include bonuses)
- Savings
- Financial Aid (grants, loans, stipends, fellowships)
- Scholarships
- Parents (and other support)
- Gifts
Expenses

- Monthly expenses (fixed)
  - Phone, internet, insurance, cable, child care, transportation, rent, food, utilities, toiletries

- Periodic expenses
  - insurance, taxes, hair cuts, dog food, gifts, car registrations, parking, entertainment

- Unforeseen expenses
  - Auto maintenance, medical cost, vet bills, family emergencies, unexpected travel
Develop a Plan

(Setting Goals)
Setting & Meeting your Goals

• Identify expenses and expenses can be reduce or eliminated
  • Needs vs. Wants
  • Habits

• Track your spending – EVERY DOLLAR
  • List, categorize and total your weekly or monthly expenses

• Don’t charge on what you can’t immediately pay back
  • Refrain from credit cards use
  • Do I have funds to pay this off within 25-30 days
  • Freeze them

• Get organized – create files, spreadsheets, etc.
  • Utilize on-line tools (www.mint.com)

• Know where you money is going and WHY
  • Did I shop around for the best price or deal
Making Financial Decisions

- No emotional decisions
- Sleep on it
- Seek clarity
- Stay within your budget
- Plan for purchases by setting goals and saving up
Opening a Savings Account

- Safe place to hold your money
- Easy to establish (but may require a small initial deposit depending on the type of account)
- Ability to make regular deposits
- Can withdraw money as needed
- Interest bearing, but may require a minimal balance.

Accruing interest rates are low, but savings are secured

- Note: Recommended 12 months of salary savings
Benefits of a Savings Account

- Allows you to pay yourself first - (Suggestion: With every paycheck, make a deposit to your savings account - 10% recommended)
- Establishes and builds good credit
- Develops good financial planning
  - Habits:
    - Auto deposits to savings account
- Watch your money grow (incentive to increase your saving deposits)
- Pathway towards healthy future financial goals
  - Early Retirement
    - A positive start towards securing your retirement
  - Emergency catastrophe support
- (No time is too early to start saving for retirement).
Savings Plan of Attack

- Plan (develop a budget)
- Commitment (stick to it, regardless)
- Make it a habit (good money and planning behaviors)
- Discipline (delayed gratification)
- Start early (the average American spends at least 30 years in retirement)
- Opportunity to enroll in defined contribution plans (Take it!!)
- Social Security will not pay for all or the majority of your retirement needs (supplement your income).
Saving Considerations

- Graduate on-time
- Get a roommate
- Shop at consignment or thrift stores
- Buy used books or get books on-line
- Eat at home or pack your lunch
- Matinee movies
- Shop clearance racks and take advantage of free stuff (be aware of scams)
- Collect your change (every day)
- Save unexpected monetary gifts or bonuses
- Forgo daily specialty coffees and snacks
- Avoid ATM fees, limit withdrawals, withdraw from your bank only
- Envelope Method (put your money on a schedule)
Work Towards a Financial Goal
(6 months, 2 years, 5 years)

- **Example - Short term**
  - Educational Cost (tuition, fees, books, housing, food, study abroad)
  - Computer and equipment purchases
  - Appropriate clothing for a new job
  - Pay off a bill or credit card debt
  - Gifts (birthday, holiday, anniversary)

- **Example - Long term**
  - Internship (potentially unpaid)
  - Vacation
  - Car (down payment, insurance, gas, registration, maintenance)
  - Deposit to rent an apartment or housing
  - Retirement
## Future Goals

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate/Professional School</td>
<td>Student loans</td>
</tr>
<tr>
<td>High income</td>
<td>Business loans</td>
</tr>
<tr>
<td>Own business</td>
<td>Taxes</td>
</tr>
<tr>
<td>New car</td>
<td>Child Care expenses</td>
</tr>
<tr>
<td>Large home</td>
<td>Medical Expenses</td>
</tr>
<tr>
<td>Family</td>
<td>Investment portfolios</td>
</tr>
<tr>
<td>Savings and investments</td>
<td>Less disposable income</td>
</tr>
</tbody>
</table>
CREDIT CARDS
About credit

• What is credit?
  • Trust between borrower and lender
  • A loan to pay for something
  • Ability and willingness to repay debt

*Student loans
*Credit cards
*Auto loan
*Business loan
*Mortgage loan
Credit cards

• Credit cards are **good**:  
  • For convenience or emergency purposes  
    • medical  
    • automobile  
  • Necessary for some purchases  
    • by internet  
    • for air fare, hotels and transportation costs  
  • Safer than carrying cash  
  • Helps establish a credit history  
  • Own expensive products sooner  
    • Expect life of product should be at least as long as the repayment period  
  • Records transaction for record keeping or resolving disputes  
    • Safer than a debit card
Credit Cards

- Credit cards are **bad**:  
  - Using credit to support a life-style you can’t afford  
  - Potential over-spending  
  - Using credit for daily and/or “overly” expensive purchases.  
  - Every dollar you spend has interest and/or fees attached  
  - Purchases cost more due to accrued interest  
  - Excessive credit card use and late payments can harm your credit rating and result in compounding debt
## Credit Card Example

<table>
<thead>
<tr>
<th>Balance</th>
<th>Interest Rate</th>
<th>Monthly payment</th>
<th>Years to pay</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,200.00</td>
<td>18%</td>
<td>$40.00</td>
<td>9.8</td>
<td>$4,683.00</td>
</tr>
<tr>
<td>$2,200.00</td>
<td>18%</td>
<td>$55.00</td>
<td>5.2</td>
<td>$3,385.00</td>
</tr>
<tr>
<td>$2,200.00</td>
<td>18%</td>
<td>$200.00</td>
<td>1.1</td>
<td>$2,422.00</td>
</tr>
</tbody>
</table>
What to look for…

- Be sure that you ask questions and understand …
  - Term (length)
  - Interest rate (variable, fixed, APR)
  - Penalties (fees, etc.)
  - Repayment options
  - Hardship allowances
Q. What is a credit (FICO) score?

A. A number based on a statistical analysis of a person's credit history, which represents that person’s creditworthiness.

Basically, this score looks at your past and present credit activity and tells creditors whether or not you are a good credit risk or not.
What’s a good credit score?
What is a good credit score?

(FICO Score)

- Below 580: Viewed as “very risky” borrower (work on building your credit)
- Between 580 – 669: Viewed as “below average”
- Between 670 – 739: Viewed as “good”
- Between 740 -799: Viewed as “excellent” (and dependable)
- Above 800-850+: Viewed as “exceptional”
How is Credit Worthiness Measured

The Four C’s of Credit:

- Character – History
- Capital – Collateral
- Capacity – Income/Debt
- Credit Score
How to build your credit score:

- **Payment history** (35%)
  - Always, always pay on time.

- **Amounts owed** (30%)
  - Use less than 50% of your available credit limit.

- **Length of credit history** (15%)
  - Get one credit card from a major financial institution and keep it for a long time.
Understanding your credit score (continued)

- **New credit** – 10%
- **Types of credit in use** – 10%
Understanding your credit score (Continued)

- **What can a credit score impact?**
  - Your ability to purchase a home, car or other large purchase (business loan)
  - Interest rates charged for a home, car or other large purchase
  - Insurance rates for car, rental and home insurance
  - Employment opportunities

*Note: Pay attention to your spending habits. It can affect you in the long run.*
Others that review your credit

- Insurance companies
- Employers
- College/University
- Land Lords
- Various credit agencies

- Utility companies
- Banks/Credit Unions
Consequences of bad spending habits

- Lack of resources to pay bills
- Fees and interest (which increase debt or balance already owed) accrues, i.e. NSF, late, overdraft, etc.
- High and/or higher interest rates (a charge for borrowing)
- Balance due in full (plus interest, court cost and fees)
- Bad credit (loss of purchasing and negotiating power)
- Closed accounts: Delinquent, Collections and Default
- Debt Collectors: Court costs, Attorney Fees
- Garnishment
- Tax penalties (no refunds)
- Embarrassment, Depression, Suicide
Checking your credit report

- Get your **FREE** credit report every year
- **Colorado residence** can get credit reports **twice** a year for **FREE**
- If you move, marital status changes, before apply for new credit, resolve conflict
- Check your credit reports to understand your creditworthiness and to remove/review disputes, liens, judgments.
- Reports may vary so order from all three major credit bureaus (see below website)

[www.annualcreditreport.com](http://www.annualcreditreport.com)

*Transunion  *Equifax

*Experian
RECAP: Understand your Finances

- Create a budget and STICK TO IT.
- Live within your means (you are not depriving yourself)
- How you spend and save TODAY is critical to your future well-being
  - Peace of mind
  - Better to handle emergency needs
  - Identifies spending habits to correct or avoid
- Take control of your own financial future
  - Eliminate or limit borrowing and credit card use
Identity Theft

- Destroy credit card applications & sensitive mail
- Credit can be established in your name
- Keep paper in a safe place (away from roaming eyes)
- Be aware of your surroundings when doing business over the phone or internet (clean out browsers)
- Monitor credit card and checking account balances
- Be aware of any use of your SSN
- Keep paper in a safe place (away from roaming eyes)
- Be aware of your surroundings when doing business over the phone or internet (clean out browsers)

Identity thieves need only a few key pieces of information to begin the identity theft process:
- Name
- Phone number
- Bank account
- Driver's license number
- Address
- Social Security Number
- Credit card numbers
Simply put......

While money does not grow on trees, it can grow when you save, make wise choices, and sound decisions.
Resources

www.ucdenver.edu/financialliteracy
www.mint.com
www.bankrate.com

My Money:
www.mymoney.gov

Start Saving and Investing Now:

Practical Money Skills for Life:
www.practicalmoneyskills.com
https://360financialliteracy.org
https://info.cashcourse.org
www.showmethefuture.org
Questions
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(Maximizing your Money)

- Presenter: M. Lesa Briggs,
- Financial Literacy and K-12 Outreach
  University of Colorado Denver
  Email: lesa.briggs@ucdenver.edu
  Phone: (303) 315-1833

- Checkout our Financial Literacy Education website at:
  www.ucdenver.edu/financialliteracy