New Beginnings™
budgeting
spending
borrowing
credit
banking
saving
taxes

building
a foundation
for success
and
a new
financial future

Family Promise
Building communities, strengthening lives.
New Beginnings™

A Program for Family Financial Fitness

Family Promise®
Building communities, strengthening lives.

Summit, New Jersey
Thank You, Woodforest National Bank

All of us at Family Promise are tremendously grateful to Woodforest National Bank for partnering with us and for contributing generous financial support to make the New Beginnings: A Program for Family Financial Fitness possible.

Woodforest is a community bank built upon the needs of the customers they serve. Since the bank’s founding in 1980, their focus has been to provide valuable banking products and services, and to give back to their communities.

Woodforest is committed to being a strong corporate citizen in the communities they serve through community lending, investments, and volunteer service hours in each of their seventeen states. They are committed to providing financial literacy education to assist people in making better financial decisions that can foster financial stability for individuals, families, and entire communities.

Woodforest’s contributions with Community Partnerships are targeted to make housing more affordable and safe in the communities they serve. Woodforest fosters relationships with non-profit organizations across their communities. Those community organizations vary from affordable housing assistance to transportation for low-to-moderate-income individuals, and many other community-development-focused initiatives.

We at Family Promise are pleased that Woodforest Bank has helped us create New Beginnings and bring it to the families we serve, so that they may build a foundation for success and a new financial future.
Acknowledgments

The *New Beginnings* program would not have been possible without the efforts and contributions of many people.

Family Promise expresses its sincerest gratitude to the following:

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Our thanks to all for making it possible for families to gain a better understanding of the use of money and discover ways to achieve long-term economic security.
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Understand What this Program Can Do for You

Becoming Financially Healthier and Happier

You’re about to start living a healthier and happier financial life. And a healthy, happy financial life is part of a healthy, happy life overall. This program will help you work toward a better future, step by step. You’re going to do it. This program is going to help you, but you are going to make it happen.

What You Can Accomplish

**Take control of your finances.** Does your financial life feel out of control? Do you feel that banks and credit card companies are controlling you? You can put yourself in control.

**Set financial goals and achieve them.** Do you feel “lost” when it comes to money? Do you feel that you’re getting nowhere? You can chart an upward path and follow it.

**Get out of debt.** Do you feel overwhelmed by debt? Does it seem that you’ll never manage to pay what you owe? It doesn’t have to be that way. You can get out of debt.

**Improve your income.** Are you unemployed? Are you underemployed? Do you feel underpaid for the work you do? Do you feel that you’re not getting the benefits you should? You can take control of your employment situation. You can get a job, or get a better job.

**Control your expenses.** Does money seem to vanish? Do you find yourself with no idea where the money went? You can take control of your spending. You can control your spending so that you can cover your expenses.

**Get free of high-interest lenders.** Do you find that you just can’t make it from one paycheck to the next? Do you turn to payday loans or pawnshops to see you through? Is too much money going to pay for those loans? You can break free of desperate borrowing.

**Establish a solid financial base for your life.** Do you feel that you don’t really have a financial life? That you don’t have any financial status? You can establish yourself as someone with money in the bank, solid credit reports, and a bright financial future.
Build a better future for your family. Do you feel that you can’t give your children the life you want them to have? Do you feel that you won’t be able to pay for the education they need? Do you feel that you won’t be able to give them a start in life? You can build the future you want for them.

Lift a load of worry off your shoulders. When life is out of control, we worry. When there isn’t enough money, we worry. When we can’t see how we can make things better, we worry. You can take control, ensure that there is enough money, and make things better. You can stop worrying.

How to Make It Work

Here are some ways to make this program work for you . . .

Get someone to work with you. If you don’t have an instructor or facilitator, find a friend or relative to work through the program with you. You can help and encourage each other. You can offer each other suggestions and ideas.

Work on the course every day. You’ll finish the program more quickly than you would if you didn’t work on it every day. And that means that you’ll begin making financial progress more quickly.

Find a time in your day when you can work through a lesson. If you study at the same time every day, you’re more likely to stay with the program. And the lessons are more likely to stay with you.

Don’t try to do too much at once. A lesson a day is just right. If you try to rush through the program, you may be overwhelmed with information. You may run out of energy. Take it easy. Maintain a steady pace.

Review each lesson. Start your work on a lesson by reviewing the lesson that came before it. You’ll help yourself remember what you’ve already learned and prepare yourself to learn something new.

Remind yourself that you can and will succeed. The lessons show you how to succeed, but they can’t do the work for you. There is hard work ahead of you. You can do it. And if you do do it, you will succeed.

Put the lessons to work. Don’t read them and forget them. Each lesson tells you how to use what you’ve learned to change your life. It’s up to you to make that happen. Take what you’ve learned and use it.
Decide What You Want from this Program

What’s Important to You?

This simple survey will help you decide what financial learning is most important to you. Just number each item from 1 (very important to you) to 5 (not important to you).

1. understanding the difference between needs and wants
2. understanding all the information on your paycheck stub
3. taking advantage of all your job benefits
4. learning what government benefits may help you financially
5. figuring your household’s total monthly income and expenses
6. making a budget
7. using a budget
8. saving your financial records and receipts
9. learning how to stretch your spending budget
10. using a shopping list
11. understanding how interest increases the cost of borrowing
12. understanding why credit buying costs more than paying cash
13. limiting your credit buying
14. checking your credit card balance
15. avoiding high-interest loans
16. setting financial goals for yourself
17. checking your credit report
18. correcting errors in your credit report
19. paying your debts or making a plan for paying them
20. understanding when and why banks charge interest
21. understanding when and why banks pay interest
22. understanding the fees that check cashers charge
23. opening a savings account
24. saving for emergencies and annual expenses
25. understanding how interest helps your savings grow
26. opening a checking account
27. checking your bank statements
28. keeping your checking account balanced
29. learning how to get help preparing your income tax return
30. learning about tax breaks that may save you money

This course will put you in control of your finances. If you’re already doing a good job, you’ll be doing a better job when you’re done. If you’re not controlling your finances at all, you will be when you’re done.
Understand What a Budget Can Do

What Is a Budget?

Where are you? A map can tell you. Where do you want to go? A map can help you decide. How are you going to get there? That map, along with some directions, will show you. Together, they are a plan for getting where you want to go.

How can you make a cake? Follow a recipe. It tells you what ingredients you need. It tells you what to do with them. A recipe is a plan for making the food you want to make.

What do you do with your money? A budget will tell you. What should you do with your money? A budget will tell you that, too. A budget is a plan for using your money.

Why Bother with a Budget?

Why bother following directions to a place where you want to go? Why bother with a map? It’s obvious, isn’t it? Without directions and a map, you’ll waste time trying to find your way. You’ll take wrong turns. You won’t get where you wanted to go. By following a map and directions, you will get where you wanted to go.

Why bother following a recipe to make a cake? That’s obvious, too, isn’t it? Without a recipe, you’ll use the wrong ingredients. You’ll use the wrong amounts. You’ll bake it at the wrong heat. You won’t get what you wanted. You’ll get something, but it isn’t likely to be a cake. By following a recipe, you will get a cake.

Why bother following a budget to use your money? Maybe that’s not quite so obvious. Without a budget, you’ll spend too much on some things and not enough on others. Your money won’t give you the things you need. It won’t give you the life you need. By following a budget, you can make your money give you what you need.

When you make a budget, you make a set of choices. You base your choices on the money you have and the needs you have. You can’t afford everything you want. So you determine what’s really important for yourself and your family. You decide what you must have and what you can do without. Then the budget you make isn’t just a budget. It’s your budget. Let’s see what your budget can do for you.

What Can Your Budget Do for You?

Your budget can help you make sure that the money you earn is spent on the things you need. It can relieve the stress of paying bills. You will know that the money is there for the most important things. It can help you put money aside in an emergency.
fund. When unexpected expenses come along, the fund will help pay them.

**Your budget can lead you out of debt.** By adding a little money to the debt payments you make, you can bring your balance down to zero. Your budget can help you find the money you need to make those payments.

**Your budget can point the way to a better future.** Savings is the key to that. By including savings for things that you want, you can lead yourself to a time when you can have those things.

**Your budget can increase your self-confidence.** Because the way you spend says a lot about you, your budget can help you understand yourself. It will show you things about your personality. You’re almost certain to find things that you want to change. Your budget will reflect the changes that you want to make. In that way, it will help you grow and become the person you want to be.

**Your budget can bring your family closer together.** Work together on it. Discuss the way you spend your money now. Discuss the choices that you’ll have to make. Help one another identify any spending that’s wasteful. Don’t criticize. Criticism doesn’t make matters better. It just points a finger at what’s wrong. Instead, suggest improvements. That moves the discussion forward. It helps everyone make the choices that must be made.

**Your budget can relieve you of worry and confusion.** When you’ve made your budget you’ve made the tough choices. You’ve made the decisions about what is really important for you and your family. You don’t have to go through that every month. You’re satisfied that your plan is good. All you have to do is follow it.

**Your budget can put you in control of your financial life.** Without a budget, money just comes and goes. Usually, more goes than comes. No one is taking charge of your money. No one is making it do what it ought to do. When you make and follow your budget, your money starts doing what you think it ought to do.

**Start the Discussion**

Bring the family together to talk about making and following a budget. You don’t have to deal with dollars and cents at first. Don’t bother with charts and spreadsheets and budgeting apps. Just start by discussing the things you spend your money on. Are they things you ought to be spending your money on? Which are more important than others? Which are more necessary than others? Thinking realistically, how would you like your financial life to improve? What expenses do you worry about most? This discussion can lead to the choices you have to make in order to make your budget.
Separate Needs from Wants

What Are Needs? What Are Wants?

Needs are the things that we *must* have. They’re the basics. They’re what we need to live. They’re what adults need to work. They’re what children need to grow and thrive and learn. Wants are the things that we’d *like* to have. They’re beyond the basics. They make life happier. They make life easier. They make us more comfortable. When money is tight, when income is low, we have to limit our spending. We spend on needs, and not much else. But we still *want* more.

A Discussion of Needs and Wants

So . . . we want more than we need. That’s the way people are. We want fun. We want treats. We want luxuries. We find ways to give ourselves the things we want. How? One way is by telling ourselves that we *need* them. How can you keep yourself from doing that? One way is to get a friend to help you. Before you spend, discuss your plans. Have your friend help you decide whether you’re planning to spend on needs or wants.

Consider a couple named Rebecca and Nelson. They live in a small apartment in a small city. They both have jobs, but their income is low. They used to overspend. Every month they were falling behind. Their credit card bills were growing. Now they work together to plan how to spend on what they need. Let’s listen in . . .

**Rebecca:** We really need new sheets.
**Nelson:** Yeah. The top sheet is ripped.
**Rebecca:** And the bottom one is about worn through.
**Nelson:** That’s a need, I think.
**Rebecca:** Me too. I’ll get the best buy I can. It won’t break the budget.
**Nelson:** Good. That’s good. Now—ah—I want to talk about the TV.
**Rebecca:** What about it?
**Nelson:** Well, the Super Bowl is coming up . . .
**Rebecca:** And?
**Nelson:** Everybody’s having sales on big-screen . . .
**Rebecca:** That’s a want! We’d have to charge it. You know where that leads.
**Nelson:** I know you’re right, but . . .
**Rebecca:** We have a TV. Sit closer to it. Everything will look bigger.
**Nelson:** Yeah.
**Rebecca:** Save for it. We’ll put a little aside when we can. Eventually, you’ll get it.

What happened in that discussion? Several important things happened.

- They worked together to separate needs from wants.
- They agreed that sheets were a need. They agreed that they could afford them.
- They agreed that a big-screen TV was a want. The agreed that they couldn’t afford
it. They decided to save for it. A set of inexpensive sheets isn’t likely to ruin the budget. A new TV could put them in debt. They remembered some good advice. “Buy what you need. Save for what you want.” And they followed that advice.

**Needs or Wants?**

As you’ve seen, separating needs from wants isn’t easy. Sometimes the choices aren’t clear. We may think of things as “needs” because we think we couldn’t do without them. Some things seem to fall somewhere between need and want.

Categorize the following items as needs or wants. Decide for yourself, in your current situation. Then ask someone else to look at the list. Tell or remind the person of the definitions of needs and wants. Needs are the basic things that we must have to live and work. Wants are the things that we’d like to have but don’t have to have. Does the other person agree or disagree with your choices?

<table>
<thead>
<tr>
<th>ITEM</th>
<th>NEED</th>
<th>WANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>cable television plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>chrome-plated wheels for the car you drive to work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>gas for the car you drive to work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>healthful foods for family meals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lottery tickets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly savings plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>smartphone game apps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>snack foods and fast-food burgers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>telephone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>time with your children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>winter vacation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>washer and dryer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Learn to Think in Terms of Needs and Wants**

When you budget, it’s good to think in terms of needs and wants. Needs come first. Does that mean that you can’t ever have what you want? No! It means what we said: First, you have to meet your needs, and then you can think about spending on what you want. Spending a little on a small want may fit your budget now and then. Saving for bigger wants is the way to get them. It takes time. You have to wait. But the wait is worth it.

Separating needs from wants gives you power. It gives you power over yourself. It gives you power over your finances. It puts you in control.
Understand Your Paycheck Stub

What the Stub Tells You

Suppose that you are paid $12.50 an hour. That’s $500 for a forty-hour week. You won’t take all of that home. Some will go home with you. Some will go toward taxes and other deductions from your pay. What you make before the deductions is your gross pay. What’s left after the deductions is your net pay. When you are paid, you should get a statement. It may be called a paycheck stub, pay stub, or earnings statement. It explains what you earned and what was deducted. It shows your gross pay and net pay.

A Close Look at a Paycheck Stub

Here’s a paycheck stub. It’s for someone named Rose Johnson. Let’s see what it says.

<table>
<thead>
<tr>
<th>ValShops Discount Stores</th>
<th>Earnings Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rose Johnson</td>
<td>Rose Johnson</td>
</tr>
<tr>
<td>2875</td>
<td>1353 Center Street</td>
</tr>
<tr>
<td>Pay Period</td>
<td>Minter, AL 36761</td>
</tr>
<tr>
<td>1/17/2014–1/23/2014</td>
<td></td>
</tr>
<tr>
<td>Pay Date</td>
<td>1/24/2014</td>
</tr>
<tr>
<td>Social Security No.</td>
<td>000-00-0000</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single</td>
</tr>
<tr>
<td>Exemptions</td>
<td>3</td>
</tr>
<tr>
<td>EARNINGS RATE HOURS TOTAL YTD TOTAL</td>
<td>DEDUCTIONS TOTAL YTD TOTAL</td>
</tr>
<tr>
<td>Regular</td>
<td>12.50 40 500.00 2,000.00 FICA Medicare 8.99 35.96</td>
</tr>
<tr>
<td>Overtime</td>
<td>15.00 8 120.00 480.00 FICA Social Security 38.44 153.76</td>
</tr>
<tr>
<td>Commissions</td>
<td>Federal Tax 23.50</td>
</tr>
<tr>
<td>Bonus</td>
<td>State Tax 31.00</td>
</tr>
<tr>
<td>Payroll Savings</td>
<td>10.00 40.00</td>
</tr>
<tr>
<td>DEDUCTIONS TOTAL</td>
<td>111.93 447.72</td>
</tr>
<tr>
<td>GROSS PAY</td>
<td>620.00 2,480.00 NET PAY 508.07 2,032.28</td>
</tr>
</tbody>
</table>

1. Personal Information

The top two sections of the stub give general information.

- The pay period is given. So is the date when Rose was paid.
- Notice the “Exemptions.” These are also called “allowances. Form W-4 allows an employee to claim at least one exemption or allowance for himself or herself. An employee may also claim exemptions or allowances for anyone he or she supports. Each exemption or allowance reduces the amount of tax withheld. Rose is a single mother with one child. She has claimed exemptions for herself and her child. She also claimed an exemption as “head of household.” These exemptions are made on a tax form called W-4. You will learn more about that form in the next lesson.
2. Earnings
Notice the gray area in the lower left corner. This area explains Rose’s gross pay.
• The first line gives her regular earnings for the week. She worked 40 hours. She was paid $12.50 per hour. That gave her a total gross pay of $500 for the week.
Notice the column labeled “YTD TOTAL.” YTD stands for “year to date.” This column tells Rose’s regular earnings for the year so far.
• The next line shows her overtime earnings.
• She didn’t have any other types of earning.

3. Gross Pay
Rose earned a total of $620.00 for the week. That was her gross pay. Let’s see what happens to it.

4. Deductions
Notice the gray area in the lower right corner. This area explains what is taken from Rose’s pay before she gets it. We’ll go through it line by line.
• **FICA Medicare:** FICA is the Federal Insurance Contributions Act. It has two parts: Medicare and Social Security. Medicare is a medical-insurance program. Employers and employees pay equal amounts for this program. By law you are required to pay into these plans. Everyone does.
• **FICA Social Security:** Social Security is a retirement program. Employers and employees pay equal amounts for this program, too.
• **Federal Tax:** Every week, Rose’s employer withholds part of Rose’s pay and sends it to the federal government. These withholdings will go toward paying her taxes for the year.
• **State Tax:** The employer also withholds money to pay state taxes in states that have an income tax.
• **Payroll Savings:** Rose’s employer offers a savings plan with a local bank. Rose has chosen to put $10 into the savings plan every week. Her employer sends that money directly to the bank to be put into her account. This is a smart way to save money because the money doesn’t come into your hands. Your savings grow in your account at the bank. They can become your emergency fund.

5. Deductions Total
All in all, $111.93 is taken from Rose’s gross pay.

6. Net Pay
After the deductions have been taken, Rose is left with $508.07.

Take Another Look

1. What is Rose’s gross pay so far this year?  
2. How much federal tax has been withheld so far this year?
3. How much has Rose saved so far this year? ________
4. What is Rose’s net pay so far this year? ________

Here is another paycheck stub. It’s for someone named Steve Kendall. Look at it carefully and answer the questions below it.

<table>
<thead>
<tr>
<th>Earnings Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Kendall</td>
</tr>
<tr>
<td>247 Drake Road</td>
</tr>
<tr>
<td>Newtown, IN 00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee ID Number</th>
<th>3986</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Title</td>
<td>Technician</td>
</tr>
<tr>
<td>Pay Period</td>
<td>1/17/2014–1/23/2014</td>
</tr>
<tr>
<td>Pay Date</td>
<td>1/24/2014</td>
</tr>
<tr>
<td>Social Security No.</td>
<td>000-00-0000</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Married</td>
</tr>
<tr>
<td>Exemptions</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Rate</th>
<th>Hours</th>
<th>Total</th>
<th>YTD Total</th>
<th>Deductions</th>
<th>Total</th>
<th>YTD Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>14.50</td>
<td>40</td>
<td>580.00</td>
<td>2,320.00</td>
<td>FICA Medicare</td>
<td>9.50</td>
<td>38.00</td>
</tr>
<tr>
<td>Overtime</td>
<td>21.25</td>
<td>5</td>
<td>106.25</td>
<td>425.00</td>
<td>FICA Social Security</td>
<td>40.36</td>
<td>161.44</td>
</tr>
<tr>
<td>Commissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Federal Tax</td>
<td>25.12</td>
<td>100.48</td>
</tr>
<tr>
<td>Bonus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>State Tax</td>
<td>26.52</td>
<td>106.08</td>
</tr>
<tr>
<td>Payroll Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15.00</td>
<td>60.00</td>
</tr>
</tbody>
</table>

| Deductions Total | 116.50 | 466.00 |

| Gross Pay | 686.25 | 2,745.00 |
| Net Pay   | 569.75 | 2,279.00 |

| 1. What is Steve’s gross pay this week? ________ |
| 2. What is Steve’s gross pay so far this year? ________ |
| 3. How much federal tax has been withheld this week? ________ |
| 4. How much federal tax has been withheld so far this year? ________ |
| 5. How much has Steve saved this week? ________ |
| 6. How much has Steve saved so far this year? ________ |
| 7. What is Steve’s net pay this week? ________ |
| 8. What is Steve’s net pay so far this year? ________ |

**Now Look at a Stub of Your Own**

Compare one of your paycheck stubs with the one for Rose Johnson.

- Check the calculation of your gross pay.
- Check the calculation of your deductions.
- Check the calculation of your net pay.
Manage Your Withholding Taxes

A Question of Balance

You file your federal income tax in April. But you pay your tax throughout the year. It is taken from your pay, or “withheld.” The Internal Revenue Service, the IRS, holds that money in your account. When April arrives, you get a form saying how much was withheld for the year. That amount goes to pay the tax you owe. If everything works just right, the amount withheld will equal the tax you owe. You won’t have to pay anything in April. If more was withheld than you owe, you’ll get a refund. But if what you owe is more than what was withheld, you will have to pay more. It’s a question of balance. If less is withheld, you have more money in your pocket. But you might owe money in April. If more is withheld, you have less money in your pocket. But you won’t owe money in April. The key to balancing your withholding taxes is an IRS form called W-4.

The W-4 Form

You fill out a W-4 when you start a new job. Three things on the form will affect the amount withheld for taxes. They are:

• your marital status
• how many “allowances” or “exemptions” you claim
• any additional amount that you want withheld

Your life may have changed since the last time you filled out a W-4. Your marital status may have changed. You may have more dependents—people you are supporting. You may have a second job. Changes like those change your tax situation. You should fill out a new W-4. You can do that at any time during the year. You can get the form from your employer. You can also get the form online. Go to irs.gov/pub/irs-pdf/fw4.pdf. There you will find instructions, worksheets, and the W-4 form itself. You can print everything. You should have the form and instructions with you for the rest of this lesson.

Using the Worksheets for the Form

We’ll begin with the basic worksheet. If you have only one job, this is all you need.
Each line of the worksheet tells you to enter the number 1 in a blank if you meet certain conditions. For example, for line A, you enter 1 for yourself—unless someone else supports you. You follow the directions for lines A through G. Then, for line H, you add all the ones in A through G and enter the total. Basically, the higher this number is, the less money will be withheld from your pay. The less withheld, the more you take home.

If you have two jobs or there are two earners in your family, you are not quite finished. You have another worksheet to complete.

As you can see, this is getting complicated. It’s a good idea to have help. The good news is that help is available for free. The IRS has a program called Volunteer Income Tax Assistance (VITA). This Web page has the details: irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers.

Update Your W-4 Withholding Form

Use this checklist to decide whether you should update your W-4.

Did you get a second job?  
Did your spouse get a job or change jobs?  
Did you get married or divorced?  
Do you have a new child in the family?  
Did you owe a lot of tax when you filed your return?  
Did you get a big refund when you filed your return?

If you answered yes to any of the questions, you should update your W-4. Give the updated form to your employer. Save the worksheets for yourself.
Manage Your Payment Method

How Are You Paid?

Your paycheck may be a traditional paper check. Or it may not be a check at all. You may be paid in cash. Your pay may be deposited directly into a bank account. You may be paid with a “pay card.” Each method of pay has advantages and disadvantages, pros and cons. Let’s look at each method.

The Pros and Cons of Each Method

Paper Check

If you are paid by paper check, you have to deposit it in a bank or cash it at a bank or check-cashing store.

Pro: If you have savings and checking accounts at the same bank, you can make your savings deposit when you deposit or cash your paycheck. That’s a very good idea.

Con: If you don’t have a bank account, you will pay a fee for cashing the check. Even if you do have an account, you may still be charged a fee. You may be charged a fee for every check you write to pay a bill. Fees vary from bank to bank. A check-cashing store will charge a fee, too. On average, you’ll pay $4 to cash a check for $100. You’ll only get $96. Some states have laws that make the fee lower.

CAUTION: Check-cashing stores usually offer payday loans. Avoid them. The interest charges are very, very high.

Cash

If your employer pays you in cash, you will probably get a pay envelope. The information that would be printed on a paycheck stub may be printed right on the envelope. Save those envelopes just as you would save pay stubs.

Pro: You have your pay in cash, in hand, ready to spend. You don’t have to pay any bank fees or check-cashing fees.

Con: You may be tempted to spend your money on things you don’t need.

Direct Deposit

If your employer offers direct deposit, your pay goes right to a bank. Your employer probably chooses the bank. But you may get to choose one yourself.

Pro: The money is in your account immediately. It is available to you as soon as it’s there. You don’t have to go to the bank to deposit it.

Con: If you don’t get to choose the bank, you may be stuck with one that you don’t like. It may charge high fees for checks. It may pay low interest on savings. It may even charge fees for its own automatic teller machines (ATMs).
Pay Card

A pay card is like a debit card. Your employer puts your net pay into an account. You spend the money in the account by using the card.

**Pro:** You don’t have to have a bank account. You don’t have to cash a check. You can use the card just as easily as a debit card.

**Con:** As with other debit cards, there are fees involved. If you want cash, you have to use the card at an ATM. You may get to use it for no fee twice a month. After that, you’ll pay a fee every time you get cash. (With some pay cards, you can get cash without a fee at a specific bank. You must go to a teller, not an ATM.) You can be charged a fee for spending beyond what is in your account. That’s called an overdraft fee. You can even be charged for not using the card often enough.

**How to Make the Best of Each Method**

**Paper Check**

If you have no bank account, open one. A small local bank is a good choice. You are more likely to get personal service there than at a large nationally-advertised bank. You can speak to someone about your plans and your hopes for the future. You may be able to negotiate the terms for cashing checks. You may be able to open a savings account even if you have only a small amount to put into it. Check several banks to find the best deal. Ask direct questions. “How much will you charge me to cash my paycheck? How much will it cost me to write a check from my account?” In some areas, there is a program called Bank On. It offers free or low-cost bank accounts for low-income customers. Go online to joinbankon.org to see if your area has one.

If you have poor credit, you may not be able to find a bank that allows you to open an account. Check with local credit unions. Many credit unions will let you open a savings account without having a checking account. Then you can at least deposit money there to begin saving. (See the lesson “Understand Alternatives to Banks” for more information about credit unions.)

**Cash**

Control the urge to spend that cash. Start an envelope budget system. Label envelopes for savings, food, rent, debt paydown, and other basics. Before you do anything else with your money, “pay” those envelopes.

**Direct Deposit**

If you get to choose the bank, try a small local one. Follow the advice in the “Paper Check” section, above.
**Pay Card**

You should not have to accept the pay card option. The Government’s Consumer Finance Protection Bureau ruled that your employer must allow you to choose another way to be paid. Ask what else is available. If you do accept a pay card, learn what all the fees are. Use the card so that you avoid the fees.

**Make the Best of Your Method**

If you have no choice of payment method, follow the advice above for the one your employer uses. If you have a choice, weigh the pros and cons of each method of payment. Which is best for you? Which best suits your circumstances? Which will cost you least? Which will make it easiest for you to stick to a savings plan? Which will make it easiest for you to stick to a debt-payoff plan?
Understand Your Job Benefits

Benefits Are Valuable

Many jobs offer benefits in addition to pay. Most benefits go only to full-time workers. Part-time workers may not get any. When you look for a job, consider the benefits. If you have a job, be aware of the benefits it offers. Benefits may not put cash in your pocket. But they do have value. If you don’t use your benefits, you’re wasting them.

Benefits That You Might Get

Here are some benefits that jobs offer. Laws make employers offer certain benefits to full-time workers. Some employers deliberately keep their workers at a part-time level. That way, they don’t have to give benefits to them.

1. Health Insurance
   The Affordable Care Act was passed in 2013. It says that your employer has to offer health insurance options. Is there a catch? In a way, yes. It applies to employees working 30 hours or more per week. If you work fewer hours, your employer doesn’t have to offer insurance. You’ll have to get it on your own.

2. Retirement Plan
   A retirement plan is savings for your future. Some employers offer 401(k) plans. You put money into the plan each time you’re paid. The money comes out of your pay. It goes into the plan before your taxes are calculated. You don’t pay taxes on the money that goes into the plan. Some employers will match what you put in.

3. Advancement Program
   Some companies help you advance. They offer coaching or mentoring. They offer leadership programs. They offer on-site job training. They help you build a career.

4. Education Assistance
   Your employer may offer tuition aid. This can help you get a degree. The offer may include your children. Often this aid is limited to full-time workers.

5. Flexible Hours
   Flexible hours can help you manage your life. Your employer may let you adjust your hours. That can help you cut child care time. It can help you see your doctor. It can let you go to school events. Maybe you can share a job with a friend. Maybe you can ask for night or day shifts. Maybe you can swap shifts with a co-worker.

6. Employee Discounts
   Employees often get discounts on what the company makes or sells. Suppose you get a job at a clothing store. You may get a discount on clothes.
Make the Most of Benefits

1. Health Insurance
   Suppose that your job doesn’t give you health insurance. What can you do? Go online to a Health Insurance Exchange. Visit healthcare.gov. There you can shop for insurance. You can find the best and cheapest. The Affordable Care Act also made more people eligible for Medicaid. You could be one of them. When you have insurance, use it. Use it to stay healthy. Get regular checkups. Have your whole family get regular checkups. If your employer doesn’t offer you insurance and you don’t get it for yourself, you will have to pay a penalty to the government at the end of the year.

2. Retirement Plan
   If your job has a retirement plan, get into it. If not, start your own. You can open an Individual Retirement Plan (IRA). Talk to local banks about opening one. Set up a monthly automatic deposit. Money will go from your checking account to your IRA. You can learn more about IRAs in “Save for the Future.”

3. Advancement Program
   If your employer offers any advancement program, get into it. The more you learn, the more you earn. You don’t want to stay put. You want to move up.

4. Education Assistance
   Let’s repeat it. The more you learn, the more you earn. Enough said?

5. Flexible Hours
   Think about how flexible hours could work for you. Make a chart of your family’s daily schedule. Include school time and child-care time. Find the best fit for work time. Talk to your employer. Try to get the hours that are best for you. Use the chart on page 110 in the Tools section at the back of this book.

6. Employee Discounts
   CAUTION: An employee discount can be tempting. Don’t buy something you want but don’t need. That would be wasting money, not saving money.

Go After Better Benefits

Are you applying for a job? Get ready for the interview. List benefits that would be useful to you. Then practice with a friend. Practice asking about benefits. Stress your interest in an advancement program. During the interview, use what you learned from practicing. Ask about benefits. Do you have a job now? Ask your employer about benefits.
Apply for Assistance Programs

Help May Be Available

You may be out of work. You may have only a part-time job. You may be working at two jobs. Your spouse may also be working two jobs. Still you can’t make ends meet. There may seem to be no way that you could possibly make ends meet. Well, there may be. If what you earn from work is very low, you may be able to get help. There are assistance programs that you might qualify for. Each would bring a little help. This lesson will help you find out if you can get help.

What are your chances? Getting help from these programs is not easy. The requirements are strict. You may not qualify. You may have to wait a long time for help to come through. Still, it’s worth trying.

Unemployment Insurance

Are you fully or partially unemployed? Are you unemployed through no fault of your own? Are you able to work full time? Are you actively seeking work? If your answers are yes, you should be able to collect unemployment insurance. This is not charity. Your employers paid for unemployment insurance while you worked for them. You have a right to collect it.

File your claim as soon as you lose your job. You’ll have to wait at least a week before you get benefits. The sooner you file, the sooner you’ll be able to collect. In order to file, you will need:

• your Social Security number
• photo ID
• names and addresses of all your employers for the last 18 months
• your most recent employer’s Employer Registration Number or Federal Employer Identification Number (FEIN), which you’ll find on your W-2 forms

You may be able to file online. Search for “unemployment compensation” and the name of your state.

What are your chances? If you qualify, you should get benefits. Normally, benefits last for 26 weeks. However, current benefits may last for as long as 73 weeks. The length varies from state to state.

Supplemental Nutrition Assistance Program (SNAP)

SNAP offers nutrition assistance to low-income families. Once, the program issued stamps to families. They could use the stamps to buy food. For that reason, many people still refer to the program as “food stamps.” But there are no “food stamps” now. The program gives families a card like a debit card. They can use it to buy food.
SNAP is a federal program, but it is administered by individual states. Each state has its own application form. Many states have their application forms on the Web. If your state doesn’t have a form online, you’ll have to visit the nearest SNAP office. You can find local offices and each state’s application procedure on this Web page: www.fns.usda.gov/snap/10-steps-help-you-fill-your-grocery-bag-through-snap.

**What are your chances?** If you qualify, you should be able to get benefits. Benefits can last from one month to three years, but you’ll have to reapply every three months. SNAP benefits pay about $1.50 per person per meal.

**Housing Choice Vouchers**

The housing choice voucher program (sometimes referred to as “Section 8 Housing”) helps low-income families afford housing in the private market. The participant can choose any housing that meets the requirements of the program. However, the owner of the housing is not required to rent under the program.

Although the program is federal, the vouchers are administered locally by public housing agencies. If a landlord does agree to rent under the program, the local agency pays part of the family’s rent. The family pays the rest.

To qualify, a family must have income below 50 percent of the median income where the family will live. To find out if you qualify and how to apply, visit portal.hud.gov and choose “Learn about the Housing Choice Voucher Program” from the column headed “I Want to.”

**What are your chances?** According to the U. S. Department of Housing and Urban Development, “There may be a long wait for assistance under the housing voucher program.” In many places, the waiting list is very long and the wait may be years.

**Low Income Home Energy Assistance Program (LIHEAP)**

This program helps low-income households pay for home energy. It helps with the cost of heating and cooling houses and apartments.

It is a federal program, but it is administered locally. Applications, eligibility rules, types of assistance, and benefits vary throughout the country. To find out if you’re eligible and how to apply, visit acf.hhs.gov/programs/ocs/programs/liheap/about.

**What are your chances?** Being eligible for LIHEAP doesn’t guarantee that you’ll get assistance. The money available each year is limited. When it has been used, no more help is available until the next year.
Temporary Assistance to Needy Families (TANF)

TANF is designed to help needy families. States receive grants from the federal government to design their own programs to achieve the TANF goals:

• assistance so that children can be cared for in their own homes
• promoting job preparation, work, and marriage
• preventing and reducing out-of-wedlock pregnancies
• encouraging two-parent families

To find out if you are eligible and how to apply, visit acf.hhs.gov/programs/ofa/programs/tanf.

What are your chances? The program varies widely from state to state. Most states limit a person’s lifetime benefits to 60 months. Others have shorter limits. TANF recipients are required to find a job within 24 months of receiving aid.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Again, this is a federal program administered by individual states. The program gives money to states for food for low-income mothers and children up to age five. The local WIC office often gives mothers and children dairy products directly.

WIC is a short-term program. An eligible woman or child usually receives WIC benefits for six months to a year. To see if you are eligible and to find out how to apply, visit wic.fns.usda.gov/wps/pages/start.jsf.

What are your chances? Sometimes WIC agencies do not have enough money to serve everyone who applies. In that case you’ll go onto a waiting list. People in medical danger are given priority status.

Social Security Disability Insurance

Social Security Disability Insurance is funded through payroll taxes. If you’ve worked, you’ve probably made contributions to the Social Security trust fund. If so, and if you’ve been disabled for five full months, you may be able to collect SSDI. Your spouse and children may be able to receive partial benefits. The amount of the monthly benefit is based on your earnings in much the same way as a Social Security retirement benefit is. To find out if you qualify and to find out how to apply, visit faq.ssa.gov/link/portal/34011/34019/ArticleFolder/273/Disability.

What are your chances? There is a six-month waiting period from the time you become disabled.
Supplemental Security Income

Supplemental Security Income is a need-based program. The monthly payment varies, based on need. To qualify, you must be blind or disabled. You must have limited income. You must have limited resources. To find out if you qualify and to find out how to apply, visit socialsecurity.gov/ssi/text-eligibility-ussi.htm.

What are your chances? Approval for benefits generally takes three to six months. But if your blindness or disability prevents you from working you may get benefits more quickly.

Federal and State Earned Income Tax Credits

For information about these credits, see “Apply for Tax Credits” in Chapter 6.

HUD Public Housing Program

The U. S. Department of Housing and Urban Development (HUD) administers federal aid to local public housing agencies. They manage housing for low-income residents. Public housing comes in all sizes and types. Approximately 1.2 million American households live in public housing units. Public housing is limited to low-income families and individuals.

To find out if you qualify and to find out how to apply, contact your local public housing agency. To find it, visit portal.hud.gov and choose “Find My Local Public Housing Agency (PHA)” from the column headed “I Want to.”

What are your chances? There is not enough public housing to meet the need. Applicants must wait an average of 20 months to receive public housing assistance. In some cities, they have to wait five years or more.

Medicaid and the Children’s Health Insurance Program

Medicaid and the Children’s Health Insurance Program (CHIP) provide health coverage to nearly 60 million Americans. The programs help children, pregnant women, seniors, and people with disabilities. States establish and administer their own Medicaid programs. They decide the type of services that they will provide. States can charge premiums for Medicaid and CHIP. Some do. Others don’t. They can also require that you pay certain expenses, such as “co-pay” fees. Again, some states do require people to pay these fees, but others don’t.

What are your chances? Your chances of qualifying for and receiving Medicaid or CHIP benefits depend to a great degree on which state you live in. Support for these programs varies widely from state to state. The Federal government’s Medicaid and CHIP website (http://www.medicaid.gov) has an Insurance and Coverage Finder to help you find out if you qualify.
Can You Get Assistance from These Programs?

To find out whether you qualify for assistance from any of these, you’ll have to know what your total income is. Use the chart below to find out. List all your monthly income. Start with your basic gross monthly pay. That’s your pay before any deductions are taken from it. Add any overtime pay, tips, or bonuses that you expect to get. Include any income from Social Security or a pension. Add it all to get the total monthly income. Multiply by 12 to get your annual income.

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With your total annual income, visit the websites listed in this lesson. Find out if you are eligible for any of the assistance programs.
Get a Job, or Get a Better Job

Get Hired, Move Up, or Move On

You may be unemployed now. You may be employed, but only part-time. You may be working for very low pay. The ideas in this lesson will help you get a job if you don’t have one. If you have one, they will help you get a better one. If you want to stay where you are employed, they will help you move up in the company.

If You Want to Get Hired

Let’s say that you’re out of work. You’re looking for a job. You’re not the only one. Good jobs are hard to get. Who will an employer hire? Put yourself into the employer’s shoes. Who would you hire? In an interview or in a letter, show the employer that you are that person.

**You will be dependable.**

You’ll get to work on time (which really means a few minutes early). You’ll come to work every day. You’ll follow the rules.

**You know your job and you will do your job.**

You know how to do your job well. You’ll make every effort to learn how to do it even better. You work hard. You enjoy the work. You take pride in your work.

**You will be a good “advertisement” for the company.**

You know what’s appropriate on the job and what isn’t. You’ll dress and work in a professional manner. You’ll treat customers as they should be treated.

**You’re willing to do more.**

When there’s a problem, you’ll rise to the occasion. You’ll do what has to be done. You’re motivated. You can solve problems. You can think on your feet.

**You’ll be part of the team.**

You’ll fit in where you are supposed to fit in. You’ll make your work mesh with your co-workers’ work. You’ll cooperate. You’ll help make things go smoothly.

**You’ve got a positive attitude.**

You like to help people get along. You like to make things go well. You like to help groups work together. You’re enthusiastic about your future with this business.

If You Want to Move Up

Let’s say that you have a job. You’re glad to have it. You like where you work. But you want better pay. You want to move up. You want to turn a job into a career. How can you make those things happen?
You want more—so make yourself *worth* more. Start with the basics. Be the employee your employer wants. So far, so good. But now put yourself in your employer’s shoes again. What would the *ideal* employee be like? What would the ideal employee *at the next level* be like? Make yourself into that person.

Keep a work diary recording all the things you do to make yourself a more valuable employee. If you’re ambitious, you’ll start this diary the day you start your job. Write a line or two every day. Keep an eye on yourself. Jot down the good things you do.

**Become the one they can count on.**
Be the person who volunteers for the tough job. Help a co-worker who’s overwhelmed by a task. Come early and stay late to meet deadlines.

**Become the rising star.**
Look beyond your job. Learn beyond your job. Learn the business. Ask questions.

**Become an ambassador for the company.**
Communicate your good opinion of the company. Talk it up. Praise it to customers.

**Become a problem-solver.**
Learn how to solve problems. Notice the problems that come up. Work with others to solve them. When new problems come up, use what you’ve learned to solve those.

**Become a team leader.**
Don’t be pushy about it. Don’t make this a power struggle. Just become the one who gets everybody working together. Encourage others. Praise their work when it’s good.

**Become a positive force.**
Make suggestions to make the work better or easier. Make suggestions to attract new customers. Make suggestions to improve the business. Offer help to new employees.

When you think it’s time to ask for a raise or a promotion, read your work diary. Think of the two basic questions your employer is likely to ask. “Why are you worth more money?” and “What skills, knowledge and experience make you worth promoting?” You have the answers. You have the proof. It’s all in your work diary.

**If It’s Time to Move On**

If you don’t get that raise or promotion, keep on working. Continue to be the best employee you can be. But begin looking for the next job. Look for a job that will bring more money and a step up in responsibility. When you prepare for an interview, use your work diary. Use it to provide examples of the kind of employee you have been and will be.
Calculate Your Total Income

Monthly Income

You may be unemployed now, but let’s think about the future. Let’s consider a time when you are employed. How much do you have to spend each month? You have what you earn at work. But you have only part of it. You have your “take-home pay.” That’s your pay minus taxes and other deductions. You may also have some help from assistance programs. This lesson will help you figure out your total monthly income.

One Family’s Total Monthly Income

Curtis and Sylvia Morton recently went from unemployed to employed. They have two small children. They had been homeless. Now they are living in an apartment. Curtis and Sylvia both have full-time jobs. Curtis also has a part-time job.

They wanted to figure out their monthly income. They started with a chart. It included the monthly income from their jobs. This is their gross monthly pay. That’s their pay before any deductions are taken from it.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td>Curtis (full-time)</td>
<td>$ 1,643.08</td>
</tr>
<tr>
<td>Curtis (part-time)</td>
<td>$ 126.45</td>
</tr>
<tr>
<td>Sylvia (full-time)</td>
<td>$ 1,107.76</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 2,877.29</strong></td>
</tr>
</tbody>
</table>

Their income was low. It was low enough to qualify them for help. They applied for some help. These are the programs they applied to.

- **Supplemental Nutrition Assistance Program (SNAP)** This used to be called Food Stamps. Many people still call it that. SNAP gives low-income families a card like a debit card. They can use it to buy food.
- **Housing Choice Vouchers** These help pay rent. The Mortons are waiting to hear about their application.
- **Low Income Home Energy Assistance Program (LIHEAP)** This program helps low-income households pay for home energy.
- **Temporary Assistance to Needy Families (TANF)** Some people call this “welfare.” It allows states to give help to needy families. That help can include money. The Mortons don’t qualify in their state.
- **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)** This program gives money to states for food for low-income mothers and children up to age five.
The Mortons made a second chart. This one showed all their income for a month.

### Total Income Worksheet

Use this checklist and worksheet to figure out your total monthly income. The checklist will help you make sure that you don’t overlook any income.

- ✔ wages
- ☐ bonuses
- ☐ commissions
- ☐ tips
- ☐ unemployment benefits
- ☐ Social Security payments, including Social Security Disability Insurance or Supplemental Security Income
- ☐ pension distributions
- ✔ Supplemental Nutrition Assistance Program (SNAP)
- ☐ Housing Choice Vouchers
- ✔ Low Income Home Energy Assistance Program (LIHEAP)
- ☐ Temporary Assistance to Needy Families (TANF)
- ✔ Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- ❏ child support
- ❏ assistance from your state
- ❏ assistance from your city or town
- ❏ assistance from charitable organizations

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<td>$ 1,107.76</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$ 100.00</td>
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<tr>
<td>WIC</td>
<td>$ 76.00</td>
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<tr>
<td>SNAP</td>
<td>$ 334.00</td>
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**Total**                                        **$ 3,387.29**

### Your Total Monthly Income

Use the worksheet on page 111 in the Tools section of this book to calculate your total monthly income. You will need this total when you create a budget.
Determine Your Fixed Expenses

What Are Fixed Expenses?

We all have expenses. We need things, such as food. We need services, such as phone service. Some expenses come up month after month. Food, clothing, and housing are examples. Their cost is nearly the same every month. They are fixed expenses. We can predict fixed expenses. In this lesson, you’ll add up the fixed expenses that you’ll face every month.

One Family’s Fixed Expenses

Curtis and Sylvia Morton were homeless and unemployed. Now they are working. They have two small children. They are living in an apartment. They wanted to figure out their monthly fixed expenses. They started with a chart. Here it is.

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<tr>
<td>rent (2-bedroom apartment)</td>
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<tr>
<td>clothing</td>
<td>$ 160.00</td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td>$ 40.00</td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td>$ 20.00</td>
</tr>
<tr>
<td>transportation (buses to work)</td>
<td>$ 82.50</td>
</tr>
<tr>
<td>child care (when both are at work)</td>
<td>$ 325.00</td>
</tr>
<tr>
<td>health insurance</td>
<td>$ 123.92</td>
</tr>
<tr>
<td>medication</td>
<td>$ 25.00</td>
</tr>
<tr>
<td>utilities (electricity, water, sewer)</td>
<td>$ 190.15</td>
</tr>
<tr>
<td>telephone (two cell phones)</td>
<td>$ 204.00</td>
</tr>
<tr>
<td>savings</td>
<td>$ 50.00</td>
</tr>
<tr>
<td>debt payoff</td>
<td>$ 50.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 2,920.47</td>
</tr>
</tbody>
</table>

This chart is just a “first draft” of the Morton family expenses. Curtis and Sylvia were sure about some of the items. They had to estimate some of the others.

They were sure about rent and child care. Those are two big expenses. The Mortons know exactly how much each one is.

They were sure about utilities and telephone. They had their current bills for both of those. They were sure about transportation, too. Each of them makes twelve bus trips each week. Six trips are to work. Six trips are back to home.
They weren’t sure about food, clothing, personal care, medication, and cleaning products. Why? They hadn’t kept receipts for those items. In the future, they will. They’ll get a receipt every time they buy. They’ll keep those receipts. The receipts will help them make their chart more accurate.

Some things are missing from their chart. They didn’t list school supplies. The children are still too young for school. They didn’t list life insurance. Neither of them has life insurance. They didn’t list heat. For them, it’s part of the electricity bill. They didn’t list dental expenses. They didn’t list “co-pay” doctor expenses, either. Those don’t come up every month. They’re not fixed expenses.

Your Fixed Expenses

Use this chart to make a “first draft” of your monthly fixed expenses. If you’re not sure about some expenses, make a good estimate.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>food</td>
<td></td>
</tr>
<tr>
<td>rent</td>
<td></td>
</tr>
<tr>
<td>clothing</td>
<td></td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td></td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td></td>
</tr>
<tr>
<td>transportation</td>
<td></td>
</tr>
<tr>
<td>child care</td>
<td></td>
</tr>
<tr>
<td>health insurance</td>
<td></td>
</tr>
<tr>
<td>medication</td>
<td></td>
</tr>
<tr>
<td>utilities (electricity, water, sewer)</td>
<td></td>
</tr>
<tr>
<td>telephone</td>
<td></td>
</tr>
<tr>
<td>school supplies</td>
<td></td>
</tr>
<tr>
<td>heat</td>
<td></td>
</tr>
<tr>
<td>life insurance</td>
<td></td>
</tr>
<tr>
<td>savings</td>
<td></td>
</tr>
<tr>
<td>debt payoff</td>
<td></td>
</tr>
<tr>
<td>other (any other monthly expense)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
</tbody>
</table>

Making Your Chart More Accurate

Get receipts for everything. Make it a habit. Use those receipts to improve your chart. They’ll replace some estimates. They’ll make other estimates more accurate.
Determine Your Optional Expenses

What Are Optional Expenses?

All of us spend money on things other than rent and heat and so on. We buy coffee now and then. We buy lunch. We buy a present for a friend. These are expenses. But they are not fixed expenses. They are optional expenses. In this lesson, we’ll take a look at these expenses. You’ll have to control optional expenses. Sometimes, we’re tempted to spend too much on them.

Tracking Optional Expenses

Sometimes we hardly even notice that we’re spending money on optional expenses. We buy little things throughout the day. Then, at the end of the day, we wonder where the money went.

Curtis and Sylvia Morton have two small children. They are living in an apartment. They wanted to know where their money went from day to day. So they kept track of every cent they spent. Curtis used a pocket-size notebook. Sylvia used an app on her smartphone. Here are their notes for one day.

<table>
<thead>
<tr>
<th>Monday, October 13, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITEM</td>
</tr>
<tr>
<td>coffee</td>
</tr>
<tr>
<td>lunch</td>
</tr>
<tr>
<td>bottled water</td>
</tr>
<tr>
<td>lottery tickets</td>
</tr>
<tr>
<td>coffee</td>
</tr>
<tr>
<td>DVD rental</td>
</tr>
<tr>
<td>shoelaces</td>
</tr>
<tr>
<td>extension cord</td>
</tr>
</tbody>
</table>
Even from just one day, they can see some patterns. For one thing, they seem to keep their optional expenses under control. Most of what they buy is basic. But think about coffee for a minute. Together, Curtis and Sylvia spend $4.50 on coffee each working day. They work an average of 26 days a month. That means that they’re spending $117 a month on coffee. That’s $1,404 a year! Little things really do add up.

Some of their daily expenses could be put into their fixed-expense chart. The hairbrush would go under “personal care.” The shoelaces would go under “clothes.” The extension cord and dish towels would go under “household.” But the lottery tickets would not go under “savings.” They would go under “wasted money.”

**Track Your Optional Expenses**

Let’s find out exactly where your money goes. For at least a week, keep track of every penny you spend. That’s right, every penny.

One week of tracking will do. But two weeks would be better. And four weeks would be ideal. With four weeks of tracking, you should really have a clear picture of what you’re spending on optional expenses.

A small notebook will do just fine. But you might want to use an app on your smartphone. Here are some that you might try.

- **BUDGT:** budgt.ch/index.php
- **Spendee:** spendeeapp.com
- **Dollarbird:** dollarbirdapp.com

These apps differ in some ways. But they are alike in many important ways.

- They are all easy to use. You can get started quickly. You can enter information easily.
- They are inexpensive. None of them costs more than $1.99.
- You don’t have to upload any personal information to use them. That’s a plus. It’s not a good idea to send your financial information over a cell phone network.
- You can use them to track daily and monthly expenses.
- You can also use them when you make a budget.

**Analyze Your Optional Expenses**

When you have finished tracking, see what you can learn from the figures you have.

- Group your expenses into categories.
- Do the math. Figure out how much you would spend in a month on each category.
- Brainstorm for ways to save money in each category.
- Put your ideas to work.
Calculate Your Total Expenses

Adding Fixed and Optional Expenses

We’ve been following the Morton family throughout this chapter. Curtis and Sylvia Morton have two small children. They are a low-income family living in an apartment. First they determined their fixed monthly expenses. Next they tracked their optional expenses. Now they are going to add both. Then they’ll know their total monthly expenses.

One Family’s Total Expenses

The Mortons tracked optional expenses for a month. They made a new chart. It shows their fixed and optional expenses.

<table>
<thead>
<tr>
<th>FIXED EXPENSE ITEMS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>food (2 adults, 2 children)</td>
<td>$700.90</td>
</tr>
<tr>
<td>rent (2-bedroom apartment)</td>
<td>$949.00</td>
</tr>
<tr>
<td>clothing</td>
<td>$160.00</td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td>$40.00</td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td>$20.00</td>
</tr>
<tr>
<td>transportation (buses to work)</td>
<td>$82.50</td>
</tr>
<tr>
<td>child care (when both are at work)</td>
<td>$325.00</td>
</tr>
<tr>
<td>health insurance</td>
<td>$123.92</td>
</tr>
<tr>
<td>medication</td>
<td>$25.00</td>
</tr>
<tr>
<td>utilities (electricity, water, sewer)</td>
<td>$190.15</td>
</tr>
<tr>
<td>telephone (two cell phones)</td>
<td>$204.00</td>
</tr>
<tr>
<td>savings</td>
<td>$50.00</td>
</tr>
<tr>
<td>debt payoff</td>
<td>$50.00</td>
</tr>
<tr>
<td><strong>FIXED EXPENSES SUBTOTAL</strong></td>
<td><strong>$2,920.47</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPTIONAL EXPENSE ITEMS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>lunches, coffee, snacks, etc</td>
<td>$546.96</td>
</tr>
<tr>
<td>entertainment (DVD rentals)</td>
<td>$34.40</td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td>$51.58</td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td>$15.18</td>
</tr>
<tr>
<td>laundry</td>
<td>$53.75</td>
</tr>
<tr>
<td>birthdays</td>
<td>$6.70</td>
</tr>
<tr>
<td>lottery tickets</td>
<td>$17.00</td>
</tr>
<tr>
<td><strong>OPTIONAL EXPENSES SUBTOTAL</strong></td>
<td><strong>$725.57</strong></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY EXPENSES</strong></td>
<td><strong>$3,646.04</strong></td>
</tr>
</tbody>
</table>

Adjusting the Total Expenses

The Mortons discussed the chart. They saw that it needed some changes. There were personal care items in the optional expenses. Some belonged in the fixed expenses. They had to keep buying soap, for example. So they put half into the fixed expenses.
There were household items in the optional expenses. Almost all were fixed expenses. Only one wasn’t. That was an extension cord. It cost $3.95. They left that in the optional expenses. Why? Because things like that come up from time to time. They realized that laundry was a fixed expense. They took it out of the optional expenses. They added it to the clothing category. The birthday expenses made them think. Birthdays come up just once a year. So does Christmas. They had to have money for once-a-year things. So they took birthdays out of the optional expenses. Instead, they added $25 to monthly savings. They cut lottery tickets completely. They added that amount to savings, too. Here’s their chart with the changes.

<table>
<thead>
<tr>
<th>FIXED EXPENSE ITEMS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>food (2 adults, 2 children)</td>
<td>$700.90</td>
</tr>
<tr>
<td>rent (2-bedroom apartment)</td>
<td>$949.00</td>
</tr>
<tr>
<td>clothing (includes laundry)</td>
<td>$213.75</td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td>$65.79 $40.00</td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td>$20.00</td>
</tr>
<tr>
<td>transportation (buses to work)</td>
<td>$82.50</td>
</tr>
<tr>
<td>child care (when both are at work)</td>
<td>$325.00</td>
</tr>
<tr>
<td>health insurance</td>
<td>$123.92</td>
</tr>
<tr>
<td>medication</td>
<td>$25.00</td>
</tr>
<tr>
<td>utilities (electricity, water, sewer)</td>
<td>$190.15</td>
</tr>
<tr>
<td>telephone (two cell phones)</td>
<td>$204.00</td>
</tr>
<tr>
<td>savings</td>
<td>$92.00 $50.00</td>
</tr>
<tr>
<td>debt payoff</td>
<td>$50.00</td>
</tr>
<tr>
<td><strong>FIXED EXPENSES SUBTOTAL</strong></td>
<td><strong>$3,042.01</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPTIONAL EXPENSE ITEMS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>lunches, coffee, snacks, etc</td>
<td>$546.96</td>
</tr>
<tr>
<td>entertainment (DVD rentals)</td>
<td>$34.40</td>
</tr>
<tr>
<td>personal care (toiletries, hair care)</td>
<td>$25.79 $51.58</td>
</tr>
<tr>
<td>household (cleaning products, etc.)</td>
<td>$3.95 $15.18</td>
</tr>
<tr>
<td>laundry</td>
<td>$53.75</td>
</tr>
<tr>
<td>birthdays</td>
<td>$6.70</td>
</tr>
<tr>
<td>lottery tickets</td>
<td>$17.00</td>
</tr>
<tr>
<td><strong>OPTIONAL EXPENSES SUBTOTAL</strong></td>
<td><strong>$611.10</strong></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY EXPENSES</strong></td>
<td><strong>$3,653.11</strong></td>
</tr>
</tbody>
</table>

Your Total Expenses

Use the checklist and worksheet on pages 112 and 113 in the Tools section of this book to calculate your total monthly expenses. Start with your fixed expenses. Add your optional expenses. Then think about the chart the way the Mortons did. Are some optional expenses really fixed expenses? How much should you save for once-a-year expenses? Make the changes. Get the new total. You will need this total when you create a budget.
Understand the Basics of a Budget

Balancing a Budget

Budgeting is balancing. It’s balancing income and expenses. The money that goes out must match the money that comes in. If it does, the budget is balanced. If income is greater than expenses—good news! You have a surplus. You can save it. You can use it to pay off debts. You can spend it on something special. If expenses are greater than income—bad news. You have a deficit. You can’t spend more than you make. If you do, you’ll get into debt. Or you’ll get deeper in debt. You have to increase income, or lower expenses, or do some of both. You have to make the budget balance.

One Family’s Monthly Budget

Here is the monthly budget for the Mortons. They are a low-income family of four. They were homeless, but now they live in an apartment.

<table>
<thead>
<tr>
<th>MONTHLY INCOME</th>
<th>MONTHLY EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curtis (full-time)</td>
<td>$1,643.08</td>
</tr>
<tr>
<td>Curtis (part-time)</td>
<td>$126.45</td>
</tr>
<tr>
<td>Sylvia (full-time)</td>
<td>$1,107.76</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$100.00</td>
</tr>
<tr>
<td>WIC</td>
<td>$76.00</td>
</tr>
<tr>
<td>SNAP</td>
<td>$334.00</td>
</tr>
</tbody>
</table>

| FIXED EXPENSES SUBTOTAL | $3,042.01  |

<table>
<thead>
<tr>
<th>OPTIONAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunches, coffee, snacks, etc.</td>
</tr>
<tr>
<td>Entertainment (DVD rentals)</td>
</tr>
<tr>
<td>Personal care</td>
</tr>
<tr>
<td>Household</td>
</tr>
</tbody>
</table>

| OPTIONAL EXPENSES SUBTOTAL | $611.10  |

| TOTAL MONTHLY EXPENSES | $3,653.11  |
The Mortons have a problem. Their budget doesn’t balance. Their monthly expenses are $3,653.11. Their monthly income is $3,387.29. Their deficit is $265.82. That’s their problem. They have to find a way to make $265.82 more each month. Or they have to find a way to spend $265.82 less each month. Or they have to do a bit of both. They’ve got to balance that budget.

Can You Balance the Mortons’ Budget?

Suppose that the Mortons asked you for advice. They need help. They need ideas. How can they increase income? How can they decrease expenses?

What suggestions would you give them? Think about these items.

- additional part-time work for Curtis
- saving money on food
- saving money on clothing
- saving money on child care
- saving money on utilities
- saving money on telephones
- cutting back on savings
- cutting back on debt payoff
- saving money on lunches, coffee, and snacks at work
- saving money on DVD rentals

Use a copy of the worksheet on page 114 in the Tools section of this book to create a balanced version of the Mortons’ monthly budget.

Your Monthly Budget

Use another copy of the worksheet on page 114 in the Tools section of this book to create your own monthly budget.

Does your budget balance? Fine. Do you have a surplus? Even better. Make a plan for using your surplus. You could increase your savings. You could pay your debts faster. Do you have a deficit? That’s not good. You’ve got to make the budget balance. Think of the work you did for the Mortons. Would the ideas you had for them work for you? Try to find someone who can help you the way you helped the Mortons. Sometimes, other people can see ways to solve our problems when we can’t.

Once you have your budget balanced, use it as a guide. Let it show you how to spend your money. Limit your expenses to what your budget says. Your budget will be in balance. Your financial life will be in balance.
Make and Use a Weekly Budget

It’s All in the Timing

How often are you paid? You may be paid weekly. You may be paid every two weeks. You may even be paid daily. How often do you have expenses? Some come daily. Some come weekly. Some come monthly. And some come yearly. The times when you’re paid don’t exactly match the times when you have expenses. Money doesn’t come in on exactly the same schedule as it goes out. Those mismatched schedules make it a good idea to make weekly, monthly, and yearly budgets.

In this lesson, we’ll look at two ways to make and use a weekly budget. You’ll need the basic budget you made in “Understand the Basics of a Budget.” You’ll also want a calculator.

Making a weekly budget begins with your weekly income and your weekly expenses. That will take some figuring. You’ll have to do a little math. In “Understand the Basics of a Budget,” you totaled your monthly income and expenses. Now find your average weekly income and expenses. How? Multiply the monthly figure by 12. Divide the result by 52. That’s when you’ll want that calculator.

The Envelope System

For this, you’ll need a stack of plain white business envelopes. You’ll also need a marker or pen. You’ll need your total weekly income in cash.

1. Label the front of one envelope for each expense category in your budget.
2. Calculate the weekly amount for each category. For convenience, write the amount on the front of the envelope.
3. On payday, put the correct amount of money into each envelope.
4. During the week, pay for what you buy with money from the appropriate envelope. (Pay for transportation with money from the transportation envelope. Pay for food with money from the food envelope.)
5. If you spend all the money in an envelope, that part of the budget is empty. You can’t buy anything more in that category until next week. So keep track of what’s left in each envelope from day to day. Make the money last until the end of the week.
6. You won’t spend anything from some envelopes. If the rent isn’t due this week, the rent envelope will be untouched.
7. When payday comes again, use what you learned from last week to make next week’s budget work better.
Smartphone Apps

If you have a smartphone, you can find an application that will do some of the weekly budgeting work for you. Here are two that you might want to consider. Basically, they do what the envelope system does, but without envelopes. You set a limit for spending in each expense category. As you spend, the app tells you how much is left in each category.

**My Weekly Budget (MyWB)** This app focuses on simple spending targets for the week. First you set up a weekly budget. Then, as you spend, you enter your spending in the app. It immediately shows the effect on your budget. You can see how much of your week’s budget you have left to spend. The app also stores information from weeks gone by. You can compare your current spending with your past spending. That helps you adjust your weekly budget.

avocsoft.com/my-weekly-budget/

**Expense Notes** This is an Android app that tracks weekly expenses. You begin by setting up your weekly budget. Then you enter expenses as you spend. The app tracks your spending and compares it with your budget. Several kinds of graphics show you how you’re doing. They include pie charts and slider bars. The slider bars show how much you’ve spent in a category and how much you have left to spend.

trackexpense.blogspot.com

Choose It and Use It

Choose one of the two methods and make a weekly budget. Then put it to use.

Remind yourself of the purpose of your budget as you use it. It’s not just to find out where your money goes. It’s to control where your money goes.

The amount of money in each of your spending categories is a target. You want to limit your spending to that amount. In some categories, you may find that easy to do. Changing your spending habits just a little bit may give you a surplus in a category. In other categories, you may find that you can’t meet the target. It seems impossible. Adjust the budget. Lower the target for the category with a surplus. Raise it for the category that seems to need more.

Continue to improve the budget week by week. We’ll return to your weekly budget and refine it at the end of the next lesson.
Make and Use a Monthly Budget

From Balance Sheet to Budget

When you put your income and expenses side by side, you’ve made a balance sheet. That’s what we did in “Understand the Basics of a Budget.” A balance sheet gives you the basics of a budget, but it isn’t actually a budget. Not yet. To turn it into a budget, you have to do two things. You have to make it balance. And you have to make it work for you. In this lesson, we’re going to make a monthly budget that does both of those things.

Making a Monthly Budget Balance

Let’s return to the Mortons and their monthly budget. When they made a balance sheet based on their monthly income and their monthly expenses, they found that they had a problem. Their budget didn’t balance. They had a deficit of $265.82. They’ve managed to take care of that. Let’s see how.

<table>
<thead>
<tr>
<th>MONTHLY INCOME</th>
<th>MONTHLY EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curtis (full-time) $1,643.08</td>
<td>food (2 adults, 2 children) $650.90</td>
</tr>
<tr>
<td>Curtis (part-time) $252.90</td>
<td>rent (2-bedroom apartment) $949.00</td>
</tr>
<tr>
<td>Sylvia (full-time) $1,107.76</td>
<td>clothing (includes laundry) $213.75</td>
</tr>
<tr>
<td>LIHEAP $100.00</td>
<td>personal care (toiletries, hair care) $65.79</td>
</tr>
<tr>
<td>WIC $76.00</td>
<td>household $20.00</td>
</tr>
<tr>
<td>SNAP $334.00</td>
<td>transportation (buses) $82.50</td>
</tr>
<tr>
<td>child care (when both are at work) $325.00</td>
<td>health insurance $123.92</td>
</tr>
<tr>
<td>medication $25.00</td>
<td>utilities (electricity, water, sewer) $190.15</td>
</tr>
<tr>
<td>telephone (two cell phones) $172.00</td>
<td>savings $92.00</td>
</tr>
<tr>
<td>debt payoff $79.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY INCOME</strong> $3,513.74</td>
<td><strong>TOTAL MONTHLY EXPENSES</strong> $3,510.11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIXED EXPENSES</th>
<th>OPTIONAL EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>food (2 adults, 2 children) $650.90</td>
<td>lunches, coffee, snacks, etc. $456.96</td>
</tr>
<tr>
<td>rent (2-bedroom apartment) $949.00</td>
<td>entertainment (DVD rentals) $34.40</td>
</tr>
<tr>
<td>clothing (includes laundry) $213.75</td>
<td>personal care $25.79</td>
</tr>
<tr>
<td>personal care (toiletries, hair care) $65.79</td>
<td>household $3.95</td>
</tr>
<tr>
<td>household $20.00</td>
<td></td>
</tr>
<tr>
<td>transportation (buses) $82.50</td>
<td></td>
</tr>
<tr>
<td>health insurance $123.92</td>
<td></td>
</tr>
<tr>
<td>utilities (electricity, water, sewer) $190.15</td>
<td></td>
</tr>
<tr>
<td>savings $92.00</td>
<td></td>
</tr>
<tr>
<td>debt payoff $79.00</td>
<td></td>
</tr>
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<tr>
<td><strong>TOTAL MONTHLY EXPENSES</strong> $3,510.11</td>
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</table>

1. Curtis was able to add some hours to his part-time job.
2. A food bank and a co-op buying group helped them cut their food bill.
3. They found a cheaper phone plan. They don’t get as many minutes or texts, but they saved some money.
4. They make their lunches at home now, and they’re both trying to cut down on coffee and snacks.

**Putting a Monthly Budget to Work**

When you have a monthly budget that balances, the next step is to make it work for you. Turn it into a guide that keeps your spending in balance with your income.

The Mortons use a calendar to keep track of when income comes in and when expenses are due. They could also use a calendar app for a smartphone to do this. Their calendar shows when they have to pay monthly expenses, such as rent, utilities, and credit card payments. They know that they have to anticipate these. They have to prepare for them.

The Mortons use their monthly budget and their calendar to control their weekly budget. They set aside an amount each week that will add up to enough to pay each bill when it’s due.

They use the envelope system. They adjust the weekly amount for each category. They use the new amounts from their balanced budget. They just cross off the old amount on the envelope. Then they write the new amount. If they used a smartphone app for their weekly budget, they’d follow the app’s instructions to adjust the amounts in each category.

**Now Balance Your Monthly Budget and Make It Work for You**

If your monthly budget doesn’t balance, make it balance. Find a way to make more income each month. Or find a way to spend less each month. Or do a bit of both.

Turn your budget into a guide to spending. Use a calendar or calendar app to keep track of income and expenses. Use the calendar and monthly budget to adjust your weekly budget. Prepare for the monthly expenses. Put aside enough each week to cover them.
Make and Use a Yearly Budget

Why Make a Yearly Budget?

Some expenses occur again and again throughout a year. Some occur weekly. Some occur monthly. But other expenses don’t occur again and again. They come only once a year. Or maybe they come only a couple of times a year. These are yearly, or annual, expenses. One example is the cost of a person’s birthday present. Another is the cost of having a car inspected.

Annual expenses can come as a surprise if you don’t plan for them. They can also be bad news for your budget if you don’t plan for them. A yearly budget helps you make those plans. You use the yearly budget to adjust your monthly budget. You use the adjusted monthly budget to adjust your weekly budget.

One Family’s Yearly Budget

Chantal and Mark Nesset have two children, Tanya and Benjamin. They call Benjamin BJ. Chantal and Mark both work. Tanya and BJ are both in school. The Nessets rent a two-bedroom apartment. They own a used car.

They began their yearly budget by listing their yearly expenses. Then they put them on a simple calendar.

- auto inspection
- family birthdays
- extra childcare during school vacations
- holiday gifts
- auto insurance
- life insurance
- renter’s insurance
- school expenses at the start of the year
- taxes

Their next step was to decide how much each of the annual expenses was going to cost. They had past bills for some expenses. Those were a great help. For other expenses they had to make estimates.

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<tr>
<th>MONTH</th>
<th>EXPENSES</th>
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<tr>
<td>January</td>
<td>life insurance</td>
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<tr>
<td>February</td>
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<td>April</td>
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<td>November</td>
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<td>Tanya’s birthday, extra childcare, holiday gifts</td>
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When they had the cost of each yearly expense, they made a yearly budget

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Putting the Budget to Use

The next step for the Nessets was to put the yearly budget to use. They used it to adjust their monthly and weekly budgets. They saw that they had to put some money aside each week to pay for those yearly expenses.

Make Your Yearly Budget and Use It

Use the yearly expense calendar and the yearly expense budget on pages 115 and 116 in the Tools section of this book to create your own yearly budget. Or use a smartphone budget app. Then use it to adjust your monthly and weekly budgets.
Save Your Records and Receipts

Why Save All That?

When you go to an ATM, the text on the screen will ask you if you want a receipt. Do you take it? If you buy lunch at a fast-food restaurant, the clerk will ask, “Do you want your receipt?” Do you take it? When your bank sends you your canceled checks for the month, what do you do with them? Those receipts and canceled checks may seem like a lot of waste paper, but they’re not. They tell the story of your money. They can help you. They can even protect you.

With receipts, you can check your credit card bill to see if it’s correct. Receipts for expenses help you adjust your budgets. You’ll need a receipt if you want to return something you bought. A receipt proves that you paid a bill. If someone claims that you didn’t, you can prove that you did. You’ll need financial records to get benefits. And you will need them when you pay your taxes.

There are many ways to save records and receipts. There are many ways to organize them. It doesn’t have to be a big job. Once you decide how you want to do it, it becomes easy. Let’s look at what you should save and how you might save it.

What to Save

You should save all the financial items listed below.

- **ATM Receipts for Withdrawals and Deposits** You want proof that you made a deposit. You want to keep track of withdrawals. You don’t want to overdraw.

- **Bank Statements** You want to check to see that they’re correct. You want to watch your savings grow. You want to balance your checkbook.

- **Canceled Checks** You paid a bill with a check. You want to be able to prove that you paid it. The canceled check is proof.

- **Check Stubs or Check Register** These are your records of the checks you write. You want to check them against the canceled checks.

- **Credit Card Bills and Statements** You want a record of the payments you make. You want to watch your balance go down.

- **Credit Card Charge Slips** You want to be able to check your credit card bill when it comes in. Credit card companies can make mistakes. Someone may get your card number and make a fraudulent charge. Check the statement against the slips. Keep both.
• **Loan Statements and Payment Books** You want proof that you have made payments. When you have paid the loan in full, you want proof of that, too.

• **Paycheck Stubs** You want the record of the taxes that have been withheld from your pay. At tax time, you will include this in your tax return.

• **Receipts for Bills You’ve Paid** You will always want a receipt to show that you’ve paid a bill.

• **Rent Receipts** You want to be able to show that you’ve paid your rent on time.

• **Receipts for Everything You Buy** Be especially careful about getting and keeping receipts for bills you’ve paid in cash. There is no charge slip or canceled check when you use cash. A receipt is your only proof.

In general, you should save these records for three years.

### How to Save It

**Resealable Envelopes** Sturdy tan paper envelopes with string ties are inexpensive. They’ll do the job. Just label each envelope with the month and year of the information inside.

**File Folders in a Box** Ordinary tan paper file folders will stand up nicely in a cardboard box. Get folders that are 8 1/2 by 11 inches. Get a box that holds folders that size. A removable lid will keep dust out and flimsy receipts in. Label the tab on each folder with the month and year of the information inside. You should be able to fit several years into the box.

**Loose Leaf Binder with Sleeves** You can get plastic sleeves that are punched for a loose leaf binder. Sometimes these sleeves are called sheet protectors. Sometimes they are called pockets. Get the kind that is open at the top, not on the side. You can put your receipts right into these sleeves.

**OneReceipt Smartphone App** The simplest way to use OneReceipt is just to take a picture of a receipt. Then you add a tag to the picture so that you can find it quickly. You could use a budget category as a tag, like “food.” All your photographed receipts are stored for you. You can see them anytime. This iPhone app is free. But you do have to register to use it. For more information, visit onereceipt.com.
Smart Receipts Smartphone App  Again, you start by taking a picture of a receipt. You can email the reports to yourself. You can categorize the receipts so that they match the categories in your budget. You can see the receipts anytime. You can get reports anytime. This Android app is free. You do not have to register to use it.

appbrain.com/app/smart-receipts/wb.receipts

Start Saving Today

Pick one of the methods of saving your financial information. Get the supplies you need. Gather all the items listed in “What to Save.” Keep these records in a safe place. Whether they are in a pile of envelopes, a box of folders, a loose leaf binder, or a smartphone, grab them if you have to leave your home in an emergency. These are among your most important possessions. They are the details of your financial life.
Stretch Your Spending Budget

Getting More for Less

“Stretching a budget” means making a limited amount of money buy more than it ordinarily would. How can you do that? Here are fourteen ways.

Fourteen Ways to Stretch Your Spending Budget

**Know what you can afford.** Get to know your budgets. Know your weekly, monthly, and yearly budgets. When you work with your budgets regularly, you’ll get a good sense of what you can afford in each category of the budget. When you shop, you’ll know what your spending limits should be.

**Avoid impulse buying.** Know what you need to buy before you go to the store. Buy what you need. Resist buying what you don’t need. See the lesson “Use a Shopping List” for more details and ideas.

**Avoid high-priced stores.** They’re attractive. They’re stylish. They have breathtaking displays. They have breathtaking prices. Shop where the prices are lower.

**Avoid “bargains” that aren’t bargains for you.** If you don’t need it and you can’t afford it, it’s not a bargain for you. Pass it by. On the other hand, if it’s something that you are planning to buy anyway, grab it. It actually is a bargain for you.

**Use thrift shops, discount stores, flea markets, and yard sales.** Do a Web search for “thrift shop” and the name of your city or town. Do another search for “discount store” and your city or town. Do a similar one for “flea market.” And do one for “yard sale.” At these places you’ll find good prices on new and used items.

**Bargain and negotiate.** If a price is too high, ask, “Can you give me a better price on this?” It won’t work every time, but it will work sometimes. It’s always worth a try. Try group buying, too. If you and some friends plan to buy children’s shoes before school starts, get together. Ask the manager of a shoe store for a discount if all of you buy your shoes there. If you can’t get a discount at that store, move on to another one.

**Avoid using credit cards.** Credit cards are handy. They’re also a handy way to spend more than you intended to spend. That makes them a handy way to get into debt. Unless you pay for an item as soon as it shows up on your bill, you’ll pay more for it. You’ll pay interest to the credit card company. Why pay more? Skip the credit card.

**Don’t get store credit cards.** Stores lure shoppers with special discounts. “Sign
up for our credit card and get 15% off your purchase today!” But if you don’t pay the whole balance on time, you may lose that 15% discount. You’ll also begin paying high interest. Again, why pay more? Don’t take the store credit card.

**Swap or trade.** Swap or trade with friends or neighbors. This works well with children’s clothing. Kids outgrow clothes, but the clothes may still be in good condition.

**Get your children to agree to the budget.** It’s hard to say no when your children want something. It’s hard to tell them that you can’t afford it. But it becomes easier if they know the facts. Talk to them about budgeting. Teach them what you’ve learned. Help them understand what it means not to be able to afford some things.

**Cut your electricity use.** Turn lights off when you don’t need them. Turn other electrical equipment off when you’re not using it. When light bulbs burn out, replace them with ones that save electricity. If you use an electric heater, don’t let it run all the time. Turn the heat down when the family is away at work and school.

**Save money on transportation.** Try ridesharing and carpooling to get to work. Your town or city may have a website that helps people rideshare or carpool. Do a Web search for “rideshare” or “carpool” and the name of your city or town. If you use public transportation, find out about discount fares or multi-trip tickets. Each trip will cost less than if you pay for them one at a time. Use your car less. For local chores, walk or ride a bicycle. Every time you *don't* use your car, you’re saving money on gas and wear and tear that might mean costly repairs in the future.

**Adjust your cable television and phone plans.** Do you have cable TV? Do you use all the channels you’re paying for? Do you have cell phones? Do you use all the minutes and texts and data you’re paying for? If you can cut back, do. If you can get a lower price from another provider, switch.

**Stretch your food budget.** We have an entire lesson on stretching your food budget. It’s coming up next.

**Which Ways Would Work for You?**

Which of the suggestions above would be easiest for you to follow? Which would be hardest? Number the suggestions above from 1 to 14. Use 1 for the easiest. Use 14 for the hardest.

**Start Stretching**

Begin with your suggestion number 1. Put that into effect. When it’s working for you, add number 2. Continue until you’re using at least 7 of the 14 suggestions.
Stretch Your Food Budget

Foods We Want, Foods We Need

Food is a major item in any budget. Saving money on food is especially difficult. You have to do it without affecting the health of your family. We all need food. But many expensive foods are wants rather than needs. They are heavily advertised and marketed. They have familiar brand names. They are sweet or salty or fatty—and human beings want foods that are sweet or salty or fatty. They aren’t good for our health. They aren’t good for our budget. But we want them. Replacing them with inexpensive meals that are just as tasty and satisfying is one basic way to stretch a food budget.

Sixteen Ways to Stretch Your Food Budget

- **Make meals at home.** A meal in a restaurant, even a low-priced fast-food restaurant, costs more than the same meal made at home. Keep dining-out to a minimum.

- **Make a weekly meal plan.** Once a week, plan all the meals for the next seven days. Plan to stretch expensive ingredients—like meat—over several meals.

- **Use leftovers.** One roast turkey can provide meat for many meals—and each one can be different from the others.

- **Cook once, eat twice.** Make double batches of one-dish meals like soups, stews, and casseroles. Eat one batch. Freeze the other. Now you have a “heat-and-eat” dinner that you made yourself.

- **Avoid prepared foods.** They always cost more than making the same thing yourself. Even something as simple as a box of macaroni and cheese costs more than buying the macaroni and the cheese and making it on your own.

- **Think “simple, tasty, filling, and nutritious.”** Start with something filling—rice, beans, or pasta, for example. Add vegetables. Add seasonings. Add a little meat or fish if you like.

- **Use food pantries.** Do an online search for “food pantry” and the name of your town or city. The vegetables may not be fresh. The canned goods may have passed their sell-by date. But you can find the ingredients for a good stew or soup.

- **Eat less meat.** Meat is expensive. Keep the cost down by using a small amount. Think of meat as one ingredient in a dish, but not the main ingredient. Stretch the meat with vegetables and rice or pasta in casseroles, soups, and stews. Have totally meatless
meals, too. Lentil soup and black bean chili don’t need meat to make them satisfying.

**Buy less-expensive meat.** Less-expensive cuts of meat—such as stew beef—provide the same nutrition as more-expensive cuts. They often have more flavor, too.

**Buy fresh produce in season.** When fruits and vegetables are in season in your area, buy them and use them. They’re a good bargain then. Out-of-season, you’re better off buying frozen or canned vegetables.

**Buy in bulk when you can.** Some foods—such as rice, beans, and dried pasta—store well. They don’t need refrigeration. Buy these foods in large amounts, “in bulk.” When you do, you should be able to pay a much lower price per pound.

**Stock up on sale items.** When non-perishable items, such as canned goods, are on sale, buy extra. When meat, fish, and poultry are on sale, buy extra and freeze what you don’t use right away.

**Buy store brands or “generic labels.”** These are nearly always less expensive than the nationally-advertised brands.

**Use a shopping list.** By making and following a shopping list, you can buy what you need and avoid buying what you don’t need. You’ll find advice on making a shopping list in the next lesson, “Use a Shopping List.”

**Be a flexible shopper.** “Stick to the list” is good advice, but so is “Be flexible.” Be prepared to consider alternatives to items on your list if they will save you money. Take advantage of bargains if you know they will make meals your family likes.

**Bring lunch to work instead of buying it.** Sandwiches don’t take long to make. The lunch you buy at a fast-food restaurant or from a vending machine costs much more than the lunch you make at home.

**Which Ways Would Work for You?**

Which of the suggestions above would be easiest for you to follow? Which would be hardest? Number the suggestions above from 1 to 16. Use 1 for the easiest. Use 16 for the hardest.

**Start Stretching**

Begin with your suggestion number 1. Put that into effect. When it’s working for you, add number 2. Continue until you’re using at least eight of the sixteen suggestions.
Use a Shopping List

The Power of a List

Do you plan before you buy? Or do you buy what catches your eye? If you shop without planning, you’re likely to spend more. Planning your shopping is one way to control your spending. A shopping list is a simple plan. It’s a plan to buy what you need. By following a list, or “sticking to a list,” you can avoid buying what you don’t need. A list can help you be sure that you buy what you do need. It can help control the urge to buy more than you can afford.

You may think of a grocery list when you think of a shopping list. But lists are not just for grocery shopping. They help with clothing shopping, back-to-school shopping, and online shopping, too.

What a List Can Do for You

**Save You Money**  You may like to get your shopping done as quickly as you can. Or you may enjoy browsing and taking your time. Shopping in those ways may be costing you more money than shopping with a list. Making a list before you go to a supermarket or any other store can help you buy what you need—but not more than you need. While you’re making the shopping list, you can check online coupons and store circulars. You can build your list around the best bargains.

**Help You Separate Needs from Wants**  Making a list is planning your shopping before you do your shopping. It gives you time to think before you buy. You can look at your list and think about needs and wants. Remember: Needs are the things we must have. They’re the basics. Wants are the things we’d like to have. They’re beyond the basics.

**Help You Avoid Impulse Buying**  Impulse buying is buying without thinking. You see it. You want it. You buy it. This is the kind of buying that makes you wonder where your money went. After shopping, when you get home, you discover that you didn’t buy what you intended to buy. If you stick to the list, you will buy what you intend to buy.

**Help You Resist the Lure of Advertising**  Store displays are designed to encourage impulse buying. They are designed to make you want to buy things you don’t need. Stores use displays and ads to try to persuade you to buy what they want you to buy instead of what you need. When you make a list ahead of time, you’re not influenced by those spectacular displays.

**Save You Time**  If you go the store without a plan, without a list, you’ll wander the aisles. You’ll buy this. You’ll buy that. You’ll forget to buy something. You’ll have to go back to get it. You’ll buy the wrong thing. You’ll have to go back to return it. With a
list, you’ll shop efficiently. You’ll head right for what you need. You won’t forget things. You won’t have to make that extra trip to the store.

**Making a List**

**Getting Started**

It doesn’t take much to get started. You can make a list on a sheet of paper. You can use a notebook. You can use a smartphone app. Or you can use an online list.

**Grocery IQ (Free)** As its name suggests, this app is focused on grocery shopping. It includes a help guide that gets you started. You can add items to a list by typing. You can also search the database of items stored in the app. The app remembers your favorite items. You can create lists for many stores. You can even organize your list by aisle. If coupons are available, the app will tell you.

For iPhone and Android: groceryiq.com

**GroceryWiz.com** You can access this website with a smartphone. You can start a list with the items that are already included in various categories. If you don’t see what you want, you can add it by typing. There’s a video tour to get you started. The site alerts you to coupons.

grocerywiz.com

**Setting Priorities**

When you’ve made a list, read it. Separate needs from wants. Be thoughtful. Be honest with yourself. Take the wants off the list. Now look at what remains. Separate the more-important things from the less-important things. You might star the more-important things. Or you might underline them. If your budget won’t allow you to get everything, be sure to get the more-important things.

Don’t feel that the wants are gone forever. Make a list of wants. When your savings allows you to shop from the wants list, set priorities again. Separate the more-important wants from the less-important wants.

**Making Shopping Lists Work for You**

Get into the habit of making shopping lists. If you can, visit a store’s website while you make your list. You may find good bargains that you will want to take advantage of.
Use Sales and Coupons to Save Money

What Sales and Coupons Can Do for You

Every store has sales from time to time. During a sale, prices on some things in the store are lower than usual. If the items on sale are things that you need, the sale can save you money. Many companies offer special deals to get you to try their products. Often these deals come through coupons. If a company offers a coupon for a good deal on something you need, you can save more money.

CAUTION: A sale may tempt you to buy something that you don’t need. If you do that, you won’t be saving money. You’ll be wasting money. You may also be tempted to buy something that you don’t need just because you have a coupon for it. Again, if you do that, you won’t be saving money. You’ll be wasting it.

Look at These Examples

The coupon below is from a supermarket.

![$2 Off Coupon]

As the large type says, this coupon can save you $2. But . . . read the line below the large type. You have to spend $5 on meat to get the $2 savings. Is this a good deal for you? It might be. If you planned to buy meat, and the cost of the meat would come to $5 or more, then this is a good deal for you.

The coupon above is from a clothing store. If you’re planning to buy a sweater, this might be a very good deal. You can get 50% off the regular price. In other words, you’ll get the sweater for half the regular price. But . . . if the regular price is high, 50% may still be too high.
What Could These Coupons Do for You?

1. With this coupon, how much will a can of tuna cost you?

2. Can you use this coupon for any brand of tuna in the store?

3. If you spend $9.59 on other groceries, can you use this coupon?

4. Can you use this coupon if you buy just one can of soup?

5. How much will this coupon save you on each can of soup?

Now Use Sales and Coupons

Take advantage of sales and specials. Collect coupons and use them to save money.
- Look for coupons in your local newspaper. Look at the paper’s website, too.
- Look for coupons online at www.coupons.com.
- Look for sales in flyers from your favorite stores. Look at their websites, too.
- Collect coupons in an envelope. Go through your coupons when you make your shopping list. Build your list on coupon bargains. But don’t list things that you don’t need just because you have a coupon.

**TIP:** Get a friend to use coupons with you. You can work together to save more money. Suppose a coupon offers two items for the price of one. You and your friend can buy two and take one each. Each of you will only be paying half price.
Use Unit Pricing to Find the Best Deals

What’s the Best Deal?

You're at a supermarket and you want to buy peanut butter. You're standing in front of many brands. Each brand comes in many sizes.

How can you decide which jar of peanut butter is the best buy? Look at the labels on the shelves under the jars. Those labels tell you how much each jar costs, of course. But the labels tell you more than that. They also tell you how much a certain amount of peanut butter will cost you in each of the jars. For peanut butter, and for other foods that come in jars, the labels will probably tell how much an ounce of the food costs.

You can use this part of the label to decide which jar of peanut butter is the best deal.

What Unit Pricing Labels Tell You

Here's a label from a supermarket shelf.

Look at the top of the label. There you see the name of the brand of peanut butter.

Now look just below that. There you see the size of the jar that this label describes. It holds “16 OZ.” That’s 16 ounces.

In the bottom right corner, in large type, you see the price of this jar of peanut butter. It costs $2.99.

Now notice the box in the bottom left corner. This tells you the unit price. That’s the price of a certain amount of this peanut butter. What certain amount? One ounce. That’s what “PER OZ” means. Each ounce of peanut butter in this jar will cost you 18.7 cents.
Try Using a Unit Pricing Label to Find the Best Deal

Here’s another label from the same supermarket shelf.

1. What brand of peanut butter is this label for?

2. How much peanut butter is in this jar?

3. How much does this jar cost?

4. How much more does this jar cost than the first jar?

5. How much does each ounce of peanut butter in this jar cost?

6. Which jar gives you more peanut butter for your money?

Now Put Unit Pricing to Work for You

Use unit pricing labels to find the best deals.

Make a shopping list. Include several kinds of foods. Each time you come to the shelves for one kind of food, look for the unit prices. Use the unit prices to find the best deal for each kind of food. Then turn unit-price shopping into a habit. The extra time you put into finding the best deals will pay off. It will save you money!

TIPS: Store brands of food are often priced lower than national brands. National brands spend a lot of money on advertising. You wind up paying for that advertising in higher prices. Be careful not to buy more than you need or more than you can use just because the unit price of a large amount is lower than the unit price of a small amount.
Enjoy Free Programs and Activities

What Can you Do for Free?

You can find interesting and enjoyable things to do—and they won’t cost you a thing. Where are they? Right in your town or city. In this lesson, we’ve listed many kinds of activities. Some are for children. Some are for adults. Some are for the whole family. Some are fun, like movies and concerts. Some are useful, like tutoring and tax help. Whether they’re fun or useful or both, they’re all free.

Two Valuable Resources

Your Local Library

Free public libraries got their start in the United States. Today, most towns and cities have free public libraries. You’ll need a library card to borrow from the library. In most places, a library card is free. To get one, you will need proof of identity. You will also need proof that you live in the area served by the library. Performances, exhibits, and other programs are often open to the public. You don’t need a library card for those.

You should be able to find some or all of the following resources in your library.

Materials to Borrow: books, CDs, DVDs, and, in some libraries, passes to museums and other cultural institutions

Live Performances: talks and readings by authors of books, music concerts of many kinds, dance programs, and other live entertainment

Educational Programs: lectures, computer classes, and language lessons (including classes in English as a second language)

Preschool Children’s Programs: story time, fitness, music, and special performances, such as puppet shows

School-age Children’s Programs: homework help and tutoring, use of computers with Internet access

Adult Programs: free tax help, art exhibits, films, and book groups, use of computers with Internet access

Family Programs: craft workshops, live
performances, singalongs, and family films

**School Vacation Programs:** entertaining and enriching activities for school-age children, such as live performances, films, nature presentations, craft workshops, and summer reading programs

**Your Local Government**

Nearly every local government has parks and recreation areas. Some have business improvement districts (BIDs). BIDs provide services, such as cleaning streets. Many BIDs also sponsor fairs, parades, and other activities.

You should be able to find some or all of the following resources on your local government’s website. (You can use a computer at your local library.)

**Parks and Recreation:** parks, sports fields, walking, hiking, playgrounds, picnic areas, barbecue grills, nature walks, fishing docks, outdoor concerts, pools or beaches, youth sports and sports instruction, community gardens, outdoor movies

**Business Improvement District:** music festivals, holiday celebrations, crafts fairs, art walks, farmers’ markets

**Find Free Programs and Activities**

Web searches will help you find the free resources in your city or town. When you search, use a key word or search term and the name of your town or city. Try these key words and search terms:

- library
- government
- parks and recreation
- business improvement district or business improvement area
- community center
- senior center
- free events
- community events
- community calendar

Also check your local newspaper and its website. Check your county website, too. Check local colleges. They often have events that are free and open to the public. There are many, many possibilities for families to enjoy free entertainment and education.
Understand How Interest Works

What Is Interest?

Understanding interest is essential to understanding borrowing and credit. Not understanding interest is a major factor in losing control of finances. But what is interest?

If you rent an apartment, you pay for the use of the apartment. If you rent a car, you pay for the use of the car. The money you pay to use an apartment or a car is called rent. If you borrow money, you pay for the use of the money. The money you pay to use money is called interest. You don’t own the apartment or car that you rent. You don’t own the money that you borrow, either. A bank or credit-card company or someone else owns it. You’re just “renting” that money. And you’re paying interest to do it.

Interest works two ways. If you borrow money from a bank, you pay the bank interest. But if you save money in a bank, the bank pays you interest. In this lesson, we’ll consider interest that you pay to borrow.

A Simple Loan

Let’s say that Christina needs $3,000. She wants to take a course at a beauty school. The course lasts six months. She thinks that she can get a job when she finishes the course. The job would allow her to pay the $3,000 back six months later. Her local bank agrees to lend her the money. Christina will pay it back in a year—after six months of school and six months of work.

The bank wants to be paid interest for lending the money. It wants 5 percent simple annual interest on the principal. What does that mean?

Five percent or 5% means “5 per 100.” The cent part of percent is the same as cent in century. Both mean “one hundred.” Annual means “for a year.” Simple means “paid in full when the loan is paid.” And the principal means the amount that Christina is borrowing. Five percent simple annual interest is the “interest rate.”

What will Christina have to pay the bank when the year is up?

- First, she will have to repay the principal. That’s $3,000.
- Then, she will have to pay the interest. Let’s figure that out.
- The interest rate is 5% simple annual interest. Only one year has passed, so all we have to do is figure out what 5% of $3,000 is.
- Remember that 5% means “5 per 100.” Written as a decimal, that’s .05.
- To find 5% of $3,000, we multiply $3,000 times .05. The answer is $150.
- Christina has to pay the bank $3,150. That’s the principal ($3,000) plus the interest ($150).
What if Christina can’t pay the bank in one year? Let’s say that she asks the bank to wait another year. The bank agrees. What will Christina have to pay the bank when the second year is up?

- First, as before, she will have to repay the principal.
- Then, she will have to pay the interest. We can use a formula to figure that out.
- The formula is "Interest equals Principal times rate times time (I = P x R x T).
- So, I = $3,000 x .05 x 2 = $300.
- The total that Christina has pay to the bank for this two-year simple-interest loan is $3,300. That's the principal ($3,000) plus the interest ($300).

**Calculating Simple Annual Interest**

Calculate the interest on the following loans. In the first few, the answer is partly filled in for you. Use a calculator if you like.

1. A $3,000 loan at 4% simple annual interest for 3 years:
   \[ I = P \times R \times T = \$3,000 \times 0.04 \times 3 = \text{______} \]

2. A $2,000 loan at 3% simple annual interest for 2 years:
   \[ I = P \times R \times T = \$2,000 \times 0.03 \times \text{______} = \text{______} \]

3. A $5,000 loan at 6% simple annual interest for 6 years:
   \[ I = P \times R \times T = \$5,000 \times \text{______} \times \text{______} = \text{______} \]

4. A $6,000 loan at 5% simple annual interest for 5 years:
   \[ I = P \times R \times T = \text{______} \times \text{______} \times \text{______} = \text{______} \]

5. A $5,500 loan at 4.5% simple annual interest for 3 years:
   \[ I = P \times R \times T = \text{______} \times \text{______} \times \text{______} = \text{______} \]

**Estimate the Interest Before You Borrow**

Interest can get more complicated than the examples we used in this lesson. We’ll see more complicated examples in the next few lessons. However, simple interest gives you an idea of how much you will pay to use someone else’s money. Remember that borrowing money is like renting an apartment or a car. You have to pay “rent” in the form of interest. Think twice before you borrow. Ask yourself whether you’re willing to pay the interest on top of the principal when payback time comes.
Understand Credit and Debit Cards

“Credit or Debit?”

“Credit or debit?” How many times have you heard that question? Probably every time you’ve seen someone hold out a card to pay for something. In many ways, the two cards are alike. But in many other ways they are different. Each has advantages and disadvantages. Each can be useful—and each can be dangerous. Why? Because each can tempt you to overspend.

What Happens When You Use Each Card

Credit Cards

You spend money that you borrow from the bank, credit-card company, or store that issues the card. Using the card is like taking a loan. The amount of the loan goes up every time you use the card to pay for something.

You can also get cash from an ATM. When you do, you are taking a “cash advance.” It’s like taking a loan. You are borrowing money every time you take a cash advance.

You get to use money that you don’t have. This could help in an emergency. If you pay your bill in full when it’s due, you won’t have to pay interest. You get the use of the money for a short time without paying to use it.

If you don’t pay your whole bill when it’s due, the bank will charge you interest. The interest will be calculated on the amount you don’t pay. And the interest rate will be high. Many banks charge 18 percent. Some charge even more.

Debit Cards

You spend money directly from your bank account. Using the card is like writing a check, but everything happens faster. Your bank balance goes down as soon as you use the card to pay for something.

You can get cash from an automatic teller machine (ATM). When you do, it’s just like withdrawing money from your bank account.

You see your bank balance go down each time you spend. That may help you control your spending. You may be less likely to spend more money because you can see that you don’t have more money.

If you charge more money than you have in the bank, you will have an “overdraft.” You will have tried to take more out of the bank than there was in the bank. The bank will charge you interest, or a fee, or both.
Tips for Using Each Card

Credit Cards

Try to get a card with no annual fee and the lowest interest rate you can find. Visit creditcards.com on the Web. There you can compare many credit cards.

Pay your bill in full each month. If you don’t, the interest you have to pay will make everything you buy more expensive. In the next lesson, “Understand the Cost of Credit Buying,” we’ll see how expensive credit buying can be.

Use your card to build or improve your credit rating. There are two ways to do this. First, never charge more than you can afford in a month. Second, pay your bill in full every month. Doing this will improve your credit report and credit rating.

Some cards offer rewards if you pay your bill in full each month. The best reward is cash. So try to get a card with “cash back” rewards. You can get the cash as a check or as a credit to your account.

Credit Cards and Debit Cards

Guard your card carefully. Do not give your card number or security code to any business or person you don’t know and trust. Memorize your personal identification number (PIN). Do not carry your PIN with your card. Do not give your PIN to anyone. If you shop online, be sure that you are on the website of the company where you want to shop. Do not follow links in emails. Instead, enter the name of the business in a search engine. Go to the business’s site from the search results.

If you can, check your account online every day. Watch for any charges that you didn’t make. If you see false charges, call the bank or credit card company immediately.

If you lose your card, call the bank or credit card company immediately.

Now Use Cards Wisely . . . or Not at All

A debit card makes sense as a substitute for cash or checks. If you have one, you don’t have to carry a lot of cash. And you can use the card at places that won’t accept checks.

A credit card makes sense for emergencies. It does not make sense as a way to get things that you want but can’t afford. It doesn’t make sense as a way to put off paying for things that you buy. It’s a very, very expensive way to borrow money. Don’t get store credit cards. If you get a credit card from a bank or credit-card company, don’t carry it with you. Leave it at home, in a safe place. Use it only if a very serious emergency occurs.
Understand the Cost of Credit Buying

Credit Can Be Expensive

When you buy something with a credit card, you are borrowing money from a bank or credit card company. The bank or credit card company pays the store where you shopped. The amount that you spent is added to your credit card account. That account is a record of everything you buy with the card. Once a month, you get a statement of your account. It tells what you’ve bought and how much you’ve spent. It tells how much you owe the bank or credit card company. That amount is your “balance.” Because you have borrowed that amount by using your card, the bank or credit card company charges you interest. The interest that you have to pay can make your purchases more expensive than you thought they would be. The true cost of things you buy with a credit card includes the interest you pay. And that interest can add up to quite a lot.

How to Get a $500 TV for Just $931

Let’s say that Darren gets a VeryBigBank credit card on the first of June. The day he gets the card, he buys a new television. He gets it at a great price: $500. A month later, on the first of July, Darren gets his credit card bill. The bottom line looks like this:

<table>
<thead>
<tr>
<th>PREVIOUS BALANCE</th>
<th>CHARGES</th>
<th>PAYMENTS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
<th>MINIMUM PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$00.00</td>
<td>$500.00</td>
<td>$00.00</td>
<td>$7.50</td>
<td>$507.50</td>
<td>$10.15</td>
</tr>
</tbody>
</table>

The only purchase on the bill is the TV set. Darren hasn’t bought anything else with the card. Notice that VeryBigBank has charged him $7.50 in interest. Where did they get that figure? VeryBigBank charges an annual percentage rate of 18 percent on Darren’s balance. That’s the interest that he has to pay to use the bank’s money. (The annual percentage rate is often abbreviated as the APR.) The bank charges the interest monthly at the rate of 1.5 percent. (That’s 18 percent divided by twelve months.) When the interest is added to the $500 charge, Darren’s balance becomes $507.50. That balance is the total amount that he now owes. Darren doesn’t have to pay that amount, though. All he has to pay is the minimum payment of $10.15. That’s 2 percent of the balance. That’s all the bank requires. That’s what Darren pays.

A month later, on the first of August, Darren gets his second bill. He hasn’t bought anything else with the card. This month, the bottom line of his bill looks like this:

<table>
<thead>
<tr>
<th>PREVIOUS BALANCE</th>
<th>CHARGES</th>
<th>PAYMENTS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
<th>MINIMUM PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$507.50</td>
<td>$00.00</td>
<td>$10.15</td>
<td>$7.46</td>
<td>$504.81</td>
<td>$10.10</td>
</tr>
</tbody>
</table>

What happened during July? June’s “current balance” became July’s “previous balance.” The bank deducted Darren’s payment of $10.15 from that and got $497.35. Then the bank figured the interest on that amount. It came to $7.46. When they added that to $497.35, they got the current balance of $504.81. Notice that Darren paid $10.15, but his balance only went down by $2.69. (It was $507.50. Now it’s $504.81.) Where did
the rest of his payment go? It paid interest to VeryBigBank.

Let’s jump ahead to a day in the future when Darren has paid his entire credit card balance. That day is quite a long way in the future. By paying just the minimum every month, it will take him 94 months to pay for that television set. That’s almost eight years! During that time, he will have paid $431 in interest.

**Darren’s $500 TV cost him $931. What a bargain.**

**It Could Have Been Worse**

Darren didn’t buy anything but the TV with his credit card. But what would have happened if he had? Let’s see. This time, let’s say that Darren spends $100 each month on his credit card. He still pays only the minimum payment each month. So, on the first of August, the bottom line of his bill looks like this:

<table>
<thead>
<tr>
<th>PREVIOUS BALANCE</th>
<th>CHARGES</th>
<th>PAYMENTS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
<th>MINIMUM PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>$507.50</td>
<td>$100.00</td>
<td>$10.15</td>
<td>$8.96</td>
<td>$606.31</td>
<td>$12.13</td>
</tr>
</tbody>
</table>

The bank added Darren’s charges of $100 to the “previous balance.” Then they deducted Darren’s payment of $10.15 and got $597.35. The interest on that came to $8.96. Adding that to $597.35, the bank got a current balance of $606.31. The minimum payment, at 2 percent, is now $12.13. That’s what Darren pays. Let’s look at the next month.

<table>
<thead>
<tr>
<th>PREVIOUS BALANCE</th>
<th>CHARGES</th>
<th>PAYMENTS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
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<tbody>
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<td>$606.31</td>
<td>$100.00</td>
<td>$12.13</td>
<td>$10.41</td>
<td>$704.59</td>
<td>$14.09</td>
</tr>
</tbody>
</table>

This doesn’t look good. Darren’s balance—the total amount he owes—is going up. The minimum payment is going up, too. How will this end? Let’s look into the future again.

In four years, Darren will have bought $5,200 worth of goods. He will have paid the bank $2,452.96. ($1,880.93 of that will have been interest.) And he will still owe a balance of $4,627.97. If he pays his bill in full then, whatever he thinks he spent $5,200 on will have cost him $7,080.93. (You can see the details on the next page.) **If he stops charging and pays the minimum every month, it will take him almost 45 years to pay that balance. In that time, he will pay $12,816.67 more in interest. Whatever Darren thought he was getting for $5,200 will have cost him $19,897.60.**

**Avoid the Cost of Credit Buying**

Using a credit card and paying only the minimum balance each month is a recipe for financial disaster. You can end up paying more in interest than for the things you buy. The temptation is strong to use a credit card to buy what you want but can’t afford. But the fact is that using a credit card that way makes what you bought even less affordable.
This chart shows the details of Darren’s descent into indebtedness.

<table>
<thead>
<tr>
<th>MONTH</th>
<th>PREVIOUS BALANCE</th>
<th>CHARGES</th>
<th>PAYMENTS</th>
<th>INTEREST</th>
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<th>MINIMUM PAYMENT</th>
</tr>
</thead>
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Control Your Credit Buying

How Credit Buying Gets out of Control

There are three great dangers that lead to out-of-control credit buying. The first is impulse buying. The second is thinking that you can afford something because you can charge it. The third is using credit to get what you want but don’t really need. In this lesson we offer ways to overcome those dangers.

Wait a While

**Wait a Day**  Give yourself time to think before you buy. Start by not carrying your credit card. When you have it with you, spending more than you can afford is much too easy. Keep your credit card where it isn’t easy to get. When you’re shopping, get into the habit of saying, “I’ll have to think about it.” At home, when you’re shopping online, learn to tell *yourself* to think about it. Put the purchase off for a day. That’s all—just a day. While you’re waiting, think about the questions in the next two sections.

**Wait a Week**  If you’ve waited a day, you can wait a week. Put the purchase off for six days more. Keep thinking about the questions in the next two sections.

**Wait Until You’ve Saved 10 Percent of the Price**  Start an envelope savings “bank.” Put some money away whenever you can. When you buy, if you pay 10 percent in cash, it will be like getting a 10 percent discount on the amount that you charge. Of course, you’ll probably have to cut back on some part of your budget to find that money. Keep thinking about the questions in the next two sections.

**Wait Until You’ve Saved Half the Price**  If you’ve managed to save 10 percent, why not keep going? Keep putting money aside. When you’ve got half the price in cash, you’ll only have to charge half the price. You’ll be saving yourself a lot of interest.

**Wait Until You’ve Saved the Full Price**  Why not? If you made it to half the price, why not keep on saving? When you’ve got the full price in cash, you won’t have to charge anything. Not a single cent. But wait. Before you spend that cash, ask yourself all the questions in the next two sections.

Decide Whether You Can Afford It

**Do you have available cash to pay for it right now?**  “Available cash” is money that you have on hand and don’t need to spend on anything else. If you’ve saved the full price of the item, then you do have available cash to pay for it right now. You can afford it. But before you buy it, answer the questions in the last section.

**Will you be able to pay in a month or two?**  If you pay the credit card bill in full in
a month, you won’t have to pay interest. If you can pay it in two months, you won’t pay much interest. If you know that you will be able to do that, then you can probably afford the item. But keep reading.

What will you have to give up to get this? The money to buy the item has to come from somewhere. It’s not in your budget now. All your money is going toward other things. Which of them are you going to cut back on? What are you going to do without? If you can find the money in your budget without cutting back on your needs, then you can afford the item. If not, then you can’t afford it.

Are you planning to pay for it little by little? Whether you charge it on a card or take a loan to buy it, you’ll be paying for the item every month. Go online to the credit card calculator at federalreserve.gov/creditcardcalculator/ or at creditcards.com/calculators/minimum-payment.php. With either calculator, you can figure out the minimum payment amount, how long you will have to pay, and how much interest you will pay. But remember the lesson before this one? It showed that paying just the minimum is a very bad idea. You will pay far too much interest. You can also enter a dollar amount that you can afford to pay each month. You’ll see how long you will have to pay and how much interest you will pay. Even if you double the minimum payment, this calculator ought to convince you that the true cost of the item—the purchase price plus the interest—is more than you can afford.

Decide How Much You Need It or Want It

Do you really have to have it? If it’s a warm coat and winter’s coming, the answer might be yes. You can’t do without it. You need it. If it’s a used car and it’s the only way you can get to a new job, the answer might be yes. You can’t do without it. You need it. But if it’s a slick new smartphone and you already have a working smartphone, the answer is probably no. You can do without it. You don’t really need it.

What do you need more than this? Do you need money to take a course to get a better job? Do your children need dental work? Does your car need new tires? Do you and your family need any of those things more than you need the item that you want to buy? If so, you don’t need it enough to go into debt for it.

What do you want more than this? Do you want to be free of debt? Do you want to be more secure financially? Do you want less worry and more contentment? Do you want a better financial future? Do you want a better future for your children? Do you want any of those things more than the item you’re about to buy? If so, you don’t want it enough to go into debt for it.
Avoid High-Interest Loans

Four Very Expensive Loans

Payday loans, rent-to-own plans, pawning items, and vehicle title loans have two things in common. They are all ways to borrow money. And they are all very expensive ways to borrow money.

How Each Loan Works

Payday Loan

A payday loan is a short-term loan to cover expenses until your next paycheck arrives. A payday loan is not a good way to get the money you need. Let’s see why.

We’ll suppose that you need $100 for a week. You go to the store with the neon PAYDAY LOANS sign. You write a personal check for $115, payable to the lender. You date it for your next payday. The additional $15 is the fee that the lender charges. That’s $15 to borrow $100 for just one week.

When payday comes, the lender can cash your check. Or you can pay the lender $115 in cash and get your check back. But what will happen if you can’t repay the loan? Then the lender may let you extend the loan, or “roll it over.” You take your old check back. You write out a new one for $130, dated a week away. You are now paying $30 to borrow $100 for just two weeks. That’s 30 percent interest—for just two weeks!

What will the annual interest rate be if you keep rolling this loan over? Here’s the answer: 391 percent. Some states have decided that such high interest rates are unfair to borrowers. In those states, payday loans are illegal. You can learn more on the Federal Trade Commission website at consumer.ftc.gov/articles/0097-payday-loans.

Rent-to-Own

At first, rent-to-own may seem like a good idea. You rent something you want instead of buying it. After a certain number of rental payments, you own it.

Suppose that you want to buy an air conditioner. The one you want costs $399 online. You don’t have $399. A friend tells you that he just got a new air conditioner—just like the one you want—and it’s only costing him $19.99 a week. He got it at a rent-to-own store. No money down! You can even shop there online!
You go for it.

You rent that air conditioner for $19.99 a week. When you finish making all the rental payments you’ll own it. Of course, you have to make 52 weekly payments. Let’s see—52 times $19.99 is $1,039.48. Yes, that’s right. **You will have paid $1,039.48 for a $399 air conditioner.** You’ve actually been borrowing money—and paying for it.

**Pawnshops**

Let’s say that you need $300 for a short time. You own a television that’s worth a bit more than $300. You could sell the TV to get the money you need. Or you could pawn it.

If you pawn it, you will leave the TV at a pawnshop. The operator of the shop—the pawnbroker—will lend you what he or she thinks the TV is worth. Let’s say that’s $300. You will get a ticket—a pawn ticket—as a receipt for the TV. You will agree to repay the loan in a certain time. In the terminology of pawning, you’ll agree to “redeem” the TV. That is, you’ll repay the loan and get the TV back. Let’s say that the time you agree to is one month away. Your pawn ticket will include that date.

When a month is up, one of two things will happen. You might redeem the TV for $300 plus the pawnbroker’s fee. Or you might not redeem the TV. If you don’t, the pawnbroker owns it. He or she can sell it.

How much will the pawnbroker’s fee be? It’s likely to be $60. Many pawnbrokers charge $20 per $100 per month. **That’s 20 percent interest for a month. That’s equal to 240 percent interest annually.**

**Vehicle Title Loans**

To get a vehicle title loan, you give the lender the title to your vehicle. That might be a car, truck, or motorcycle. You also pay the lender a fee to borrow the money. You usually have to repay the loan in 30 days. Car title loans can be very expensive. If you cannot repay the money you owe, the lender can take your vehicle. You can be left without transportation.

Here’s an example. Suppose you get a $1,000 vehicle title loan. You give the lender the title to your car. The lender requires you to repay $1,250 at the end of 30 days. **That’s 25 percent interest for a month. That’s equal to 300 percent interest annually.** If you can’t make this payment, you could pay just the interest, which would be $250. But then you would still owe $1,250 at the end of the next 30 days.
Calculate the Real Cost

Calculate the cost of each of the following loans. Use a calculator if you like.

1. A payday loan shop charges $15 per $100 per week. You borrow $200 and roll the loan over twice. So you have borrowed $200 for three weeks. How much will you have to pay at the end of three weeks?

__________________________________________________________________

2. You want to buy a sofa that costs $599. You don’t have $599, so you decide to try rent-to-own. You get the sofa you want for $17.99 a week. You have to make 78 weekly payments. How much will you pay for the sofa?

__________________________________________________________________

3. You have a ring that’s worth more than $100. You pawn it. The pawnbroker lends you $100 for two months. The fee is $20 per $100 per month. How much will you have to pay when you redeem the ring in two months?

__________________________________________________________________

4. You have a car that’s worth $9,500. You get a vehicle title loan and give the title to the car to the lender. The lender lends you $2,000 for two months. The fee is $250 per $1,000 per month. How much will you have to pay when you pay the loan in a month?

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There Are Other Options

Instead of these high-interest loans, try to get a small loan from a local credit union or local bank. Consider selling something outright rather than pawning it. And if you can put off a purchase until you can pay cash you will avoid paying any interest at all.
Avoid Scams and Schemes

Be Careful Out There

People want your money. Most of them are honest. They have something to sell. You buy it. Both of you are happy. But some people are dishonest. What they have to sell is fake or phony. Or they may just want to steal your money. In this lesson we’ll look at some scams and schemes that you should avoid.

Four Dangers

Phony Franchise Schemes  Someone may offer you a job selling a product. Let’s say the product is weight-loss tablets called SuperPower SlimTabs. The offer may come by phone or email or by direct contact. This job will sound much better than just selling, though. It seems that you’re going to become a distributor. You’ll have a SuperPower franchise. To get started, all you have to do is pay a fee and buy a few cartons of SlimTabs. Then you can go out and find other people to fall for the same scheme. You’ll tell them the same thing that was told to you. They can become distributors. They can own franchises. All they have to do is pay a fee and buy a few cartons of SlimTabs. You’ll get to keep a small part of the fees that they pay. You see what’s happening, don’t you?

• You can make a little money by selling SlimTabs. But the only way to make good money is to keep selling franchises.
• What’s the danger to you? If you can’t keep finding new people to buy franchises, you’ll be stuck with cartons of SlimTabs. You won’t get enough small fees to repay the large fee that you had to pay for your franchise. Your great job could end up costing you money instead of making you money.
• Don’t invest in franchises that make money by selling more franchises.
• “Do your homework.” Do an online search to see whether the company is legitimate. If you find people complaining about being cheated, stay away.

Credit Report Scams  Scammers may send you an email or a text message claiming that they can “fix” your bad credit report. They may claim to be able to “erase” bad information about you. Don’t believe it. They can’t “fix” a report. They can’t “erase” information. All they can do is trick you into paying them for doing nothing.

• For full information about your credit report, see the lessons “Check Your Credit Report,” “Correct Your Credit Report,” and “Improve Your Credit Report.”

“No-Interest” Credit Cards  Stores and credit-card companies sometimes offer no-interest or “0%” introductory rates on their credit cards. It’s a way to get people to sign up, of course. The zero-percent rate lasts for a while. It may last anywhere from six to twelve months. Then a “normal” rate begins. That may be 18 percent or more. Even so,
the card still seems like a good deal. What can go wrong? Let’s see.

- Let’s say that you get a card at a clothing store. It has a 0% introductory rate. The rate will last for twelve months. Then it will go to 18 percent.
- You use the card for twelve months. You like the store. You shop there often. In twelve months, you spend about $100 a month there.
- You’re pretty good about paying your bill every month. But you’re not perfect. Sometimes you don’t pay the full amount. You tell yourself that it really doesn’t matter. After all, you’re paying zero interest.
- When the introductory period is over, you still owe $100. That doesn’t seem so bad, but it is. It would be bad even if you owed just a dollar. Because if you owe anything when the introductory period ends, you are charged “deferred interest.”
- That “deferred interest” is charged on every single cent you charged for the whole twelve months. That could be nearly $125.00. It’s as if you had an 18 percent credit card and never made any payments.

Read the terms before you accept a credit card. Make sure that you understand them. Know what will happen at the end of the introductory offer. If you don’t understand, ask for an explanation. If you don’t get a satisfactory explanation, don’t take the card.

**Identity Theft**  Identity thieves steal your personal and financial information. That might include your social security number, bank account numbers, and credit card numbers. Then the thieves pretend to be you. They take money from your bank account. They use your credit card, especially to get cash advances from ATMs. Here’s how to prevent identity theft:

- Never let anyone get your ATM receipts, credit statements, credit cards, or bank statements. Keep them in a safe place. Don’t throw them away unless you shred them first.
- Never give your credit card number to someone who calls you, emails you, or sends you a text message.
- Check your bank statements every month. Call your bank if you see any withdrawals that you didn’t make.
- Check your credit card statements every month. Call your card company if you see any charges or cash advances that you didn’t make.
- Review your credit report at least once a year. (Three times a year is better. See the lesson “Check Your Credit Report.”) If there are loans listed that you did not agree to, have them removed. (See the lesson “Correct Your Credit Report.”)
- For more information, see the FBI’s identity theft Web page: fbi.gov/about-us/investigate/cyber/identity_theft

**Four Things to Remember**

People want your money. Some of them are dishonest. “Do your homework.” If an offer seems “too good to be true,” it probably is.
Look at Your Current Financial Situation

Begin Where You Are

The journey to a better place begins where you are now. The journey to a better financial situation begins with your financial situation now. This lesson will help you decide just “where you are” financially. To do that, you have to calculate the answers to two questions. The first is “How much do you own?” The second is “How much do you owe?” The answers to those two questions will tell you what your current financial situation really is. Use the worksheet on page 117 in the “Tools” section of this book to calculate your net worth.

Your Assets

Anything that you own is an asset. This is the positive part of your finances. All of the following are assets.

**Cash on Hand** Include money that you have in dollars and cents. Also include checks that you have but haven’t cashed yet.

**Cash in Banks** Include money in savings accounts and checking accounts at banks or credit unions. Also include money in certificates of deposit (CDs) and money market accounts, if you have those.

**Money You Are Owed** If you have made loans to anyone, include the amount that is still due to you. However, include the loans only if you feel sure that they will be paid.

**Investments** If you own stocks, bonds, or mutual funds, check their current value online. Include that amount. If you have United States savings bonds, include the value of those.

**Retirement Funds** If you have a retirement plan, such as a 401(k) or IRA, include the current value of the plan. If you have an annuity, include the “surrender value.” That is the amount you would get if you withdrew the money from the annuity now.

**Life Insurance** Some life insurance policies have a cash value. Those are called “whole life” policies. If you have a whole life policy, include its “surrender value.”

**Vehicle** If you own a car, truck, or other vehicle, include its value. To find out what it’s worth, the Kelly Blue Book (kbb.com) is a good guide.

**Household Furnishings** Include the value of beds, chairs, sofas, tables, and other
home furnishings. Be careful not to overestimate their value. Decide what each item would bring if you sold it.

**Personal Possessions** Include the value of jewelry, watches, electronic devices, and any other personal possessions. Again, be careful not to overestimate their value. Decide what each item would bring if you sold it.

Enter all your assets in the left-hand column of the worksheet.

**Your Liabilities**

Anything that you owe is a liability. This is the negative part of your finances. All of the following are liabilities.

- **Loans that You Owe** If you have taken a loan from a bank or individual, include the amount that you still owe to the lender.

- **Credit Card Balances** Include the total balance due on credit cards, charge accounts, and installment accounts.

- **Bills Due and Overdue** Include the total amount of any bills that have come in but you haven’t paid yet. This might include utility bills and a rent bill.

- **Taxes** Do you expect to have to pay federal or state taxes beyond the amount withheld from your pay? If so, include the additional amount you will have to pay.

Enter all your liabilities in the right-hand column of the worksheet.

**Your Current Financial Situation**

Your current financial situation is the total of your assets minus the total of your liabilities. Figure that out in the section at the bottom of the worksheet.

**Remember:** The assets you listed on the chart aren’t the only assets you have. You have abilities and skills that make you—or *can* make you—a valuable employee. You have personal qualities that can make you a valued friend, relative, or parent.

If the “bottom line,” the figure at the bottom of your worksheet, is low, or even negative, you are at a low point in your financial life. The lessons in this program can lift you from that low point to a much better place. You’ve already begun that journey by reaching this point in the program.
Set Financial Goals for Yourself

Why Set Goals?

A goal is something that you want to achieve. Setting a goal is naming, describing, and defining the goal. Setting a goal makes you more likely to achieve that goal, because setting a goal is actually the first step toward achieving a goal. It’s also the first step in creating a plan to achieve a goal. Creating a plan gives you a series of steps toward achieving a goal. Each step toward the goal is much smaller than a giant leap from here to the goal. The journey to a big goal becomes a set of small steps. And the first step on that journey is setting the goal.

Your Long-Range Goals

Begin by envisioning the financial life you hope to have eventually. Look into the future. See what you want your financial life to be like when you’re out from under—and more than out from under. What do you want your home to be like? What are your hopes for your children? What bad financial habits do you want to change? What good financial habits do you want to build? What skills do you want to learn to improve your employment?

Use your vision of the future to set goals for your future. Turn your dreams into goals. Use a copy of the chart on page 118 in the “Tools” section of this book to write your goals.

Be Specific  Each goal you set should state exactly what you want to achieve. A specific goal can be measured. That is, anyone can decide whether it has been achieved. “I want my family to have a comfortable home” is not specific. “I want my children to have bedrooms of their own” is specific.

Be Realistic  Each goal should be something that you think you actually can achieve. Think big—but not too big. Set goals that challenge you—but not goals that overwhelm you and discourage you.

Be Relevant  Each goal should be relevant to the financial life that you’ve envisioned for yourself. For example, relevant goals would be about getting out of debt, budgeting, and saving. Goals about housing, employment, and spending habits would also be relevant.
Be Positive Each goal you set should be a positive statement. It should be about something you want to do. It should not be about something you don’t want to do.

Your Goals for this Year

You’re probably not going to achieve your long-range goals this year. But you can make progress toward those goals this year. Set goals for this year that will move you in the direction of your long-range goals. In other words, your overall goal for this year will be to be closer to your long-range goals than you were last year.

Put your completed long-range goals chart beside a blank copy of the goals chart for this year on page 119 in the “Tools” section of this book.

For the first goal in your long-range chart, think about a step that you could take this year to get you closer to the goal than you are now. List that as your first goal for this year. Then go on to the next goal in your long-range chart and do the same thing—think of a step for this year. Continue until you’ve completed the chart.

Remember: Be specific, be realistic, be relevant, and be positive.

Your Goals for Next Year: Make a new “this year” chart every year. New Year’s Day would be a good day for it, but your birthday would be, too.

Your Goals for Today

Every morning, take a look at your goals chart for this year. Read through the goals one by one. For each goal, ask yourself, “What can I do today to move closer to this goal?”

Every evening, take another look at your goals chart for this year. As you did in the morning, read through the goals one by one. This time, for each goal, ask yourself, “What did I do today to move closer to this goal?”

If you haven’t made progress, promise yourself that you will make progress tomorrow. If you have made progress, congratulate yourself. Let someone know that you’ve made progress. Tell a family member. Tell a friend. Press on. Keep moving forward, toward those goals.
Check Your Credit Report

What Is Your Credit Report?

Your credit report tells how well you handle the money you borrow. It answers these questions.

• What credit cards do you have? What cards have you had in the past?
• How much do you owe? Do you pay your bills on time?
• Have you have filed for bankruptcy?
• Has anyone sued you?
• Have you been evicted? Has a bank foreclosed on your home mortgage? Has a vehicle of yours been repossessed?

Three companies create these reports. They are Equifax, Experian, and Transunion. They get information about you every time you use a credit card. They get information about you when you borrow money. That information goes into your report.

Why Is Your Credit Report Important?

Credit card companies look at your credit report. They want to know if you will pay your bill. Banks look at it. They want to know if you will repay a loan. Employers look at it. They want to know if you seem reliable. Landlords look at it. They want to know if you will pay your rent.

How to See Your Credit Report

You can look at your credit report, too. It’s easy to do, and it’s free. There are three ways to see your credit report:

• Visit the website annualcreditreport.com. You should be able to access your report immediately.
• Call the toll-free number 1-877-322-8228. Your report should be processed and mailed to you within 15 days.
• Send a request form by mail. Your request should be processed and mailed to you within 15 days of receipt. You should allow two to three weeks for delivery.

Be prepared to give your name, date of birth, Social Security number, and address.

CAUTION: The only website where you can get your credit report for free is annualcreditreport.com. Any other website that claims to give you your report for free is a fake. You may get email from someone who offers to get your credit report for you. That email is almost certain to be a scam. Do not answer it. Do not click any links in it. The three
legitimate credit-reporting companies will *not* send you email. Only people who want to cheat you will send email offering to get your credit report for you.

If you want to ask for your report by mail, visit this U. S. Government website: consumer.ftc.gov/articles/0155-free-credit-reports. There you will find a link to a request form. You can print it and send it by mail.

Remember: looking at your credit report is free. The three credit-reporting companies give you one free report every year. The U. S. government requires them to do it.

**Try It on the Web**

Visit annualcreditreport.com. Click the link called “Request yours now!” You will go to a page with a form for basic information about you. Fill out the form.

Notice the colored box at the bottom of the page. It contains some letters and numbers. You will be asked to type the letters and numbers that you see. Doing that shows that a person, not a computer, is sending the form. (Some people program computers to try to get personal information from a credit report. This step protects you from computers like that.)

Complete the form. Type the letters and numbers in the box. Then click the “NEXT” button.

You will go to a page where you have to make a choice. You can get a report from any of the three companies. You can even get reports from all three. How many should you get? The best idea is to get just one now. Why? Each company is required to give you one free report every year. If you take them all now, you will have taken all you can get for the year. So get just one now. You can get another in four months. You can get another four months after that. That way, you can get three free reports in a year.

Choose one of the companies and click its link. You will go to the website of the company you chose. You may be asked a few personal questions. Those questions prove that you are actually you, and not someone impersonating you.

**Print and Save Your Report**

Print your credit report. We’ll take a close look at it in the next lesson. Mark your calendar on a day four months from now. Plan to get another credit report then.
Understand Your Credit Report

What a Credit Report Includes

There are three credit-reporting companies. Each one uses its own report format. So the reports don’t look exactly the same. However, each report has the same information.

**Personal Information**
This part identifies you. It may seem obvious, but you should check it. Be sure that everything is correct.

<table>
<thead>
<tr>
<th>PERSONAL IDENTIFICATION INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Name</td>
</tr>
<tr>
<td>SSN: 000-00-0000</td>
</tr>
<tr>
<td>000 Your Street</td>
</tr>
<tr>
<td>Your City, Your State 00000</td>
</tr>
<tr>
<td>Date of Birth: January 9, 1984</td>
</tr>
<tr>
<td>Telephone: (555) 555-5555</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Name: Your Employer</td>
</tr>
<tr>
<td>Position: Your Job</td>
</tr>
<tr>
<td>Date Reported: 01/2014</td>
</tr>
<tr>
<td>Began: 06/2013</td>
</tr>
</tbody>
</table>

**Public Records**
This part shows any legal troubles you have had. Have you filed for bankruptcy? That will be listed here. Was there a time when you didn’t pay your taxes? If so, the government may have claimed your property. That is called a tax lien. (Property here means more than real estate. It includes personal possessions and money.) Bankruptcy will stay in your report for ten years. A tax lien will stay for seven years.

<table>
<thead>
<tr>
<th>PUBLIC RECORDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/2013 Bankruptcy Filed: Major City Court; Case Number 000DC00. Personal, Individual; Assets $990, Liabilities $12,956. Dismissed. Chapter 7.</td>
</tr>
<tr>
<td>06/2013 TAX LIEN 111VF000, 1234567, $640, VF, 07/2013, 08/2013</td>
</tr>
</tbody>
</table>

**Collections**
Have you let a bill go unpaid? The person you owed may have hired a company to get the money. These companies are collection agencies. This section lists agencies that tried to collect money you owed. They will stay in your report for seven years.

<table>
<thead>
<tr>
<th>COLLECTION ITEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection Agency Name</td>
</tr>
<tr>
<td>Client: Citywide Dental Services; Amount: $325; Assigned: 05/2012; Collected 07/2012; Account Number 000000CV</td>
</tr>
</tbody>
</table>

**Credit Accounts**
Many kinds of loans will be listed here. They might include student loans and auto
loans. Charge cards will also be listed. These may include credit cards, gas cards, and store cards. When you charge something you are borrowing money. You are taking a loan. Credit account information will stay in your report for seven years.

<table>
<thead>
<tr>
<th>CREDIT ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>GoldCard</td>
</tr>
<tr>
<td>BigCard</td>
</tr>
<tr>
<td>NewCard</td>
</tr>
</tbody>
</table>

**Date Opened**: when you got the credit card or loan.

**Months Reviewed**: how many months the report covers.

**Last Activity**: the last payment or charge.

**High Credit**: the limit on your charge card or the size of the loan.

**Balance**: how much you owed when this report was prepared.

**Past Due**: how far behind you are in your payments.

**Inquiries**

This is a list of any companies that have looked at your credit report.

**INQUIRIES**

10/29/2012 Your Landlord
05/09/2013 Your Employer
12/12/2013 NewCard Bank

**What Does Your Own Report Include?**

In the last lesson, you printed your report. Read it carefully. The time you spend will be worthwhile. You may help yourself save money when you have to borrow. You may help yourself get a better job. You may help yourself get a better apartment. Imagine that you are a banker, employer, or landlord. Look for things in your report that you would not like. Mark those items on your report.

**Plan to Improve Your Report**

What can you do to improve your credit report? Basically, there are three things.

- Pay off your debts.
- Pay any taxes you owe.
- Fix any errors.

In the next lesson, you’ll see how to fix errors. Later lessons will cover debts and taxes.
Correct Your Credit Report

Are There Errors in Your Report?

Your credit report may have errors in it. Errors may have been made by
• the credit-reporting company
• a credit-card company
• a bank
• your landlord

You can have errors corrected. The reporting companies must make corrections. The government requires them to do it. Corrections cost you nothing. You just have to apply for them. Each of the companies has its own way for you to apply. They are not exactly the same. However, they all have the same basic steps.

How to Request a Correction Online

CAUTION: Don’t use a public computer to request a correction. Don’t use one in a library. Don’t use one in a community center. Don’t send financial information from those computers. They aren’t secure. Don’t use a cell phone either. Cell phones aren’t secure. Use a computer with a secure Internet connection.

Go to the website of a reporting company. There you can object to what you think is wrong. That is called “disputing” an item. Here are the addresses for online disputes.

Experian
  experian.com/disputes/main.html
Equifax
  https://www.ai.equifax.com/CreditInvestigation/home.action
Transunion
  transunion.com/personal-credit/credit-disputes/credit-disputes.page

Follow the steps on the Web page. The basic pattern has three steps.
  1. Set up an account. Give your name and address.
  2. Set a username. Set a password. Give your Social Security number. Agree to terms of use.
  3. State your dispute. Fill in an online form. Submit the form.

How to Request a Correction by Letter

What can you do if you can’t use a secure computer? Send your request by letter. What should that letter be like? There’s an example on the next page. This is the kind of letter you might send. Notice the information in it. Notice what the writer asks the company to do.
Ms. Kira Harley  
291 Morton Avenue  
Center City, NJ 07901

January 11, 2014

Complaint Department  
Experian  
P.O. Box 4500  
Allen, TX 75013

Dear Sir or Madam:

I am writing to dispute incorrect information in my file. I have enclosed a copy of my report. Please note the item I have circled.

This item states that my AnyBank credit card payment is past due. That is not correct. I paid the full amount on December 3, 2013. I closed the account on December 10, 2013.

I am asking that the item be changed. It should show that there is no money due. It should also show that I closed the account.

I have enclosed a copy of the last statement for the account. Notice that the balance is zero. The account was paid in full.

Please correct my report as soon as possible.

Sincerely,

Kira Harley

Enclosures:  
Copy of Credit Report  
AnyBank Credit Card Statement

Each company has rules for a request by letter. Some have a form to fill out. Their websites tell you what to do. Here are the addresses.

**Experian**  
experian.com/disputes/experian-mailing-address.html

**Equifax**  
help.equifax.com/app/answers/detail/a_id/33

**Transunion**  
transunion.com/personal-credit/customer-support/contact-us.page

Make copies of everything you send. Send your letter by certified mail.

**Now Request a Correction**

Dispute any errors in your report. Do it online, by phone, or by mail.
Get out of Debt

Climbing out of a Hole

Getting out of debt is like climbing out of a hole. The hole is deep and dark. Climbing out isn’t easy. But once you’re out, you can see the sun again. You look back and ask yourself how you ever got into that hole. Well, you may have been the one who dug it. And you may have put yourself into it. Let’s get you out of it. Remember: it won’t be easy. But remember this, too: the work will be worth it. You will see the sun again.

Eight Steps to Follow

Here are the eight steps we’re going to take to get you out of debt.

1. Make a chart of what you owe.
   Your chart should look like the one below.

<table>
<thead>
<tr>
<th>CREDITOR</th>
<th>BALANCE</th>
<th>MINIMUM PAYMENT</th>
<th>INTEREST</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Card</td>
<td>$7,589.65</td>
<td>$189.74</td>
<td>18%</td>
</tr>
<tr>
<td>VistaCard</td>
<td>$1,234.39</td>
<td>$24.69</td>
<td>12%</td>
</tr>
<tr>
<td>Used Car Loan</td>
<td>$8,640.50</td>
<td>$345.44</td>
<td>5%</td>
</tr>
</tbody>
</table>

   The creditor is the person or company you owe money to. The balance is the amount you owe on the loan right now. The minimum payment is the smallest amount you have to pay each month. The interest is the rate you are charged on the money you owe.

2. Stop borrowing money.
   Don’t spend money that you don’t have. That’s what got you into the hole. Stop using credit cards. Cut all but one in half. Throw the halves away. Keep just one card. Don’t carry it with you, though. Keep it tucked away somewhere. You are going to use that card only in an emergency—only in an extreme emergency.

3. Change your spending habits.
   Separate needs from “wants.” “Wants” are things you’d like to have but don’t really need to have. You need food and clothing. You need dinner. You may want dinner in a new restaurant. But you don’t need dinner in that restaurant. You need shoes. You may want a pair of hundred-dollar shoes. But you don’t need those hundred-dollar shoes.

4. Start an emergency fund.
   Emergencies will come up. They always do. If you use a credit card to cover an emergency, you’re putting yourself deeper in debt. If you save money for
emergencies, you won’t have to borrow. How much should you save? Some people say 10 percent of your income. Some say 20 percent. Here’s a better answer: save something. Save what you can. Saving something is better than saving nothing.

5. **Make a payoff plan.**
   Choose one debt to pay first. You could start by paying the loan with the highest interest rate. Doing that would save you the most interest. Or you could start by paying the smallest loan. Doing that would get one loan off your back soonest. Gone. Done. Finished. You’d feel some relief sooner rather than later. Choose one plan or the other. Stick to it.

6. **Set a paydown amount.**
   You are going to pay more than the minimum amount on the account you chose in Step 5. Say you chose the VistaCard account in the chart. If you pay only the minimum, it will take 120 months to pay off the balance. That’s ten years! You will have paid $779.31 in interest. That means that whatever you bought for $1,234.39 will actually have cost you $2,013.70. Could you add $20 to the payment each month? If you could, you’d pay the balance in 33 months. You’d pay $217.51 in interest. You’d save $561.80! You may not be able to add $20 to the minimum. Or you may be able to add more than $20. Add what you can. Pay something more than the minimum.

7. **Put your plan into action.**
   Start paying off the account you chose in Step 5. Continue every month until the debt is gone. Then choose the next debt to get rid of.

8. **Track your progress.**
   Keep updating your chart. Watch the balance go down. Feel yourself climbing out of the hole. When you pay off an account or loan, congratulate yourself. Share the good news with someone.

**Start with the Chart**

Take Step 1. Make a chart like the one in Step 1. Be sure to include everything you owe. Get all your bills together. Add everything up. Find the interest rates you are paying.

**Now Follow the Rest of the Steps**

Work through the rest of the steps. Take one step at a time. Get someone on your side to help you stick to the plan. Tell a friend what you are going to do. Talk with your family about it. Tell them that it won’t be easy. Ask for their help in finding ways to make the payoff plan work.
Improve Your Credit Report

“Repairing Your Credit”

When people speak of “repairing credit” they mean improving a person’s creditworthiness. What is creditworthiness? It is a measure of how much lenders think they will be risking in lending to you. Your creditworthiness is low if you look like a bad risk to lenders. Your creditworthiness is high if you look like a good risk. Your credit report shows your creditworthiness. By improving your credit report you increase your creditworthiness.

There is no quick-and-easy way to repair your creditworthiness. However, you can take steps to improve your credit report. Those steps take time. They take work. And they are limited by law. Correcting errors in your credit report is relatively easy. But you can’t remove accurate information. You cannot erase your past credit history. You cannot start again with a clean slate. The best way to repair a history of bad credit is to build a new history of good credit.

Two Things You Can’t Do

You may have heard people claim that you can completely “repair your credit.” You may have seen ads for companies that claim to do that. Most of those companies are not legitimate. Most of their claims are false. Some of the things they claim they can do just can’t be done. Others are illegal. Let’s look at two of the things that no one can do to “repair your credit.”

Remove Information from Your Credit Report

You may have heard that there are ways to “erase” your entire bad credit history. That isn’t true. No one can remove truthful information from a credit report without breaking the law. You can correct mistakes in your report. You can do that yourself, and you can do it for free. But you cannot remove accurate information. Any company that claims to be able to do it is probably running a scam.

Get a New Credit Identity

You cannot legally change your credit identity. Any company that claims to be able to do it may be selling stolen Social Security numbers. If you use a number other than your own to apply for credit, you will be breaking the law.

Some companies tell people to apply for an Employer Identification Number. Those numbers are used by businesses the way individuals use Social Security numbers. But you cannot use an Employer Identification Number to avoid the credit history associated with your Social Security number. If you do, you will be committing fraud. That is a crime.
What Can You Do?

You can improve your credit report. You can do it on your own. It will take time, and it will take discipline. You’ll have to pay your debts.

If the information in your credit report is accurate, it can only be removed in two ways. Time can remove it. And the person or company that reported it can remove or revise it.

Here are the legitimate steps you can take to improve your credit report.

1. **Check your credit report.** Follow the process in the lesson “Check Your Credit Report.”

2. **Get a good understanding of what your credit report says.** Follow the process in the lesson “Understand Your Credit Report.”

3. **Correct any errors in your credit report.** Follow the process in the lesson “Correct Your Credit Report.”

4. **Get out of debt.** Follow the process in the lesson “Get out of Debt.” As you pay off credit cards and loans, be sure that the lending companies update your credit report to show that you have paid what you owed. As they make the updates, your credit report will begin to look better. It will reflect your efforts to improve your financial health.

5. **Accept the fact that only time can make some negative information go away.** Most information will stay in your report for seven years. Bankruptcy information will stay for ten.

6. **Begin establishing a new, positive, credit history.** Talk to a loan officer at a small, local bank. Explain that you are working to repair your creditworthiness. Outline the steps you’ve already taken. Emphasize the fact that you have paid your debts. Then apply for a credit card with the bank or credit union. Use the card wisely, and pay the complete balance every month. Check your credit report in a few months to be sure that your new habit of paying on time and in full has been reported.

Get Started

Visit this federal government website to learn more about credit repair scams and how to avoid them: consumer.ftc.gov/articles/0225-credit-repair-scams. Then follow the steps above to begin improving your creditworthiness.
Understand Banks

How Banks Work

Banks are for-profit businesses that put their customers’ money to work. They are in business to make a profit. How do banks put money to work and make a profit? They may invest the money. They may lend it to other customers. Some of the profit is paid to investors who own the bank’s stock. Customers put their money into the bank for several reasons. They want a safe place for their money. They want a convenient way to use their money. And they want a “return” on their money. In other words, they want the bank to pay them interest on the money they put into the bank.

The money in a bank is safe. Its safety is insured by the federal government. The Federal Deposit Insurance Corporation (FDIC) insures deposits. Even if the bank fails, the customers will get their money.

Big Nationally-Advertised Banks

The Basics

Big banks are in business to make big profits. They charge high interest on loans and pay low interest on savings. They charge fees for ATM transactions. They issue credit cards with fees and interest charges. They charge fees for late payments on loans and credit cards. They may charge fees for the checks that a customer writes. Big banks have big expenses. They have big investments. Their investors expect big profits. Big banks have to keep a lot of money coming in.

The Pros

More Convenience The bank will have branches and ATMs in many locations. There will probably be one near your home and one near work. If you have to move to another city or state, the bank will be there, too.

More Services The bank will offer many services. Some go beyond basic banking. They include investing in stocks and bonds. They also offer financial advice. However, these services are mostly for people with a lot of money in the bank.

Advanced Technology Online banking will be easy. The money you deposit will be available quickly and almost anywhere. ATMs will offer instructions in many languages. You will probably be able to bank on your smartphone.

The Cons

Higher Fees Big banks often charge higher fees than smaller banks do. Most don’t offer free checking accounts. Instead, they charge monthly fees for them.

Less Personal Big banks have so many customers that you may feel that you’re “just a number.”

Higher “Entry Level” Big banks like big accounts. If you open a small savings
account, you may have to pay a fee for it. That can cut into your interest earnings. For example, one bank charges a $5 monthly fee if you don’t keep a balance of $300 or more. If you’re just starting to save, that can hurt.

**Smaller Local Banks**

**The Basics**
Smaller local banks are in business for the same reason as big banks. They want to make a profit. They make their profit in the same ways that big banks do. But they’re not after the huge profits that big banks are after. They get their customers from the local area, not from the whole country. They get to know their customers better because they don’t have as many of them. If you are just starting to use a bank for the first time, smaller local banks will most likely be your best option.

**The Pros**
- **More Personal** Smaller banks are often more open to discussing a customer’s needs and problems.
- **Lower “Entry Level”** Smaller banks are more likely to welcome small accounts. They are less likely to require high minimum balances to avoid fees. They are much more likely to consider making small loans to their customers.
- **Lower Fees** Most local banks offer checking accounts without fees. Loan rates are often lower than at big banks.

**The Cons**
- **Less Convenience** There will be fewer branches and ATMs. If you use another bank’s ATM, you’ll probably have to pay a fee. If you have to move, you’ll have to find a new bank.
- **Less Advanced Technology** You’ll probably be able to do online banking. But the bank may not have a smartphone app.
- **Fewer Services** Smaller banks usually offer only basic banking services: checking and savings accounts, mortgages, and other loans.

**Find Banks Near You**

- Ask friends or co-workers about banks in your area. You may be able to get good information from people who are already banking.
- Do an online search for “bank” and the name of your city or town. **TIP:** Try searching on Yahoo! Local (local.yahoo.com). The home page has fields for the type
of business you’re looking for (enter banks) and the city or state (enter the name of your city or town and the two-letter state abbreviation). The chances are good that you will get a list that contains both big national banks and smaller local banks.

- Print the list, copy it by hand, or bookmark the page for future reference.
- Visit at least one large bank and one smaller bank. First, visit the bank’s website to get an overview. Then actually visit the bank or its most convenient branch.
- At each bank, get information about opening a savings and checking account.
Understand Alternatives to Banks

Why Consider Alternatives?

Banks are not the only option for your financial needs. A credit union is much like a bank. But it is not a profit-making business. It may suit you better than a bank. Is your income very low? Do you have very little money to deposit? You may not be ready for a bank or a credit union. But your goal should be to have checking and savings accounts in a bank or credit union. If you can find a bank with a low-fee or no-fee checking account, you will be better off than “banking” with a check-cashing business.

Credit Unions

The Basics
Credit unions are not-for-profit organizations. When you deposit money in a credit union, you’re not just a customer. You’re a member. The credit union is owned by its members. As a member, you’re an owner. The goal of the credit union is to serve its members rather than to make profits. If the credit union does make a profit, the money is distributed to the members.

Money is safe in a federally-insured credit union. The National Credit Union Share Insurance Fund (NCUSIF) insures deposits. Even if the credit union fails, the members will get their money. CAUTION: Not all credit unions are federally insured.

The Pros

More Personal  You are part of the company. It really is “your credit union.” You are likely to get very good service.

Low-Income Services  Most credit unions offer advice and guidance to members. They help you save, pay off debt, and plan for the future. Some offer specific services for low-income members.

Better Rates and Lower Fees  Fees and loan rates are generally lower than at banks. Savings interest rates are generally higher than at banks.

Lower “Entry Level”  Some credit unions will allow you to open a savings account without also opening a checking account. If you are on a tight budget, this may be the best way to start saving money.

The Cons

Less Convenience  To take money out of your account you’ll usually have to go to the credit union’s office. However, most credit unions offer free access to ATMs or refund ATM fees. If you move, you will have to find a new credit union.

Less Advanced Technology  Not every credit union offers online banking. You’re not likely to be able to bank with your smartphone.

Membership Requirements  Not everyone can join a credit union. Each credit union decides what group of people it will serve. The members might all work for
the same company. They might belong to the same congregation. However, some credit unions are open to anyone who lives in the town or city where the credit union is located.

Check-Cashing Stores

The Basics
Check-cashing stores began in areas without convenient banking services. People with no bank accounts could cash their paychecks for a fee. They didn’t need an account. They just had to show ID and pay the fee. Check cashers offer more services now. At some, people can pay utility bills and even pay their rent. They don’t need a checking account. They just pay the bill—and a fee. Some check-cashing stores offer savings accounts by making arrangements with credit unions. Some sell prepaid debit cards. Customers can use them like any other debit card. Many offer payday loans.

The Pros

**Personal Relationships** Many people who use a particular check-cashing store regularly say that they feel close to the staff that works there. The business is part of the neighborhood. The staff is often from the neighborhood, too.

**Convenience** The check-cashing store is usually open earlier and later than banks. It often offers other services, such as mailing and shipping, that banks do not. And it often sells useful items, such as passes for public transportation, that banks do not.

**Very Low “Entry Level”** Check-cashing stores are willing to handle very small transactions. They’ll cash small checks. They’ll make small loans. They don’t require that a customer have an account or maintain a minimum balance.

The Cons

**High Fees** The fees for cashing a small check or issuing a small loan are high. But for low-income people a bank’s fees may be high, too. They are lower for people who maintain a substantial minimum balance at the bank. That is hard for low-income people to do. So, the check-cashing store’s fees may not seem unreasonable.

Comparing Your Options

Let’s take a look at what it would cost to cash paychecks at a big nationally advertised bank, a smaller local bank, a credit union, and a check-cashing store.

Let’s consider a married couple—Anna and Frank. They both work. Each of them is paid $500 weekly. They have eight $500 checks to cash each month. They’ve been cashing checks with a check-cashing store. There they pay $5 per check plus 1 percent...
of the check amount. So each $500 check costs $10 to cash. Let’s see if they can get a better deal.

The chart below shows the costs. For the large and local banks, we show the cost if Anna and Frank opened either of two kinds of checking account. One requires that they keep only a small balance in the account but charges a monthly fee. The other doesn’t charge a monthly fee but requires them to keep a larger balance in the account.

<table>
<thead>
<tr>
<th>Check-Cashing Store</th>
<th>Minimum Balance</th>
<th>Monthly Maintenance Fee</th>
<th>Per-Check Cashing Fee</th>
<th>Monthly Cost to Cash Eight $500 Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check-Cashing Store</td>
<td>NONE</td>
<td>NONE</td>
<td>$5 plus 1% of check amount</td>
<td>$80.00</td>
</tr>
<tr>
<td>VeryBigBank</td>
<td>$1,500.00</td>
<td>NONE</td>
<td>NONE</td>
<td>FREE</td>
</tr>
<tr>
<td>TheLocalBank</td>
<td>$100.00</td>
<td>NONE</td>
<td>NONE</td>
<td>FREE</td>
</tr>
<tr>
<td>VeryBigBank</td>
<td>$25.00</td>
<td>$12.00</td>
<td>NONE</td>
<td>$12.00</td>
</tr>
<tr>
<td>TheLocalBank</td>
<td>$25.00</td>
<td>$5.95</td>
<td>NONE</td>
<td>$5.95</td>
</tr>
<tr>
<td>YourCreditUnion</td>
<td>NONE</td>
<td>NONE</td>
<td>NONE</td>
<td>FREE</td>
</tr>
</tbody>
</table>

Look at the right-hand column of the chart. At VeryBigBank, they can cash their checks for free if they keep $1,500 in their account. That’s a lot of money. They may not be able to manage that. At TheLocalBank, they can cash their checks for free if they keep $100 in their account. If they can manage that, this might be the best choice for them. If they can only manage to keep $25 in an account at VeryBigBank, they can cash their checks for a $12.00 monthly fee. However, TheLocalBank has an even better deal. If they keep $25 in their account they’ll pay just $5.95 to cash the checks that the check-cashing store’s charging $80 for. The best deal of all is at YourCreditUnion. There, Anna and Frank could cash their checks for free without maintaining any minimum balance. Unfortunately, YourCreditUnion doesn’t have an office near Anna and Frank. So their best bet is TheLocalBank.

**Find Alternatives to Banks Near You**

- Visit www.mycreditunion.gov/pages/mcu-map.aspx to find a credit union near you.
- Do an online search for “check cashing” and the name of your city or town. **TIP:** Try searching on Yahoo! Local (local.yahoo.com). The home page has fields for the type of business you’re looking for (enter “check cashing”) and the city or state (enter the name of your city or town and the two-letter state abbreviation).
- Print the lists of credit unions and check-cashing stores, copy them by hand, or bookmark the Web pages for future reference.
- Visit at least one credit union and check-cashing store. First, visit their websites to get an overview. Then actually visit the credit union and check-cashing store.
- At each place, get information about fees and interest rates.
Save for the Future

Looking Ahead and Planning Ahead

Saving is about the future. The process starts when you decide what you want that future to be. Then you set goals. You decide what to save for and how much to save. Finally, you set priorities for those goals. You want to save for the most important ones first.

What Should You Save For?

The list of reasons for saving in this section starts in the future. Then the reasons move backward. The list finishes in the present. All of these reasons for saving are important. Some will be more important in the future. Others are more important right now.

- **Retirement** You won’t be working forever. Savings can help assure that you can live without money worries. Savings can give you the money you need.
- **Prosperity** You’ll want a better life in the future. Savings can provide the money for some of your long-range “wants.”
- **Your Children’s Education** You’ll want your children to have financially stable lives. Savings can help get them the education they need to succeed.
- **Your Education** You’ll want to move into a better job. You may want to build a career in a new line of work. Savings can help you learn more to earn more.
- **Wants** You’d like to give yourself and your family some “wants.” A “want” gives pleasure and brings happiness. Savings can provide some.
- **Stability** You don’t want to be living from paycheck to paycheck. Savings can help carry you across the times when bills are coming in faster than money is.
- **Housing** You want your family in housing that is safe and comfortable. Savings can provide the money needed to make a move or make improvements.
- **Annual Expenses** You have some expenses that come up just once or twice a year. Getting a car serviced or inspected is one example. Car insurance is another.
- **Security** Emergencies will arise. Cars break down. A child’s tooth develops a cavity. Savings can get you out of an emergency without getting you into debt.

How Can You Do It?

In this section, we’ll move forward. We’ll start in the present with reasons for saving right now. We’ll finish in the future. This will show you a suggested order of priority for your savings plan. It’s “first things first.” It’s only a suggestion. You’ll set your own priorities later.

- **Security** An emergency fund is your first priority. How much should be in that fund? Eventually, you should have an amount equal to three months of your household’s take-home pay. Right now, something is better than nothing.
Annual Expenses  If you don’t have the money to pay these expenses when they arrive, they can turn into emergencies. Savings can keep them under control. In “Make and Use a Yearly Budget,” you listed your annual expenses. From that list you can figure out how much to save each week.

Housing  Decide how urgent your housing need is. Are you living somewhere unsafe, uncomfortable, and overcrowded? Your need is very urgent. Save as much as you can toward better housing. Are you living somewhere acceptable but not as nice as you’d like? You can make this a lower priority.

Stability  If you can save an amount equal to one month of your household’s take-home pay, you should be able to avoid payday loans. Remember: payday loans cost you money. Saving makes you money.

Wants  Use special occasions to give yourself and your family “wants.” The occasion might be a birthday, an anniversary, or a holiday. By linking wants to occasions like these, you can plan for them and save for them.

Your Education  If you can take a course to get a better job, you should. The more you learn, the more you earn. You may be able to get financial aid, but you’ll have to pay something on your own. Loans will probably be available, but saving is always better than borrowing.

Your Children’s Education  How urgent this is depends on how old your children are. Is college a long way away? Then you can keep the saving amount small for now. Are your children in high school? Then you may want to take money from other savings needs. TIP: Find out about 529 Savings Plans. These are tax-free education savings plans. Visit collegesavings.org/whatis529.aspx.

Prosperity  We all have our wish lists. Realistically, we know that we’ll never get everything on the list. Saving may get you something on your list. At least the odds are better than they are when you buy a lottery ticket.

Retirement  Are you enrolled in Social Security? Does your employer deduct Social Security payments from your paycheck? If so, you’re already saving. Social Security is a savings plan. You make payments to the plan. Your employer matches your payments. But, for most people, Social Security payments are not enough for a worry-free retirement. You’ll have to add your own savings. TIPS: Find out about 401(k) and IRA retirement plans. Both allow you to put money away tax-free. Visit www.irs.gov/Retirement-Plans/Plan-Sponsor/Types-of-Retirement-Plans-1.

Set Your Priorities

The list in “How Can You Do It?” is in a suggested order of priorities. Your priorities may be different. Number the reasons for saving to show your savings priorities. Give them all careful thought. Then number them from 1 to 9. Number one should be your top priority now. Number 9 should be your lowest priority now.
Open a Savings Account

A Saving Strategy

Save cash until you have enough to open a savings account. You need at least the minimum that the bank requires to open an account. It’s much better to have more. Have the minimum that the bank requires to avoid fees. You don’t want to have to pay fees. You’re lending the bank your money. You shouldn’t have to pay for the privilege. Open your savings account as soon as you can.

How Savings Accounts Work

There are two reasons for having a savings account. One is to have a safe place for your money. The other is to accumulate money or build assets.

Safety  A savings account at a federally insured bank is a safe place for money. The Federal Deposit Insurance Corporation (FDIC) guarantees that your money will be safe. Your savings are insured. If the bank should fail, the FDIC will repay your money.

Building Assets  Every time you put some money into a savings account, the total amount in the account grows. The total in the account is called the balance. By putting money into a savings account, you are lending money to the bank. The bank pays you interest for that loan. It pays interest on the balance in the account. Then it deposits the interest into the account. The interest is added to your balance. Do you see what’s happening? The interest is helping to make your balance grow. We’ll take a close look at how interest helps your balance grow in the next lesson, “Watch Saving Work for You.”

Types of Savings Accounts

There are several types of savings accounts. The types available vary from bank to bank. The names used for the types also vary from bank to bank. Different banks, different types of account, different names? That can be confusing. Let’s begin by looking at the most basic type of account.

Regular Savings  This is the simplest type of savings account. You deposit money when you can. The balance earns interest. You withdraw money when you need it. You get a statement showing each deposit and withdrawal. It also shows your balance and the interest you’ve earned. Some banks give you a little “passbook” that becomes your statement. When you go to the bank and deposit or withdraw money, the record of the transaction goes into your passbook. Others skip the passbook and send you a monthly statement. It’s like a credit card statement. But in this case it tells how much money you have, not how much money you owe. Some banks will offer an ATM card that makes withdrawing easy. Having that card may not be a good
idea. It makes withdrawing too easy. Your goal is to build assets. You want your balance to grow. You might want to refuse the ATM card.

Other accounts meet certain customers’ specific needs.

**Online Savings** Online savings accounts are regular savings accounts—but they’re online. You don’t go to the bank. You do all your banking online. You may get a higher interest rate with an online account.

**Club Savings** People use these accounts to save for something specific. It might be holiday gifts. Some banks will make club savings automatic for you. You tell the bank how much you want to save. On a regular schedule, the bank will move money from your checking account into your club account.

**Children’s and Teenagers’ Accounts** Some banks offer accounts for young people. Often these accounts have no minimum balance. And they accept even very small deposits. These are a good way to teach your children to save.

### Put Your Strategy into Effect

- Visit several banks or credit unions, either online or in person.
- Compare the savings accounts that they offer. Use the chart below.

<table>
<thead>
<tr>
<th>BANK</th>
<th>ACCOUNT NAME</th>
<th>INTEREST RATE</th>
<th>MINIMUM TO OPEN</th>
<th>MONTHLY FEE</th>
<th>MINIMUM BALANCE TO AVOID FEE</th>
<th>MONTHLY USE LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Choose a bank and an account that suit you.
- Be sure that the account is FDIC insured.
- Find out whether there is a limit to how often you can use the account. Some banks allow only a few deposits each month. Many limit withdrawals.
- Begin saving cash to open an account. Set a goal of saving the minimum you need to open an account without having to pay a fee. A monthly fee can cut into your interest earnings. Try to find a bank with a low minimum and no fee.
- As soon as you have the cash you need, open the savings account.
- Make deposits regularly. Set a schedule for yourself. Stick to it.
Watch Saving Work for You

Saving Earns You Money

When you deposit money in a savings account you are lending money to a bank or credit union. Each time you make a deposit (or at least once a month), you get a statement of your account. It tells how much you’ve deposited. It tells how much you’ve withdrawn. It tells how much you have in your account. That amount is your “balance.” The bank or credit union pays you interest. The interest that they pay is added to your balance. Over time, it adds up.

Saving Steadily and Regularly

Let’s say that Reesa opens a savings account at NeighborhoodBank. She deposits $100. A month later, she deposits another $100. She continues to deposit $100 every month for a year. She doesn’t make any withdrawals during the year. At the end of the year, her statement looks like this:

<table>
<thead>
<tr>
<th>MONTH</th>
<th>PREVIOUS BALANCE</th>
<th>DEPOSITS</th>
<th>WITHDRAWALS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>$100.00</td>
<td>0</td>
<td>$0.17</td>
<td>$100.17</td>
</tr>
<tr>
<td>2</td>
<td>$100.17</td>
<td>$100.00</td>
<td>0</td>
<td>$0.17</td>
<td>$200.33</td>
</tr>
<tr>
<td>3</td>
<td>$200.33</td>
<td>$100.00</td>
<td>0</td>
<td>$0.33</td>
<td>$300.67</td>
</tr>
<tr>
<td>4</td>
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</tr>
<tr>
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<td>0</td>
<td>$0.67</td>
<td>$501.84</td>
</tr>
<tr>
<td>6</td>
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<td>0</td>
<td>$0.84</td>
<td>$602.67</td>
</tr>
<tr>
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<td>0</td>
<td>$1.00</td>
<td>$703.68</td>
</tr>
<tr>
<td>8</td>
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<td>$100.00</td>
<td>0</td>
<td>$1.17</td>
<td>$804.85</td>
</tr>
<tr>
<td>9</td>
<td>$804.85</td>
<td>$100.00</td>
<td>0</td>
<td>$1.34</td>
<td>$906.19</td>
</tr>
<tr>
<td>10</td>
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<td>0</td>
<td>$1.51</td>
<td>$1,007.70</td>
</tr>
<tr>
<td>11</td>
<td>$1,007.70</td>
<td>$100.00</td>
<td>0</td>
<td>$1.68</td>
<td>$1,109.38</td>
</tr>
<tr>
<td>12</td>
<td>$1,109.38</td>
<td>$100.00</td>
<td>0</td>
<td>$1.85</td>
<td>$1,211.23</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$1,200.00</td>
<td>$0.00</td>
<td>$11.23</td>
<td></td>
<td>$1,211.23</td>
</tr>
</tbody>
</table>

NeighborhoodBank pays an annual percentage rate of 2 percent on Reesa’s balance. The bank pays the interest monthly at the rate of 0.16 percent. (That’s 2 percent divided by twelve months.) Each month, the interest is added to the previous balance. So is the new deposit, of course. That creates the current balance.

Next month, the interest will be figured on that balance. So Reesa begins earning interest on her interest. Interest earned on interest is called compound interest. It’s one of the secrets to making saving work for you.

Let’s take a leap into the future to see how compounding pays off. Reesa has been saving for four years. This is what the statement for the last six months looks like:
Reesa’s savings account balance has grown to almost $5000. And $193.08 of that balance is interest that the bank paid her. That’s nearly equal to two months’ worth of her own deposits.

**Saving Less Steadily and Less Regularly**

Unlike Reesa, Marta can’t manage to save $100 every month. But she is determined to save *something* every month. If she can save a little, she saves a little. If she has extra money, she saves more. But she does save *something* every month. At the end of a year, Marta’s statement might look like this:

<table>
<thead>
<tr>
<th>MONTH</th>
<th>PREVIOUS BALANCE</th>
<th>DEPOSITS</th>
<th>WITHDRAWALS</th>
<th>INTEREST</th>
<th>CURRENT BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>$25.00</td>
<td>0</td>
<td>$0.04</td>
<td>$25.04</td>
</tr>
<tr>
<td>2</td>
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</tr>
<tr>
<td>3</td>
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</tr>
<tr>
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<td>$172.26</td>
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</tr>
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<td>$0.55</td>
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</tr>
<tr>
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<td>$0.88</td>
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</tr>
<tr>
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<td>$86.00</td>
<td>0</td>
<td>$0.91</td>
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</tr>
<tr>
<td>10</td>
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<td>0</td>
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</tr>
<tr>
<td>11</td>
<td>$721.13</td>
<td>$47.00</td>
<td>0</td>
<td>$1.20</td>
<td>$768.33</td>
</tr>
<tr>
<td>12</td>
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<td>$837.61</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$830.00</td>
<td>$0.00</td>
<td>$7.61</td>
<td>$837.61</td>
<td></td>
</tr>
</tbody>
</table>

The results aren’t as good as Reesa’s were when she was able to save $100 every month. But Marta still managed to accumulate more than $837. And having $837 in the bank is much better than owing $837 to a credit card company.

**Save as Steadily and Regularly as You Can**

- Go through your monthly budget line by line. Look for places where you can move some money from expenses to saving. Look for every dollar.
- Use what you found to set a monthly savings goal. Try to save that amount every month. If you can’t save that much in some months, save what you can.
Open a Checking Account

Do You Need a Checking Account?

Why should you bother with a checking account?

A checking account has at least three advantages over alternatives such as check-chasing stores. A checking account is more convenient. Managing your budget is easier with a checking account. And having a checking account can help improve your credit report. However, there are two obstacles to having a checking account. The first is fees charged for checking account services. The second is having to maintain a minimum balance.

Let’s look at the advantages and the obstacles.

The Advantages

More Convenient

**Use of the Bank’s ATMs** You should be able to use the bank’s own ATMs to take cash from your account and make deposits into it. This should be free.

**Online and Mobile Banking** You will probably be able to keep track of your account online and on a mobile device. This feature will probably be free.

**Direct Deposits** You should be able to have your employer deposit your pay directly into your account. This will almost certainly be free.

**Direct Transfers to Savings** You should be able to set up automatic savings. Each month, the bank will move money from the checking account to your savings account. You set the amount to save. This will probably be free.

**Bill Paying** You should be able to pay some bills online. You should also be able to set up automatic payment for bills that are exactly the same each month. This would be good for car payments or rent, for example. This will probably be free.

**Check Card** Even though this is a checking account, you may not have to write checks. Your checking account may come with a “check card” that is like a debit card.

Easier Budget Management

**Statements of Your Account** Your account statement shows where your money goes.

**Online Statements** You will almost certainly be able to see your account’s statement online. It should be updated daily. This will probably be free.

Better Credit Report

**A Solid Financial Situation** Having a checking account demonstrates that you are a person who takes financial matters seriously. Having bank accounts says that you are a person with financial standing. Potential lenders, potential employers,
and potential landlords will ask where you bank. They won’t ask which check-cashing store you use. In addition, having a savings account and a checking account will help improve your credit report and credit score.

The Obstacles

Fees

Use of Other ATMs  Most banks will charge you a fee each time you access your account from any ATM but their own.

Overdraft Fees  If someone cashes a check that you wrote and your account doesn’t have enough money to pay the full amount of the check, your account is “overdrawn.” You have tried to draw more money out of the account than you had in it. The bank will charge you a fee for doing this. A fee of $30 isn’t unusual. The bank will charge that fee every time you write a check for more than you have in the account. To avoid overdraft fees, you have to watch your account. You have to keep it balanced and make sure every check can be paid.

Personal Checks  If you have a small account, you will probably have to pay a small fee for each check you write.

Monthly Maintenance Fee  If you have a small account, you will probably have to pay a monthly fee for it. Often, the amount varies depending on the kind of statement you get. For example, one bank charges about $9 a month with paper statements and about $7 a month with online statements only.

Fee Waivers  The monthly maintenance fee will be eliminated, or “waived,” if you keep more money in your account. For example, one bank waives the fee if a customer keeps $1,500 in the account at all times. Another waives the fee if a customer keeps $100 in the account.

Minimum Balance

Large Balance, No Fees  Let’s look again at part of the chart from “Understand Alternatives to Banks.” We see that if a person keeps a certain minimum balance, banks will waive the monthly maintenance fee. At VeryBigBank, you would have to keep $1,500 in your account to have the fee waived. At TheLocalBank, you’d only have to keep $100 in the account. It pays to shop around when you’re choosing a bank!

<table>
<thead>
<tr>
<th></th>
<th>Minimum Balance</th>
<th>Monthly Maintenance Fee</th>
<th>Per-Check Cashing Fee</th>
<th>Monthly Cost to Cash Eight $500 Checks</th>
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<tbody>
<tr>
<td>VeryBigBank</td>
<td>$1,500.00</td>
<td>NONE</td>
<td>NONE</td>
<td>FREE</td>
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<tr>
<td>TheLocalBank</td>
<td>$100.00</td>
<td>NONE</td>
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<tr>
<td>VeryBigBank</td>
<td>$25.00</td>
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<tr>
<td>TheLocalBank</td>
<td>$25.00</td>
<td>$5.95</td>
<td>NONE</td>
<td>$5.95</td>
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</tbody>
</table>
Small Balance, Plus Fees  Suppose you keep only a small balance in your checking account. You will pay a monthly fee. At VeryBigBank, if you keep just $25 in your account, you’ll pay $12 a month. At TheLocalBank, you’ll pay $5.95. Again, it pays to shop around when you’re choosing a bank.

Keep It Balanced

When you open a checking account, you’ll get a book of checks. You’ll also get a small book called a check register. Use the register to keep track of the checks you write, the deposits you make, and the balance in your account. This process is called balancing your checkbook. Your account is “balanced” when the balance is more than zero.

Let’s say that James and Alexis Bond open a checking account at a local bank. To avoid fees, they have to keep $100 in the account at all times. The bank charges $30 for every overdraft. The Bonds open the account with $100. Each time they write a check or make a deposit, they write it in the check register. Here are their first six transactions.

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK NUMBER</th>
<th>TRANSACTION DESCRIPTION</th>
<th>(-) PAYMENT</th>
<th>(+) DEPOSIT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/24/14</td>
<td></td>
<td>Opened account</td>
<td></td>
<td>$100.00</td>
<td>$100.00</td>
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<tr>
<td>9/26/14</td>
<td></td>
<td>James’s paycheck (2 weeks)</td>
<td>$821.54</td>
<td></td>
<td>$921.54</td>
</tr>
<tr>
<td>9/26/14</td>
<td></td>
<td>Alexis’s paycheck (2 weeks)</td>
<td>$553.88</td>
<td></td>
<td>$1,475.42</td>
</tr>
<tr>
<td>10/1/14</td>
<td>1</td>
<td>rent</td>
<td>$1,100.00</td>
<td></td>
<td>$375.42</td>
</tr>
<tr>
<td>10/3/14</td>
<td>2</td>
<td>Horizon: telephone</td>
<td>$65.46</td>
<td></td>
<td>$309.96</td>
</tr>
<tr>
<td>10/3/14</td>
<td>3</td>
<td>NJ Power: electricity, gas</td>
<td>$190.15</td>
<td></td>
<td>$119.81</td>
</tr>
</tbody>
</table>

Now the Bonds have a problem. They have to pay Sarah’s Daycare $110 for a week’s care for their child. Their next paychecks won’t be deposited until October 10th.

1. What will their balance be if they write a check for $110? What will the bank do?

2. What will the bank do if they write another check for $22?

Your Checking Account Strategy

☐ Shop for a bank with a low minimum balance for a checking account without a monthly maintenance fee.
☐ Begin saving cash to open an account. Set a goal of saving the minimum you need to open the account without having to pay a monthly fee.
☐ As soon as you have the cash you need, open the checking account.
☐ Keep your account balanced. Don’t let the balance go below the minimum.
File Your Income Tax Returns

It’s the Law

If you have income, you probably have to file federal and state income tax forms called “returns.” By law, you are required to do so. You are excused from filing only if your income is very low. You may know people who boast that they don’t pay taxes. They don’t even file tax returns. They think that they’re getting away with something. They’re not. Eventually, they’ll be caught. And the penalty they’ll pay can be severe.

Should You File?

Yes: File If You Have to File

As we said above, you have to file unless your income is very low. Most people have to file if they earn $10,000 or more during the year. Some people who earn less than that do not have to file. This online checklist will help you decide whether you have to file:


Yes: File Even If You Don’t Have to File

There are very good reasons to file a tax return even if you don’t have to file. Did you have federal taxes withheld from your paycheck? Maybe your tax is less than the amount that was withheld. If so, you have a refund coming to you. The only way to get a refund check is to file a return. If you meet certain requirements, you may be entitled to an Earned Income Tax Credit. This could also give you a refund. Again, the only way to get your refund check is to file a return. (We’ll discuss the Earned Income Tax Credit more fully in the next lesson.)

Yes: File Even If You Can’t Pay What You Owe

Suppose that you work on your tax return and find that you owe money to the Internal Revenue Service (the IRS). You owe money, but you can’t pay it. What should you do? Skip filing? No. You should file. If you file and don’t pay what you owe, you will have to pay a penalty for not paying. But if you don’t file and don’t pay, you will have to pay a penalty for not paying and another penalty for not filing.

If you can’t pay everything you owe, file your return and pay something. Then go to the nearest IRS office. Explain why you couldn’t pay the full amount due. Ask to pay the balance in monthly installments. Or ask for more time to pay the full balance. If your reasons are good, the IRS is likely to cooperate with you.
How to File

Get the Forms You Need

You will figure your federal income taxes on the famous Form 1040. If you have income only from wages and salary you may be able to use a simpler version of the form called 1040-EZ. You can get the forms online at irs.gov. You can also get the forms at nearly all public libraries. Be sure to get the instructions for filling out the forms, too.

To figure your state income taxes, you will need the forms that your state provides. Search online for “income tax forms” and the name of your state. Again, you should also be able to get them at a public library. And be sure to get the instructions.

Get the Help You Need

You can get free help with your income tax returns. The federal government and most state governments have help programs. So do many nonprofit organizations.

If you earn $52,000 or less, the Volunteer Income Tax Assistance Program (VITA) will help you file your tax return. For information call 1-800-906-9887 or visit the following Web pages:

- irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers
- irs.gov/Advocate/Low-Income-Taxpayer-Clinics/Low-Income-Taxpayer-Clinics

Since 1968, the AARP Tax-Aide program has helped nearly 50 million people with their tax returns. Help is available free to all low-to-moderate-income taxpayers, with special attention to those 60 and older. To find help in your area, visit:

- aarp.org/money/taxes/aarp_taxaide/

CAUTION: At tax season many people seek help with their returns. Many tax preparers charge fees for their help. Some charge outrageous fees. An article in the New York Times described troubles that low-income taxpayers had with unscrupulous tax preparers. Their troubles included more than errors. Some were urged to file false returns. Others found that they were charged fees they had never been told about. You do not have to pay for help with your taxes. You can get free help from the sources above.

Now File

Follow the advice in this lesson to file your federal and state income tax returns. Remember: failing to file can lead to severe penalties—even prison.
Apply for Tax Credits

Deductions, Credits, and Refundable Credits

Some tax laws help low-income taxpayers. Some of these laws provide tax deductions. Others provide tax credits. There are important differences between them.

Tax deductions lower your taxable income. The value of a deduction depends on your tax rate. Consider a married couple with taxable income of $50,000. They pay about 13 percent in taxes. A $1,000 tax deduction would save them $130 in taxes. That’s 13 percent of $1,000.

Tax credits reduce your tax rather than your taxable income. And they reduce it at 100 percent. In other words, a $1,000 tax credit saves you $1,000 in taxes.

Some credits are “refundable.” The credit is added to your tax refund. If you qualify for a refundable credit, you may get enough to pay the taxes you owe. You may even get more than you owe. In that case, the government will send you a refund check.

To qualify for any tax credit, you must
- have a Social Security number
- have earned income
- be a United States citizen or resident alien or be married to a United States citizen or resident alien
- file a tax return, even if you don’t owe any tax or aren’t required to file

The Federal Earned Income Tax Credit

The earned income tax credit (EITC) is a refundable credit.

To qualify for the EITC, your income must be below certain limits. For a married couple with two children it must be less than $48,378. For a single parent with two children it must be less than $43,038.

A married couple with two children could receive a maximum credit of $5,372. That’s a refundable credit. So, if the couple owed $2,500 in taxes and got a $5,000 EITC, they would get a $2,500 refund. A single parent who owed $2,500 in taxes and got a $5,000 EITC would also get a $2,500 refund.

State and Local Earned Income Tax Credits

If you qualify for the federal EITC, you may also qualify for a state or local EITC. The amount of the EITC is usually linked to the federal EITC. The amounts vary from place to place. For example, New York State gives 30 percent of the federal EITC. Indiana...
gives 9 percent. Oklahoma gives 5 percent. Like the federal EITC, these are refundable credits. They are added to your refund.

**The Federal Savers Credit**

You may be able to get a credit for putting money into a retirement plan. The credit may be as much as $2,000 for a married couple. The credit is a percentage of what you put into the plan. The highest percentage is for taxpayers with the least income.

To qualify for the Savers Credit, your income must be below certain limits. For a married couple it must be less than $55,500.

**The Federal Child Tax Credit**

The Child Tax Credit may be as much as $1,000 for each child who qualifies. To qualify, a child must

- be younger than 17
- be your son, daughter, stepchild, foster child, adopted child, brother, sister, stepbrother, stepsister, grandchild, niece, or nephew
- be supported by you
- be claimed as a dependent on your tax return
- be a United States citizen or resident alien
- live with you

The credit is reduced if your income is above certain limits. For a married couple filing together, the credit begins shrinking if their income is more than $110,000. The Child Tax Credit is not a refundable credit. However, if the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit. That credit is refundable.

**Find Out What Credits You Qualify For**

To find out if you qualify for any of these credits, visit these pages on the Internal Revenue Service’s website.

Decide How Much You’ve Learned

What Have You Gained from this Course?

This simple survey will help you decide how much progress you’ve made toward financial fitness. All you have to do is check yes or no for each question.

1. Do you know the difference between needs and wants?  
2. Do you understand all the information on your paycheck stub?  
3. Are you taking advantage of all your job benefits?  
4. Do you know what government benefits may help you financially?  
5. Do you know your household’s total monthly income and expenses?  
6. Have you made a budget?  
7. Do you use a budget?  
8. Do you save your financial records and receipts?  
9. Do you know how to stretch your spending budget?  
10. Do you use a shopping list?  
11. Do you understand how interest increases the cost of borrowing?  
12. Do you understand why credit buying costs more than paying cash?  
13. Do you limit your credit buying?  
14. Do you check your credit card balance often?  
15. Do you avoid high-interest loans?  
16. Have you set financial goals for yourself?  
17. Have you checked your credit report in the last six months?  
18. Do you know how to correct errors in your credit report?  
19. Have you paid your debts or made a plan for paying them?  
20. Do you understand when and why banks charge interest?  
21. Do you understand when and why banks pay interest?  
22. Do you understand the fees that check cashers charge?  
23. Do you have a savings account?  
24. Have you saved for emergencies and annual expenses?  
25. Do you understand how interest helps your savings grow?  
26. Do you have a checking account?  
27. Do you check your bank statements every month?  
28. Do you keep your checking account balanced?  
29. Do you know how to get help preparing your income tax return?  
30. Do you know about tax breaks that may save you money?

Now look at your no answers. These are the areas of your financial life that you still need to work on. One by one, return to the lessons that focus on the topics of the questions that you answered no. Work through those lessons again. Try to turn each no into a yes.
Go Beyond this Program

Congratulations

If you’re using what you’ve learned in this program, you’ve come a long way toward a healthier and happier financial life. You should be feeling healthier and happier overall. You’ve made progress toward a better future. You’ve achieved a lot. Congratulate yourself. Then get back to work. There’s more progress to be made. There’s an even better future ahead of you. Continue to use what you’ve learned. You’ll continue to progress. You’ll find your way to that better future.

Your To-Do List

Let’s see what still remains to be done.

**Have you taken control of your finances?** Does your financial life feel stable? Do you understand your dealings with banks and credit card companies? Do you feel that you’re making good financial decisions? If so, great. If not, decide what you still need to do to take control.

**Are you achieving your financial goals?** Do you feel that your financial goals are sensible and achievable? Do you feel that you’re making progress financially? If so, great. If not, act now to revise your financial goals. Then make a workable plan to achieve them.

**Are you out of debt?** Have you paid all your credit-card debt? Have you paid all your loans? If you do still have debts, are they manageable? If you have debts, are they reasonable, such as a car loan that provides transportation to work? If so, great. If not, go through your budget to find money that you can use to pay off your debts.

**Have you improved your income?** Are you employed? Are you fully employed? Do you feel adequately paid for the work you do? Do you feel that you’re getting the benefits you should? If so, great. If not, use what you’ve learned to get a job or get a better job.

**Do you keep your expenses under control?** Do you know where your money goes? Do you set budgets and stick to them? If so, great. If not, you should try to develop a habit of budgeting. Review the entire budgeting chapter and make it work for you.

**Do you have your cash flow under control?** Are you making it from one paycheck to the next? Are you able to avoid borrowing to see you through? Do you have money put aside for unexpected expenses? If so, great. If not, you have to make your weekly, monthly, and yearly budgets work together.
Do you feel that you have a solid financial life? Do you have money in the bank? Do you have solid credit reports? Do you see a bright financial future ahead for you and your family? If so, great. If not, you haven’t been putting this course to use. You should look back through the lessons and see which ones you need to work on.

Do you worry less? Do you feel that your life is under control? Do you feel that there is enough money? Do you feel that you know how to make things better? Do you feel confident? If so, great. If not, you should consider working through the entire course again.

Do What Needs to Be Done

Here are some ways to continue to make this program work for you when you’re on your own.

Build a support network to keep you on track. Get your family involved in the work of building a healthy and happy financial life. Teach them what you’ve learned. Bring them into the process. Turn them into budgeters and savers. Get them to help you keep the family finances under control.

Review this course regularly. Read a bit of it every payday. Make that a habit. However, don’t stop at reading and reviewing. Put the lessons to work.

Learn the art of self-motivation. Spend some time visualizing the financial life you’re working toward. Savor it as you visualize it. When you’re struggling to make progress, slip into that visualization again. Remind yourself that to get to that future you’ve got to work hard now. When you do make progress, give yourself a reward. The best reward is praise from someone who cares about you. So when you have good news, tell someone who’s likely to congratulate you.

Keep your financial goals in mind and up to date. Know what you want to achieve. Adjust your plans as your financial situation changes. Be sure that your goals are realistic.

Don’t let setbacks discourage you. Life is full of surprises. It brings us good news, and it brings us bad news. Your progress toward a better financial future is likely to have its ups and downs. But if you follow the advice in this course, you can make the ups overcome the downs. And you can get where you want to go.
Program Tools

On the following pages you will find tools for completing the lessons in this program and for managing your financial life.

Weekly Planning Chart
Total Income Worksheet
Total Expense Checklist
Total Expense Worksheet
Basic Budget Worksheet
Yearly Expenses Calendar
Yearly Expenses Budget
Current Financial Situation Worksheet
Long-Range Financial Goals
Financial Goals for this Year
**Weekly Planning Chart**

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<th>Sunday</th>
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</tbody>
</table>

**Plan for the Week of _____________________**
Total Income Worksheet

Use this checklist and worksheet to figure out your total monthly income. The checklist will help you make sure that you don’t overlook any income.

☐ wages
☐ bonuses
☐ commissions
☐ tips
☐ unemployment benefits
☐ Supplemental Nutrition Assistance Program (SNAP, sometimes called “food stamps”)
☐ Housing Choice Vouchers (sometimes called “Section 8 Housing”)
☐ Low Income Home Energy Assistance Program (LIHEAP)
☐ Temporary Assistance to Needy Families (TANF)
☐ Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
☐ child support
☐ assistance from your state
☐ assistance from your city or town
☐ assistance from charitable organizations
☐ Social Security payments, including Social Security Disability Insurance or Supplemental Security Income
☐ pension distributions

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT</th>
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<tbody>
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</tbody>
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TOTAL

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Total Expense Checklist

Use this checklist and the worksheet on the next page to figure out your total monthly expenses. The checklist will help you make sure that you don’t overlook any expenses.

- housing: rent
- housing: mortgage
- housing: home repairs
- housing: household supplies
- insurance: life insurance
- insurance: renter’s insurance
- insurance: health insurance
- utilities: electricity
- utilities: gas
- utilities: water
- utilities: sewer
- entertainment: cable television
- entertainment: DVD rentals
- entertainment: other
- internet access
- phone
- transportation: public transportation
- transportation: car payment
- transportation: car insurance
- transportation: car registration
- transportation: car gas
- transportation: car maintenance
- food: groceries
- food: meals, drinks, snacks prepared outside the home
- clothes: purchases
- clothes: cleaning and laundry
- personal care items
- medical: medication
- medical: doctor visit co-pays
- medical: other medical expenses, such as eyeglasses
- education expenses
- children’s school expenses
- debt payments
- savings: emergency
- savings: long-term goals
- savings: short-term gifts and outings
- charitable giving
# Total Expense Worksheet

Use this worksheet to figure out your total monthly expenses.

<table>
<thead>
<tr>
<th>FIXED EXPENSE ITEMS</th>
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**FIXED EXPENSES SUBTOTAL**

**OPTIONAL EXPENSE ITEMS**

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**OPTIONAL EXPENSES SUBTOTAL**

**TOTAL MONTHLY EXPENSES**
## Basic Budget Worksheet

<table>
<thead>
<tr>
<th>MONTHLY INCOME</th>
<th>MONTHLY EXPENSES</th>
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<td>TOTAL MONTHLY EXPENSES</td>
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Yearly Expenses Calendar

Use this checklist and worksheet to help plan for annual expenses. The checklist will help you make sure that you don’t overlook any expenses.

☐ auto registration
☐ auto inspection
☐ birthdays and other family celebrations
☐ childcare, additional during school vacations
☐ holiday gifts and celebrations
☐ insurance, auto
☐ insurance, life
☐ insurance, renter’s
☐ school expenses at the start of the year
☐ taxes, federal
☐ taxes, state

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<th>MONTH</th>
<th>EXPENSES</th>
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<td>December</td>
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# Yearly Expenses Budget

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| TOTALS |     |     |     |     |     |     |     |     |     |     |     |     |

*New Beginnings is a program of Family Promise*
Summit • New Jersey • (908) 273-1100
[www.familypromise.org](http://www.familypromise.org) • © 2014
**Current Financial Situation Worksheet**

Enter your assets in the left-hand column. Enter your liabilities in the right-hand column. Figure your current financial situation in the section at the bottom of the chart.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES</th>
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<tbody>
<tr>
<td>Cash on Hand</td>
<td>Loans that You Owe</td>
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<tr>
<td>Cash in Banks</td>
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<tr>
<td>Money You Are Owed</td>
<td>Credit Card Balances</td>
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<tr>
<td>Investments</td>
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<td>Retirement Funds</td>
<td>Bills Due and Overdue</td>
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<td>Life Insurance</td>
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<tr>
<td>Vehicle</td>
<td>Taxes</td>
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<td>Household Furnishings</td>
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<tr>
<td>Personal Possessions</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities</strong></td>
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**CURRENT FINANCIAL SITUATION**

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<th>Total Assets</th>
<th>Total Liabilities</th>
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“The Bottom Line”
Long-Range Financial Goals

Use this chart to set goals for the financial life you hope to have eventually. Look into the future. Use your vision of the future to set goals for your future. Turn your dreams into goals. Write them in the appropriate sections of the chart.

- Be Specific
- Be Realistic
- Be Relevant
- Be Positive

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Financial Goals for this Year

Put your completed long-range goals chart beside a blank copy of this chart.

For the first goal in your long-range chart, think about a step you could take this year that would get you closer to the goal. List that as your first goal for this year. Then go on to the next goal in your long-range chart and do the same thing. Think of a step for this year. Continue until you’ve completed the chart.

**Remember:** Be specific, be realistic, be relevant, and be positive.

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