
Making Budgets Work

Workshop Goals



In this workshop, you will...

- 1 Determine your personal obstacles to budgeting.
- 2 Create a format to track and analyze your spending.
- 3 List your short- and long-term goals.
- 4 Discuss the importance of debt reduction and emergency savings.
- 5 Apply strategies to manage your day-to-day spending.

What Is Budgeting?

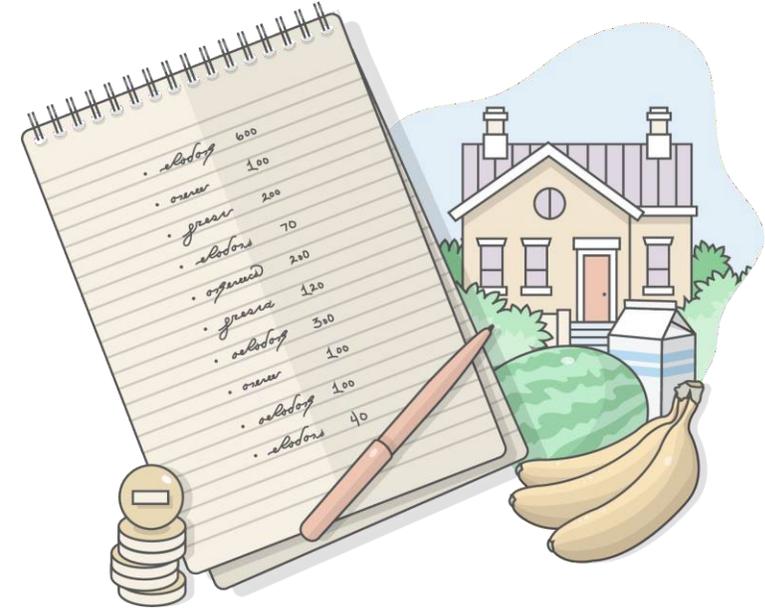
Budgeting is the process of creating a plan to spend your money.

How can a budget help me?

Helps you live within your means.

Helps you pay down debt.

Helps you save for the future and emergencies.



Poll Question:

What are some obstacles to budgeting?

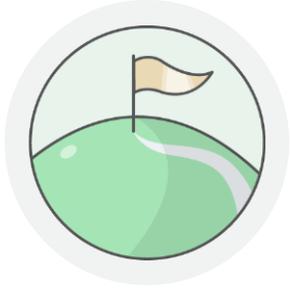
Response choices:

- A. It takes too much time.
- B. It's too complicated.
- C. It's stressful.

Why We Don't Budget

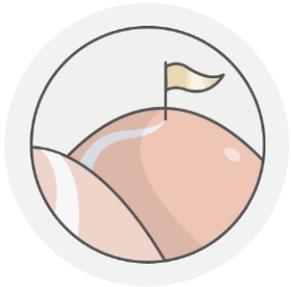
- “ I don't want to think about the future.
- “ It's too complicated.
- “ It takes too much time.
- “ My income and spending is not consistent enough.
- “ I'd rather just keep doing what I'm doing.
- “ I have no self-control.
- “ Budgeting causes more stress than it's worth.
- “ It's a hassle.
- “ I can't keep up, so why start?

Goal Setting



SHORT-TERM GOALS **Less than 3 years**

- Paying off a credit card
- Setting up emergency savings
- Saving for a vacation, medical procedure, furniture, home improvements



MID-TERM GOALS **3–10 years**

- Buying a car
- Down payment on a home
- Paying off a debt



LONG-TERM GOALS **10+ years**

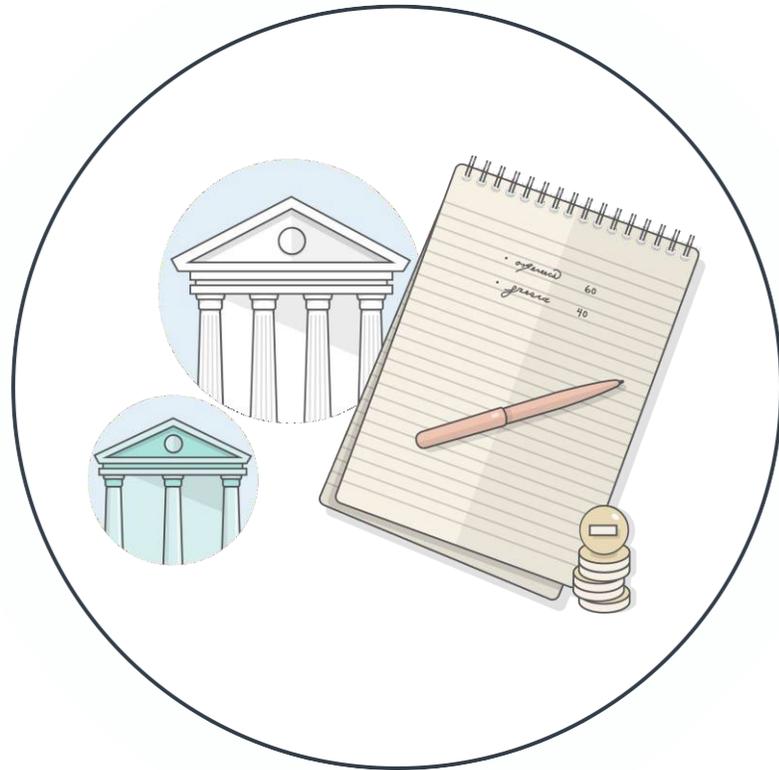
- Saving for retirement
- Paying off a mortgage
- Creating a college savings fund

Participant Guide: Setting Your Goals



Goal	Amount	Time
<i>Build emergency savings</i>		

How Can I Get Organized?



Before creating a budget, organize your financial documents.

You'll need:

- All your sources of income.
- A record of your average monthly expenses. If possible, keep track of your expenses for at least three months so that you know how much you spend on each item on average.
- A list of your debts.

Participant Guide: Sources of Income



Income Source	Amount Each Month
TOTAL MONTHLY INCOME	\$

Participant Guide: Expense Tracker



Expense	Average Monthly Cost	Want or Need?
DEBTS		
TOTAL MONTHLY EXPENSES (Average):	\$	

Participant Guide: Listing Debts



Debt	APR%	Monthly Payment	Balance
TOTALS		\$	\$

Participant Guide: Your Discretionary Income

To calculate your discretionary income

Subtract your monthly expenses (including Debts) recorded in Section II of your Expense Tracker from your total income recorded in Section I under Sources of Income.

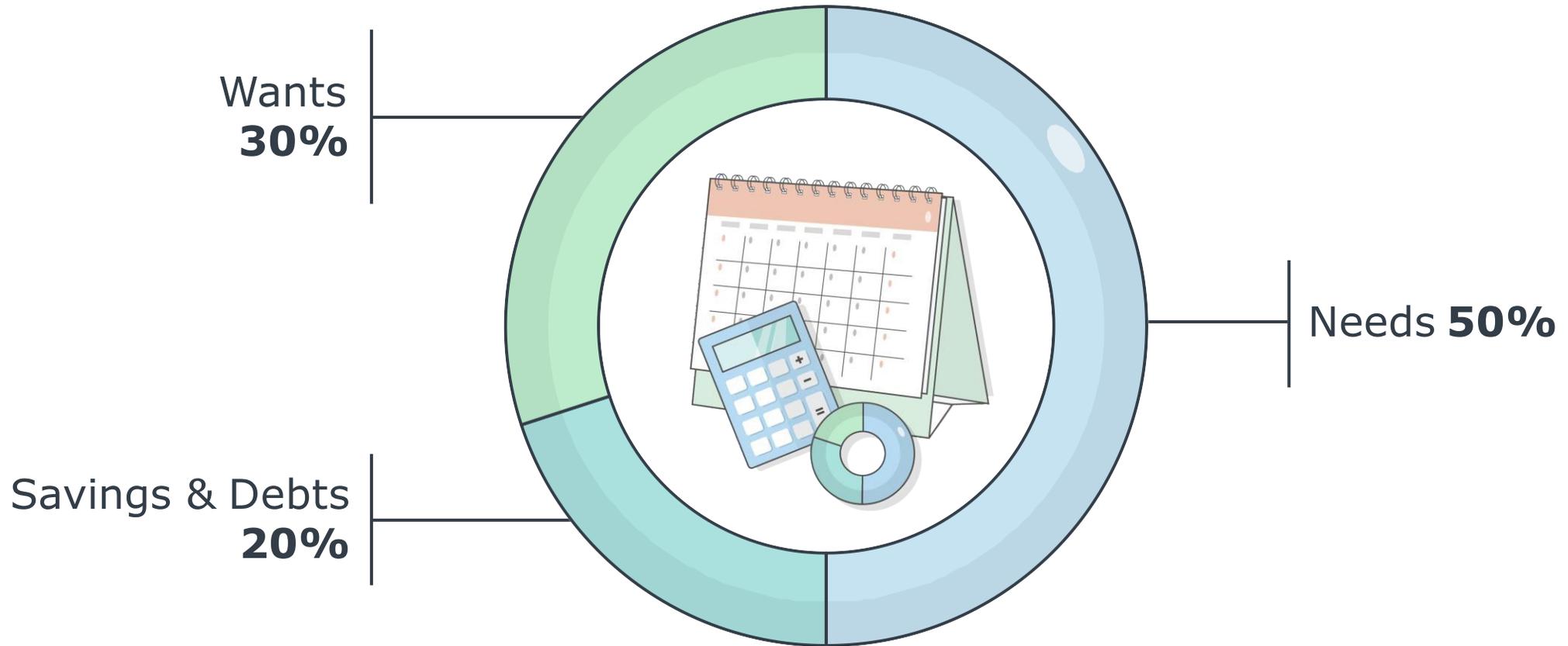
This is the amount you are able to apply currently towards savings or paying down your debts.



Total Monthly Net Income		Total Monthly Expenses		Discretionary Income
\$	-	\$	=	\$

The 50/30/20 Budget Rule

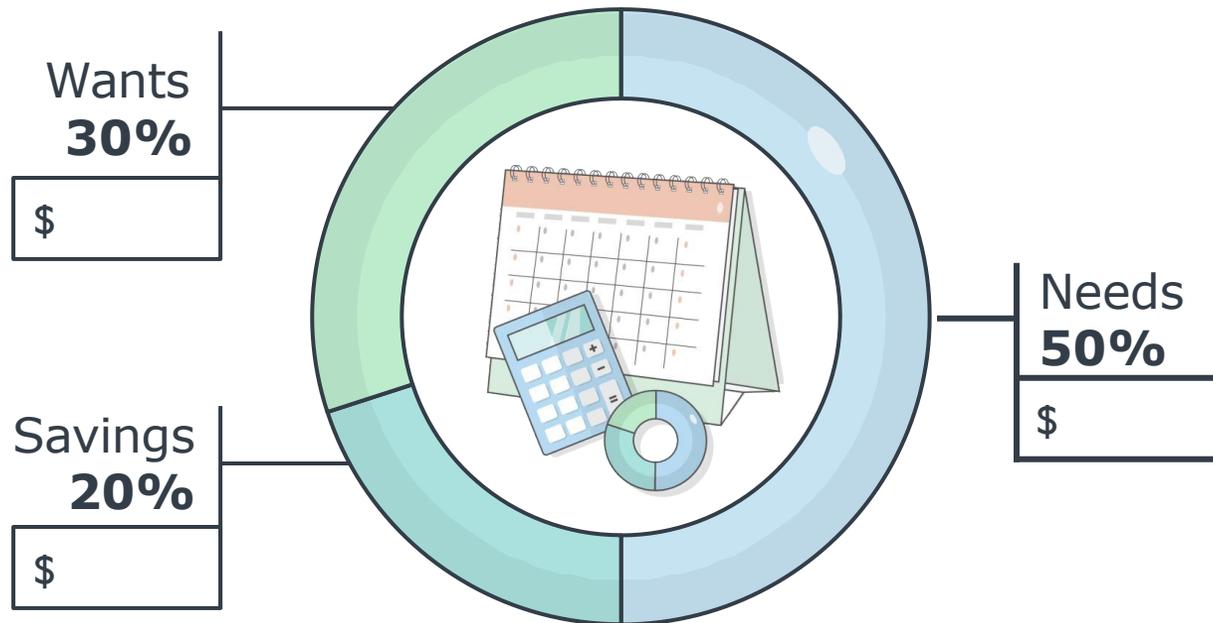
Use the 50/30/20 rule to create your personal budget.



Participant Guide: The 50/30/20 Rule

The 50/30/20 Budgeting Rule

Your Monthly Net Income \$ _____



Calculating Percentage Spent: Needs and Wants

What percentage of your income is paying for your "NEEDS"?

$$\frac{\$ \text{NEEDS Total}}{\$ \text{Monthly net income}} = \text{ } \times 100 \text{ } \%$$

What percentage of your income is paying for your "WANTS"?

$$\frac{\$ \text{WANTS Total}}{\$ \text{Monthly net income}} = \text{ } \times 100 \text{ } \%$$

Participant Guide: Needs and Wants

The 50/30/20 Budgeting Rule

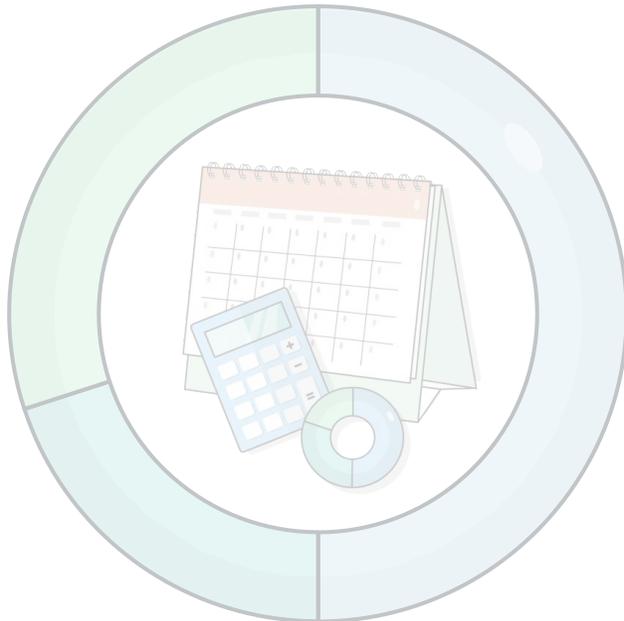
Your Monthly Net Income \$ _____

Wants
30%

\$

Savings
20%

\$



Needs
50%

\$

Calculating Percentage Spent: Needs and Wants

What percentage of your income is paying for your "NEEDS"?

$$\frac{\$ \text{NEEDS Total}}{\$ \text{Monthly net income}} = \text{ } \times 100 \text{ } \%$$

What percentage of your income is paying for your "WANTS"?

$$\frac{\$ \text{WANTS Total}}{\$ \text{Monthly net income}} = \text{ } \times 100 \text{ } \%$$

Debt Repayment Strategies



The Avalanche Method:

Pay off debts with the highest interest first

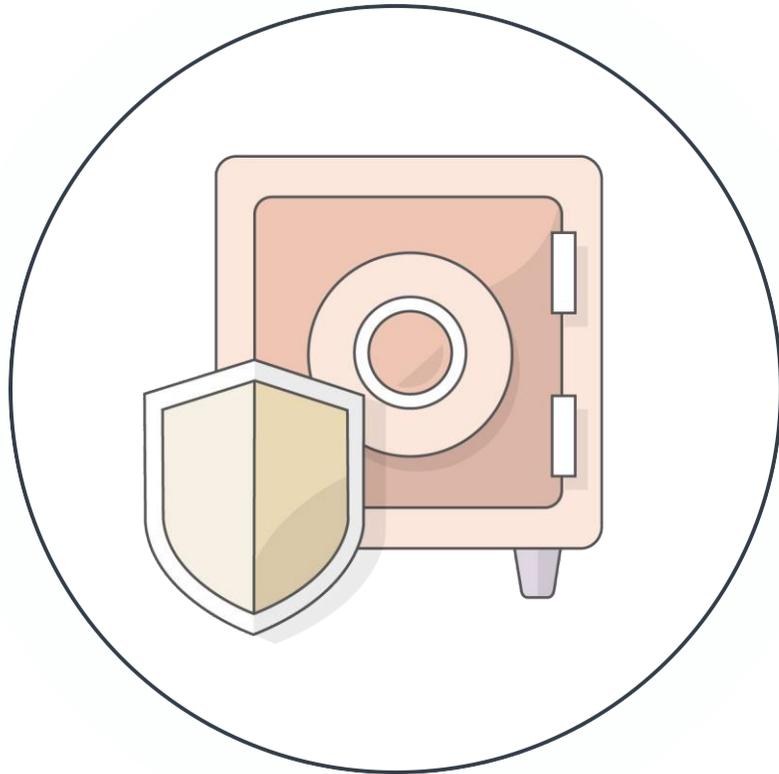


The Snowball Method:

Pay off debts with the lowest balance first

Debt	Interest Rate	Balance
A. Major Credit Card	26%	\$3,000
B. Retail Credit Card	22.3%	\$800
C. Personal Loan	15%	\$1,800
D. Student Loan	5%	\$21,000

How Would You Deal with an Emergency?



Protecting Yourself

- The average emergency financial shock is \$2,000.
- Aim to save at least 3 months of living expenses.
- Remember to get insurance.

Participant Guide: Cutting Expenses



Expense	How much or what can be cut?

Strategies to Free Up Funds



Tips for Spending and Saving

- Review subscriptions
- Shop around
- Check clearance aisles
- Check mark-down sites
- Buy in bulk
- Get it when it's hot

Rules for Deals

- Check expiration dates
- Look for defects and damage
- Shop around
- Will you use it?
- Do you need it?

Strategies for Sticking to a Budget

Strategy #1

Focus on rewards versus punishments

Strategy #2

Make it automatic

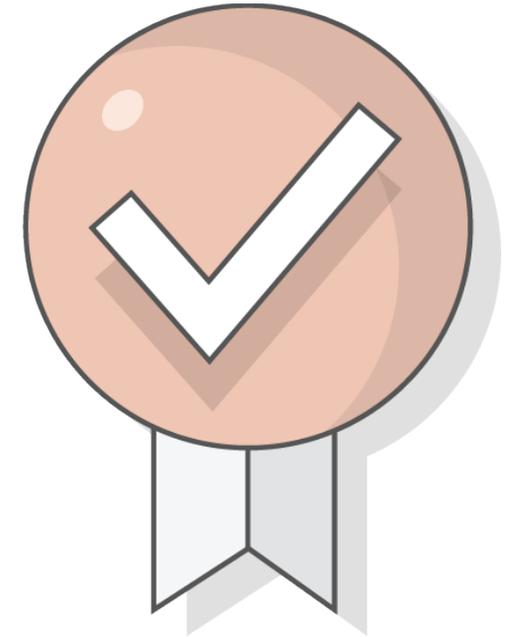
Strategy #3

Create buckets

Strategy #4

Get real-time spending feedback, and set reminders

Don't forget about your financial institution representatives. They might be able to help!



Summary



Today you have learned the following:

- 1 The 50/30/20 Rule can be used to help you create a manageable budget.
- 2 Increasing your emergency savings and decreasing debt will help you save more.
- 3 There are a variety of tips and strategies to help you free up funds and stick to a budget. Use the ones that work for you.



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