

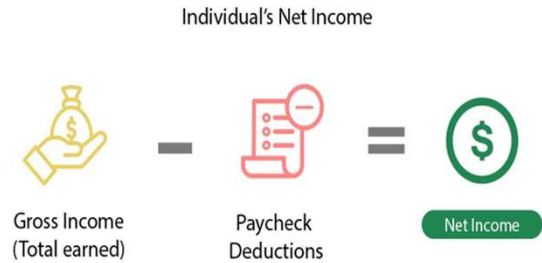
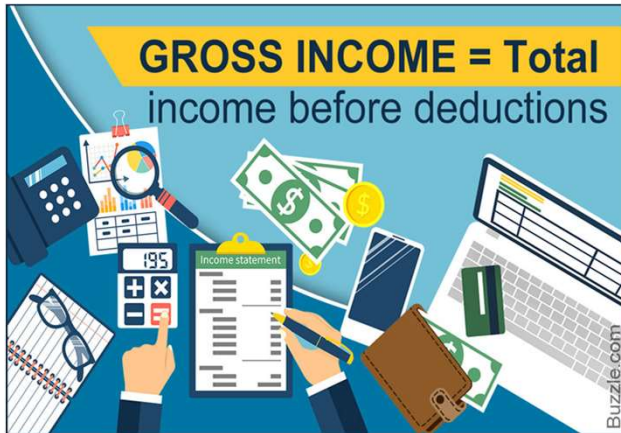
What you need to know: Creating a Budget



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What is the difference
between **gross income**
and **net income**?

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1. Which two things does a budget compare?

- a. Savings and interest
- b. Income and expenses
- c. Income and investments
- d. Expenses and expenditures

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2. Which of the following is a true statement ?

- a. They encourage people to spend as much money as possible
- b. Setting up a budget will allow you to earn more money
- c. The idea behind keeping a budget is to spend exactly as much as you earn
- d. They allow people to track how and where their money is spent

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What's your monthly income?

- Add up your **paychecks**
- Add to this any **additional income**



*Use **NET** income, not **GROSS** income*

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Fixed, Variable, or Periodic?

- Fixed - **contractual payments such as rent, car payments, phone service**
- Variable - **food, gasoline, entertainment, electricity**
- Periodic - **insurance, tuition, property taxes, license plate renewals**



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Create a plan and track spending

-WRITE IT DOWN

-Monthly income

-Monthly expenses (**fixed, variable, & periodic**)

-Track spending to compare what you've budgeted to your actual spending.

Know where your money is **going!**



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Set \$ Goals

GOALS



-Create **measurable** goals (budget for them)

-Why?-Saving for something specific makes the act more rewarding

Emergency fund – **3 to 6 months salary**

Down payment on house/car

Vacation

Education

Retirement



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How can you make ends meet?

-Decrease spending

Determine “wants” vs. “needs”

-Increase income

2nd job or look for a better paying job



STICK TO YOUR PLAN

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Additional Budget information

1) Buying a house will create **wealth**

- a typical down payment is **20%**.

- \$200,000 house will require **\$40,000**



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Additional Budget information

- 2) Begin establishing your credit. Get a credit card or something similar.
 - a) **Guard** your credit, your score will determine how much you will pay.
 - b) Don't trade **future earnings** for something you won't be using in the future.
 - c) Use a debit card to guard against **debt**.

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Additional Budget information

- 3) Retirement – Start early **\$50** a month at a moderate 5% compounded annually.
 - Total invested after **50** years = \$30,000
 - Total earned after **50** years = \$128,985

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