SPEAR

Sigma Public Education and Research Foundation

Wee-Savers and Investors Financial Literary

Introduction to Financial Literacy

Introduction to Financial Literacy

- Income
- Expenses
- Savings vs. Emergency Fund
- Budgeting

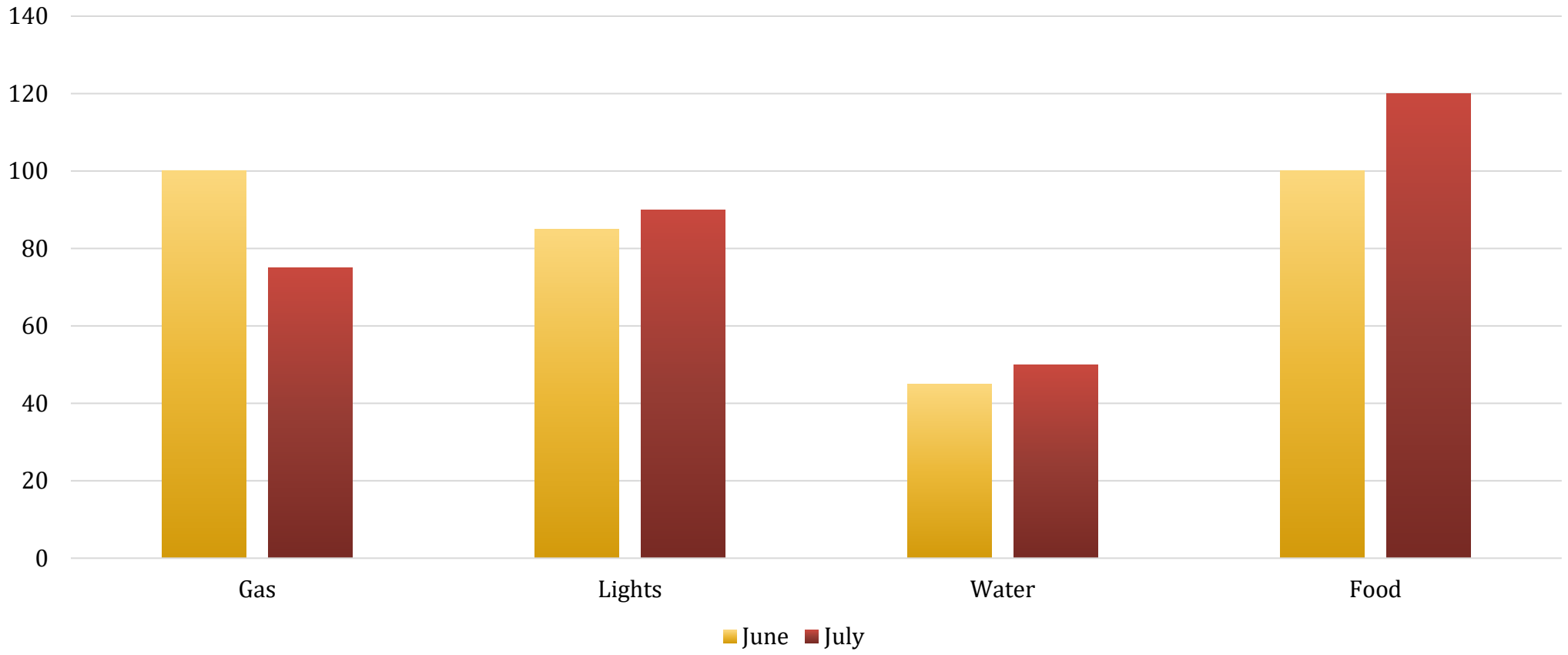
Financial Literacy - Income

- Income is the money that is received from work or investments, usually in exchange for providing a good or service or through investing capital.
- Income is not disposable income.
- Disposable income is the money left after all expenses have been paid.
- Income is used to fund day-to-day expenditures. Investments, pensions, and Social Security are primary sources of income for retirees.
- Example: A biweekly paycheck of $1200 is income and the remainder of $450 after expenses have been paid is the disposable income of the household.

Financial Literacy - Expenses

- Expenses = bills (general living expenses).
- In a normal household, expenses are the light bill, gas and water bill, groceries, rent, car note, car insurance, cable, child related and internet.
- Disposable income is the money left after all expenses have been paid.
- The expenses should never be more than the income that the household is bringing in. This creates debt in the household.
- There are Variable expenses versus fixed expenses
- Examples of variable expenses include; yard care, clothing, car maintenance, entertainment light, gas, water or dining out.
- Examples of fixed expenses include; rental payment, mortgage, car payment, or phone bill.

Variable Expenses



Financial Literacy – Savings vs. Emergency Fund

- A savings account earns interest annually or monthly depending on the terms of the banking institution.
- Savings should be put aside for a huge investment such as buying a house, car, or children's college fund.
- A savings account does not need to be a large amount each month. It can start off with just $20 a week and grow from there. The deposit amount is based on the type of income coming into the household.
- An emergency fund is money that is put aside for emergencies such as job loss, car repairs, or emergency surgery. An emergency fund account does not need to be a large amount each month. It can also start off with just $20 a week and grow from there.
- It is important for families to have **both** a savings account and an emergency fund account.

Financial Literacy - Budget

- A budget lists out all income and expenses of a household to see what is disposable after each pay period.
- A budget also allows for individuals to see where they need to cut cost or where they can cut cost.
- Simply put, budgeting helps individuals see what they can and cannot afford on a monthly basis.
- Budgeting is how one eliminates debt, create a savings fund, and prepare an emergency fund.

Financial Literacy – Monthly Budget

_____ Monthly Budget

Items	Budget Amt	Actual Amt	Difference	Notes
INCOME				
Income Total				
Other Income				
EXPENSES				
Mortgage/Rent				
Household Maintenance				
Taxes				
Insurance				
Electricity				
Water				
Sewage				
Gas				
Phone				
Trash				
Cable				
Cell Phone				
Groceries				
Entertainment				
Charity/Donations				
Fuel				
Auto Insurance				
Car Payment				
Child Care				
Credit Cards/Debt				
Loans				
Life Insurance				
Health Insurance				
Clothing				
Child Support/Alimony				
Other				
SAVINGS				
Retirement				
College				
Basic/Other				
TOTALS				

Total Income – Total Expenses $_____

WWW.FRUGALFANATIC.COM

The budget lists out income, expenses, and savings and emergency fund amount. This helps individuals get a full picture of how much disposable income is left each month.

Step 1 Income

- Know how much money you are bringing home. You will be working with your net income (after taxes).
- Add additional income from any other business.

Step 2 Expenses

- List all your monthly expenses based on your budget amount versus the actual amount spent.
- Note the difference between the two and pay close attention if you exceed your budget amount.

Step 3 Savings

- Always pay yourself by putting that money into your savings account.
- Consider retirement and college funds for the future.

Step 4 Balance

- Subtract your expenses from your income.
- The balance should be zero at the end of each month.

Monthly Household Budget Worksheet Example

Monthly Household Budget Worksheet

A. Housing	Monthly Payment	
Mortgage or rent		
Second mortgage (home equity)		
Homeowners association fees		
Property taxes		
Maintenance or repairs		
Phone, incl. cell phone(s), pager, etc.		
Utilities (water, gas, electricity, etc.)		
Cable/satellite programming		
Waste removal		
Mortgage(s) on other home(s)		
Other		
Subtotal of Section A	$	

E. Transportation		
Vehicle 1 (loan payment)		
Vehicle 2 (loan payment)		
Public transportation (bus, taxi, train, etc.)		
Vehicle insurance (all vehicles)		
Licensing		
Fuel & maintenance		
Other		
Subtotal of Section E	$	

C. Other Debt		
Credit Card # 1		
Credit Card # 2		
Credit Card # 3		
Unsecured (Personal) Loan(s)		
Student Loan(s)		
Other (list)		
Subtotal of Section C	$	

D. Personal		
Entertainment (movies, music, etc.)		
Household toiletries and supplies		
Medical		
Grooming (hair, nails, etc.)		
Clothing (including dry cleaning)		
Health club or other club fees/dues		
Charitable contributions		
Pet expenses (food, medical, etc.)		
Other		
Subtotal of Section D	$	

Total of Sections A-J	$

E. Food	Monthly Payment	
Groceries		
Dining out		
Other		
Subtotal of Section E	$	

F. Family (incl. Children)		
Medical		
Clothing		
School tuition		
School supplies		
Organization dues or fees		
Child care		
Toys/games		
Other		
Subtotal of Section F	$	

G. Insurance		
Home (including Flood Insurance)		
Health (Medical, Dental, Vision, etc.)		
Life		
Other		
Subtotal of Section G	$	

H. Legal	
Attorney	
Alimony	
Payments on lien or judgment	
Other	
Subtotal of Section H	$

I. Savings or Investments		
Retirement account(s)		
Investment account(s)		
College savings		
Other		
Subtotal of Section I	$	

J. Taxes		
Federal		
State		
Local		
Other		
Subtotal of Section J	$	

Possible reductions in monthly expenses	$

1. List household income – this includes all money that is coming to the household that contribute to the monthly expenses.
2. List home expenses – this includes rent, electricity, gas, water/sewer/trash, phone, cable and internet, lawn services, home supplies, groceries, maintenance, and improvements. List any extras such as hair appointments, dry cleaning, personal supplies, and clothing.
3. List money that is being invested into savings accounts, emergency funds, and college funds.
4. List obligations such as student loans and credit card fees.
5. Always Balance – Subtract your expenses from your income.

SPEAR

Sigma Public Education and Research Foundation

Wee-Savers and Investors Financial Literary

Financial Literacy Series