

Tips - Managing Your Money



Why plan your spending?

- Using a budget or spending plan gives you a clear picture of where your money is going and therefore reduces surprises and manages your stress about money.
- Planning and keeping your spending lean helps you direct your money to what YOU want. Distinguish between your **WANTS** and **NEEDS** – a need is what keeps you living (water, shelter, food, clothing, utilities). Prioritize your budget based on your needs.
- A budget helps you understand if your income covers your expenses – if expenses exceed your income and no action is taken, the result is going further into debt.
- Use last month's bills to get you started. Average yearly/quarterly amounts or those that vary with the seasons.
- If you keep a log of your spending for 1 month, it can help you create your budget, be realistic and avoid unnecessary expenses.
- Assume there may be emergencies.

What to do if your income doesn't cover your expenses?

- You only have 2 options: a) Reduce your expenses or b) increase your income.
- How to cut expenses? Get creative.
 - ⇒ Move to cheaper housing.
 - ⇒ Get a roommate or rent out a room.

- ⇒ Share housing & expenses with others.
- ⇒ Find services that will cut expenses in specific budget categories (e.g., food banks or free food distribution, vouchers for gas or laundry, etc.).
- ⇒ Arrange your life so you can cut expenses – move closer to work or services, use public transportation, car pool, cut to 1 car.
- ⇒ Buy used items – clothes, car, furniture, etc.
- ⇒ Cut food expenses by taking your lunch to work, using coupons, buying what's on special, planning your meals to cut impulse buying, buying less processed food that costs more.
- ⇒ Avoid restaurants (the cost is typically 4 times the cost of eating at home).
- ⇒ Cut TV and phone costs – remove your landline and use your cell phone or vice versa; get rid of cable, go to a simpler cable or phone plan.
- ⇒ Sell what you have around the house that you don't need or use – e.g., garage sales, Craigslist.
- ⇒ Change to a bank account with lower fees.
- ⇒ Find cheap recreation – potlucks with friends, free will donation activities (e.g., Como zoo or observatory), parks, hiking, picnics, etc.

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by Century College community partner MidWestOne Bank.

- Get a second, part-time job.
- Get out of debt and stay out of debt
 - ⇒ Avoid credit cards and credit card debt – live on cash where possible.
 - ⇒ Keep one credit card for emergencies and for your credit score.
 - ⇒ Always pay the balance in FULL each month.
 - ⇒ Stay away from high fee, high rate cards or auto title loans – store credit cards and loans are often the most expensive.
 - ⇒ Credit card debt is very expensive – rates and fees are high!
 - ⇒ If you have balances, live leanly and pay off the ones with the highest interest rate first while keeping the other ones current. Once you've paid another balance off, use the funds to pay more on the next high rate balance.
 - ⇒ Pay more than the minimum amount - Paying the minimum payment may mean taking **years** to pay off a debt with substantial interest. It may cost you **double or triple** the cost of the item you purchased.

How to save money?

- Find money to save if possible:
 - ⇒ Use the budget above to find extra \$ or reduce expenses to find \$.
 - ⇒ Reduce current expenses with free services – for example, use food shelves or free food donations.
 - ⇒ Each time you get a raise, don't raise your living expenses – save the new money in an emergency fund or pay off debt or invest in your employer-sponsored 401K (especially if they match savings with free money).
- Start and keep an emergency fund to handle surprises. Typically, it is 3-6 months of income.
- Don't use your emergency fund unless it's a true emergency.

- Save all or some of your bonuses or tax returns. Save your change.
- See if your bank offers an easy way to save with savings products such as Bank Your Change.



How to bank to avoid fees?

- Use a check register and routinely balance your account (e.g., make sure all your outstanding items have posted and cleared the bank when trying to match your balance to the bank balance). Include ATM fees in your register to avoid going over your balance.
- Bankers are typically there to help. Don't be afraid to stop in and visit a banker at your bank especially if you're having financial or banking issues.
- Overdrawing your account or making your account go negative results in with fees that are typically in the \$30's.
- Work with your bank if you've had banking issues previously and especially if you can't get an account.
- Make sure you are in the right type of account. Some accounts charge fees if you don't meet specific criteria.
- Use the option to stop ATM transactions if you have no funds so you don't exceed your balance.
- Use online banking tools such as low balance alerts. No computer? That's okay. Typically, your bank, or the libraries have one that you can use. You can use your smart phone if you have one. Just ask someone at your bank to help.

Savings with groceries:

1. **Eat at Home** – The cost of cooking at home averages \$1.50 to \$3 per person while a meal at a fast-food restaurant costs \$5 to \$7. Preparing food is sometimes viewed as a lot of work, but it can be a simple meal such as noodles and marinara sauce or cheese, burritos, ham and white beans, grilled cheese, tacos, eggs, sandwiches, or a baked whole chicken. Oatmeal is less than 20 cents a breakfast. Popcorn is less than 15 cents a bowl.
2. **Shopping** – Shop from a list of planned meals to prevent wasting food not used in a recipe. Have a weekly calendar for meals. Shopping while full will also help avoid temptation. Buy items off your list if there is a huge sale on items you normally eat; then stock up and freeze if possible. Purchase bulk items of tomatoes, beans, or fruit or large bags of rice. Only use coupons if you were going to buy the item anyway.
3. **Avoid packaged foods – Try to eliminate pre-made** items such as bags of chips, lunchables, cookies, and soft drinks since these foods are particularly expensive and have little nutrition. You can substitute store-bought protein bars with homemade bars: mix nuts, honey, peanut butter, dried fruit, chocolate chips, and freeze serving sizes in small baggies.
4. **Crockpot** – Invest in a crockpot or buy a used one to save a great deal quickly. Add beans, split peas, lentils, rice, water or chicken broth, potatoes, tomatoes, onions, garlic, carrots, as well as a variety other veggies or meat combination for a tasty and healthy meal. A large bag of whole carrots is cheaper and lasts a long time in the fridge. Store leftover food in baggies and freeze.
5. **Timing of produce** – Freeze fruits and vegetables once they start to wilt or become overly ripen and use in soups or smoothies later.
6. **Non-perishable foods** – A few options for when a kitchen is not available: jerky, raisins, canned fruits and veggies, beans on bread, canned sardines and salmon, rice cakes, whey protein powder, cartons of coconut milk, fresh fruit that you can eat quickly, sweet potatoes that can be eaten raw.
7. **School meals** – Sign up for reduced rate or free breakfast and lunch plans at the schools.
8. **Guilt-free splurges** – People have choices, and you deserve the dignity of buying an expensive item without being asked to explain yourself. While we encourage you to treat yourself within your budget or plan it ahead of time, no one should scrutinize another's habits. Eating is very personal and only you know how to best spend your dollars.

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Expenses	Plan	Actual	Comments
Rent/Mortgage			Approx. 25-30% of income
Utilities			Unplug when not in use
- Electricity			
- Heating Oil/Gas			
- Water/Sewer			
- Cable/Satellite			
- Home Phone/Internet			
- Cell Phone			
- Garbage			
Debt repayment			Try to minimize; pay off debt
- Loan/credit card 1			
Insurances			
- Car			
- House/Rental			
- Life			
- Health			
Medical copays/prescriptions			
Transportation			
- Car payment			
- Gas			
- Maintenance/repairs			
- Public Transportation			
Food			
- Groceries			As a minimum, use \$250 per adult/\$85 per child
- Eating Out			
Pets			
- Food			
- Vet			
Household maintenance & items			
Personal care (hair, cosmetics, etc.)			
Clothing, laundry, cleaning			
Charity			
Entertainment (movie rentals, travel, events, hobbies)			
Gifts (Christmas, birthdays, etc.)			
Savings			
Miscellaneous			
Subtotal			
Income			
Expenses			
Difference +/-			

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Instructions:

1. Use last month's or previous bills to get you started.
2. Adjust for yearly/quarterly or seasonal variations where it makes sense (e.g. utilities)
3. Use actual amounts paid each month until you're comfortable.
4. If your income is less than expenses, look at controllable expenses you can reduce.
5. Seek help if you need it.

Creditor	Minimum Payment	Total Amount Owed	Interest Rate
Total	0	0	

Rules of Thumb:

Your total debt divided by your total after-tax monthly income is your "debt to income ratio".

Your maximum debt to income ratio should not exceed 43%.

As unsecured debt (debt not secured by a physical item such as a house or car) rises above 10-15%, it's harder for an individual to pay them off without intervention.

Auto loans should be no more than approximately 10% of your pre-tax monthly income.