How to build your budget

• Write down financial goals for the next few years

• Understand your monthly income and take home pay

• Map it out and track your spending - record everything

• Target discretionary spending

• Review and adjust as needed
Recommended Percentages of a Budget

- Housing: 10-35%
- Utilities: 4-7%
- Groceries: 15-30%
- Transportation: 6-20%
- Insurance: 4-6%
- Medical Exp.: 4-6%
- Clothing: 3-10%
- Savings: 5-9%
- Credit Card Debt: 10-20%
- Misc.-gifts,pets: 2-4%
Best Budgeting Tools

http://studentmoneyskills.bankofamerica.com/start
What’s In a FICO Score

Fact: Missing even one credit card payment can knock 50 to 100 points off a good credit score.

What makes up your credit score?
How your score affects you

• The higher your score, the more likely you are to obtain the things you need—home, auto, job, etc.

• Your credit score indicates to potential lenders how well you’ve managed your finances in the past and how likely you are to repay debts

• Your credit report may be checked by:
  • Banks- to determine whether to offer you a loan or credit card
  • Landlords who are deciding whether or not to rent to you
  • Employers who may want to offer you a job
  • Auto insurance providers, utilities, even cell phone companies

• Paying bills on time, making at least your minimum payment and stay within your credit limit, you’ll earn a good credit rating

• Higher End rating: 850, Middle of Scale: 650, Lower end: 350
Too Much Debt?

• Signs that debt has become a major problem for you:
  • You only pay the minimum every month
  • You use credit instead of cash or your debit card
  • Maxed out credit cards and cash advance lines
  • Surprised by your total debt amount!
  • Have you skipped payments on bills
  • Are bill collectors calling?

In trouble? You are not alone:
• National Foundation for Credit Counseling: www.nfcc.org
• Association of Independent Consumer Credit Counseling Agencies: www.aicca.org
In Debt? 6 tips to reduce debt

• Get motivated, stay positive, and imagine being debt free

• Review your budget: are you living within or below your means

• Make a plan to pay down balances and stick to it!

• Stop adding to your debt, think about consolidating

• Cut back on expenses, especially impulse buys!

• Find more money- second job, yard sale, odd jobs, etc.
Investments: Job or other options

• A 401(k) plan is a retirement plan that is funded with your before-tax salary contributions and often with a matching contribution from your employer.

• Let’s say you have a job making $40,000 a year, and you elect to put $5,000 into your 401(k) plan. Only $35,000 would be recognized on that year’s income tax return. You would not have to pay taxes on the $5,000 that you invested into your retirement account. And if your employer has a matching program in which they contribute money into your 401(k) as part of your benefits package, you are not taxed on that money either.

• So, you save on your taxes AND you get free money from your employer. Sounds like a no-brainer, right? You might be surprised by how many people choose not to participate in their company’s 401(k) plan despite the obvious advantages.

• Don’t fail to invest in your retirement just because you don’t plan to be in a particular job that long. Many employees today migrate from job to job pretty quickly every few years or so. If you wait to start investing for your retirement until you’ve found THE job, you may discover that it’s too late, and you can’t get caught up. So start participating in your 401(k) as soon as you are eligible. When you leave a job, you can generally roll (or move) your 401(k) into your new employer’s plan or into a different rollover IRA. Either way, you are still reaping all the benefits that a 401(k) has to offer.
Plan for the future

• Keep your budget on track and create savings to hold you over for 3 months

• Start saving NOW. A little will go a long way to support your retirement. Rather than spend that bonus on a new boat, invest in your retirement.
  • CDs, IRAs, 401(k), and company stock options

• Take advantage of company investment options
  • Many provide company matching contributions, stock purchase at a discounted rate, or stock options

• Review your credit score once a year to be sure that the information provided on your report is accurate www.fico.com

• Stay informed and use your resources. Talk to your banker, investment advisor, human resources department