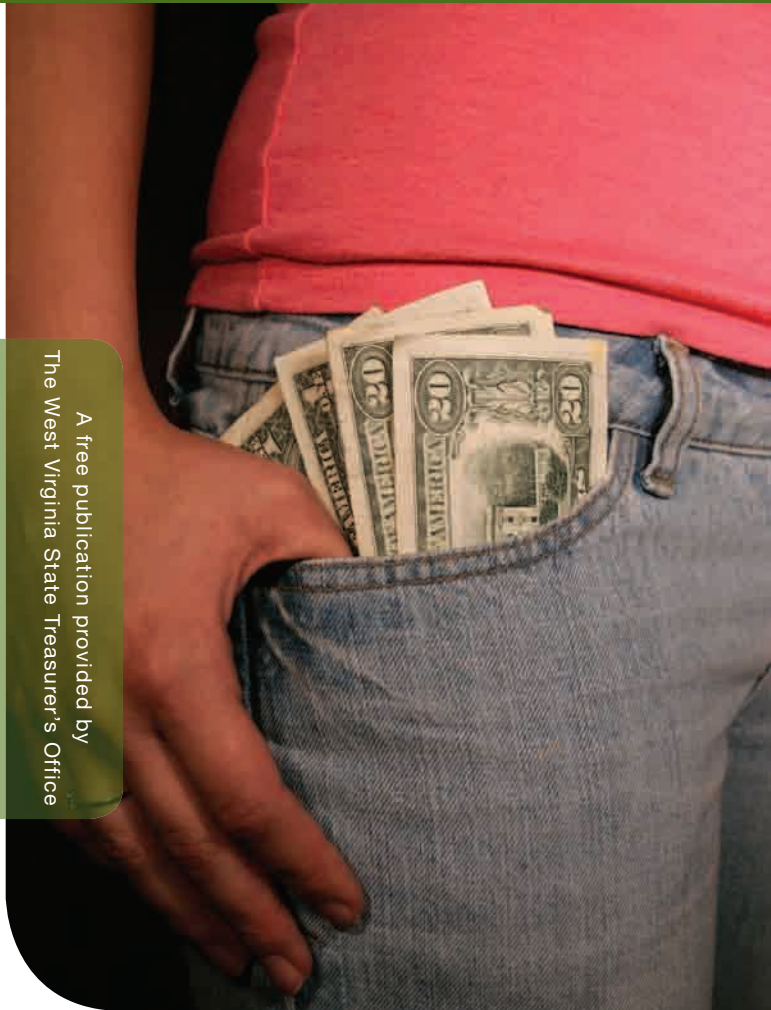


BUDGETS ARE COOL TO LEARN ABOUT IN SCHOOL



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MANAGING YOUR MONEY

WHY IT IS IMPORTANT TO START YOUNG



This booklet is designed to help you understand the importance of saving money and how to spend your money responsibly. Remember – it’s never too soon to learn about money!

It seems people don’t save money these days. Personal savings rates are at an all time low, and many people nearing retirement don’t have enough money set aside to support themselves.

Did You Know?

- Over 70% of students use credit cards
- Debt problems can cause depression in students, and that affects study habits and academic performance
- Students strapped with high credit card debt have a more difficult time repaying student loans and have an increased probability of default
- This year, many families will pay about the same amount in interest on credit cards as they spend for food

It’s pretty obvious that many people just aren’t good at managing their money. That’s why it’s so important for you to learn how to save and spend wisely right now. By developing good money management skills, you can make your own future secure and get everything you want out of life.

In this booklet, you will learn how to establish guidelines for saving and spending, how to budget your money, and how to handle credit wisely.

GOAL-SETTING GUIDELINES



It is a good idea to write down your goals for saving money. That helps you keep in mind what you want to achieve – and how to get there.

Your goals should be:

- Realistic (for example, a student working part-time is not likely to be able to afford a new car without help)
- Specific (“I need to save \$1,000 for a down-payment on a car”)
- Limited in time (“I want to pay back my mom within the next three months”)
- Actionable (“I will start an automatic deposit savings account with monthly withdrawals from my checking account”)

TRACKING YOUR SPENDING HABITS

Make a list of all the money you spend in a month. Examine your list, and then answer the questions below:

- What patterns do you observe in your spending habits? Do you buy a soda every day? Do you get food from the vending machine on a daily basis?
- How do you decide what to purchase? Do you buy on impulse or do you plan out what you buy?
- What factors influence your purchasing decisions? Availability? Price?

Spending



THE BUDGETING PROCESS

1. Assess your personal and financial situation, including your needs, values, and stage of life.
2. Set personal and financial goals.
3. Create a budget for mandatory, flexible, and optional expenses based on your projected income. Mandatory expenses are the same each month, such as rent, loan payments, insurance premiums, car payments, etc. Flexible expenses differ each month, based on how you choose to spend your money. Examples are grocery bills, restaurant expenses, entertainment, clothing purchases, etc. Optional expenses are items that are not necessary for survival. If you are spending more money than you earn, you need to eliminate items from this category to cut back on expenses.
4. Monitor your current spending patterns.
5. Compare your budget of how you wanted to spend your money to what you have actually spent.
6. Review your financial progress and revise your budgeted amounts.

SETTING UP YOUR BUDGET

Use the forms on the next page to create your personal budget. After you've completed these forms, try to stick to your budget for one month. At the end of the month, write down your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.



Mandatory Expenses

Expense	Budgeted	Actual	Difference
Car Payment	\$	\$	\$
Car Insurance	\$	\$	\$
Bus Fare	\$	\$	\$
Credit Card	\$	\$	\$
Other	\$	\$	\$
Total	\$	\$	\$

Flexible Expenses

Expense	Budgeted	Actual	Difference
Gas/Fuel	\$	\$	\$
Car Repair/Maintenance	\$	\$	\$
Telephone/Cell Phone	\$	\$	\$
Food	\$	\$	\$
School Supplies	\$	\$	\$
Clothes	\$	\$	\$
Savings	\$	\$	\$
Total	\$	\$	\$

Optional Expenses

Expense	Budgeted	Actual	Difference
Recreation	\$	\$	\$
Movies/Plays	\$	\$	\$
Sporting Events	\$	\$	\$
Magazine/Newspaper	\$	\$	\$
Barber/Beauty Salon	\$	\$	\$
Other	\$	\$	\$
Total	\$	\$	\$

Income Worksheet

Expense	Budgeted	Actual	Difference
Your Wages	\$	\$	\$
Allowance	\$	\$	\$
Other Income	\$	\$	\$
Total	\$	\$	\$

AN EXAMPLE OF HOW TO REWORK YOUR BUDGET

Let's say Joe works part-time at a grocery store while he attends high school. Joe ends up taking home about \$600 each month from his paycheck.

Joe's mandatory expenses each month are a \$175 car payment and \$98 for car insurance. His flexible expenses are \$50 for college savings, \$30 for his cell phone, \$100 for food, \$40 for gas and oil. Joe's optional expenses are \$40 for clothes, \$20 for the movies, \$30 on recreation. In a typical month, Joe is left with \$17 after expenses.

ADJUSTING JOE'S BUDGET

Let's say this month Joe picks up \$45 in overtime (additional income) and his expenses change. His car insurance goes up to \$118. Joe spent only \$90 on food, but paid \$25 at the movies and for pizza with his friends. He spent \$30 for a birthday present for his mom (an unbudgeted expense).

How did Joe do this month? His extra income allowed him to spend more money, but he still didn't spend more than he earned. Good going, Joe!

WHY CREDIT CARD COMPANIES WANT TEENS



You've probably received lots of mail from credit card companies. More and more teenagers are being offered credit these days – despite the fact that most full-time students don't have regular income.

Teens and young adults are also solicited by credit card issuers because:

- College students spend a lot of money on things like tuition, books, late night pizzas, and t-shirts. Often, these expenses are charged to credit cards.
- College students generally have high future earning potential, as well as high spending potential.
- Several studies have found most people hold onto their first credit cards for up to 15 years.
- Aggressive marketing techniques have paid off for the credit card companies. An estimated 80% of today's college students have credit cards.

10 TIPS FOR YOU TO HANDLE CREDIT WISELY



With so many young people having credit cards these days, the risk of getting into debt trouble is greater than ever. Don't be tempted to get in over your head. Here are some tips for handling your credit wisely:

1. Remember that credit is a loan that you must repay. Before you apply for your first credit card, decide what you will use it for and more importantly, how you will pay the bill.
2. Take your time. Start with one card with a low credit limit, and use it responsibly before you even consider getting another.
3. Shop around for the best deal. Check out **www.bankrate.com** for some great advice on credit card deals.
4. Study your card agreement closely; always read the fine print on the inserts enclosed with your bill. Credit card offers differ substantially, and issuers can often change the terms at will, with 15 days notice.
5. Try to pay of your balance each month. Sure, you can just pay the minimum, but you'll be surprised at how quickly those finance charges add up. If you owe \$1000 on an 18% card, for example, and you pay only the minimum each month, it will take you over 12 years to repay the balance.
6. Pay your bills on time. Even one late payment can put a black mark on your credit record – and might cause your issuer to raise your interest rate to the maximum allowed under your agreement.
7. Set a budget – and follow it. A good rule of thumb is to keep your debt payments less than 10% of your after-tax income. If you take home \$750 per month, for example, you should spend no more than \$75 a month on credit card payments.
8. If you move, notify your credit card company immediately of your new address.
9. If you know you are going to be late on a payment, call your issuer immediately – before the payment is late. In most cases, the issuer will work with you to make payment arrangements that won't affect your credit rating.
10. At the first sign of credit card overuse, such as using one card to pay off another, make your credit cards harder to use. Stop your spending by cutting up your cards or giving them to your parents for safekeeping.

ADDITIONAL RESOURCES



www.jumpstartcoalition.org

www.crediteducation.org

American Financial Services Association Education Foundation

www.afsaonline.com

High School Money Book

www.adams-hall.com

National Endowment for Financial Education (NEFE)

www.nefe.org



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