

# BUDGETING 101

## PART I

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PRESENTED BY

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# WHY IS BUDGETING IMPORTANT?

- Because budgeting deals with MONEY.
- MONEY is not just a tangible tool. It's also an EMOTION. It can either “make” or “break” a person or even a relationship.
- No two people have the exact same relationship with money
- According to an article by the ASSOCIATED PRESS, money (or rather the improper handling of it) can ruin a marriage in America.



- The news article states that “money and household budgeting” are the **main issues** that cause couples to argue.



- According to Ramsey Solutions, a leading company in financial education, improper use of money and household budgeting is also the second leading cause of divorce.
- The larger a couple’s debt, the more likely they are to say that “money/budgeting” is one of the top issues that cause arguments in their household.
- And **MOST IMPORTANTLY**, when a couple can incorporate a good household budgeting regime thereby reducing or eliminating debt, a positive shift occurs in their marriage.

# The “**Anatomy**” of a Basic Budget

<u>Monthly</u> Personal Budget	
Income	Amount
Total Monthly Household Income (all sources)	\$

- ❖ The first item you need to compute is **total income** for yourself or your household.
  - This number can include such sources as **wages, employer pension, social security pension or disability, military pension, rental income, child support** or **investment income**.



Expenses	Amount
Housing ( Mortgage or Rent)	
2 <sup>nd</sup> mortgage or home equity loan	
1/12 <sup>th</sup> of annual real estate taxes	
1/12 <sup>th</sup> of annual home and auto insurance	
“minimum” credit card payments (total of all cards)	
Auto Loan(s)	
Personal loans	
Child Care	
Gas/Electricity/Oil	
Total Telephone ( Landline) & (cell)	
Garbage/Trash	
Cable/Internet	
Savings and/or Emergency Fund	
Food (including eating out)	
Other *(expenses not already listed above)	
Total Expenses	\$

❖ Next, you will have to determine **TOTAL EXPENSES** for you or your household by adding up the expenses and placing that number in the Total Expense line on the budget.

Some of the most common expenses are listed here to the left; however, the “**OTHER**” category can include items such as **clothing purchases, health and beauty services and supplies, hobbies, gifts and gym memberships and pet needs.** This expense line can change as items change from month to month.

# WHAT'S LEFT?

What's Left	Amount
Monthly Income	
Less Monthly Expenses	
<b>Discretionary Income**</b>	\$

- ❖ Your **FINAL** step would be to input your Monthly Income and your Total Expenses on the appropriate lines your budget .

You would then **SUBTRACT** your monthly expenses from your monthly income. Any income that would remain would be considered your **Discretionary Income** which is the remaining funds your can use at “your discretion”.



**Discretionary Income = Savings!**

# Budgeting Mistakes and How to Avoid Them



## I. Keeping Up With “the Jones”

- **Don't' compare YOUR finances with someone's else's.**

## 2. Not Having an Emergency Account – plan for the unexpected.

- Watch credit card usage.
- Your **Emergency Account** could be a **savings account** or a **checking account**.



## 3. Not using updated budgeting software







# Budget Leaks

**What are they?**  
**What are some examples?**

A Budget (Spending) Leak is basically money that “leaks” out of your household budget without YOU knowing it.

Budget Leaks come in two types:

**1. Overspending leaks-** ones where excess spending occurs in one or several categories.

- Takeout food or restaurant dining are some examples.

**2. Cash leaks (magic trick leaks)** – these occur when the cash in your hand “seemingly disappears right before your eyes.”



- A \$100 ATM withdrawal made on a Friday that “disappears’ by Sunday and you can’t recall what you spent the money on.

# Some Common Budget Leaks

1. “Premium” cable plans



2. Subscriptions

3. Food

every year around the globe  
**1.3 BILLION TONNES OF**  
**FOOD**  
is  
**lost or wasted**  
that is  
**1/3** OF ALL FOOD  
PRODUCED FOR  
HUMAN CONSUMPTION

**4. Drugs-** Use the STORE BRAND or GENERIC of a drug whenever possible.

➤ **Compare drug prices between pharmacies.** **GoodRx**

is a good app to use for this purpose. This app compares drug prices between pharmacies within your area.

**5. Fees** – Not ALL fees are escapable (investment fees) but many are negotiable or reducible.

- **A \$3 foreign ATM transaction fee or the transfer fee**
- **Annual credit card fees**





## Fees (cont.)

- **Late fees and Overdraft Fees** - Pay on time and watch checking account balances.
- **Interest rates** – These fees, at times, are negotiable with the lender. To avoid these fees all together, keep borrowing at a minimum.



## 6. Impulse Buys – Impulse buys occur when you “suddenly on impulse” purchase something that was not planned and not needed.

- The “wait before you buy” rule



- Don't let **ANY** expense go untracked and unaccounted for in your budget.

**7. Coupons** - Can actually cause a **HUGE** budget leak if they are used incorrectly.



# Thank you for participating in the presentation



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# BUDGETING 101

## PART 2

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# The Rule of 752

- The rule of 752 can reveal the cost of any expense **over a ten-year span**. You can take any expense from your budget, use the Rule of 752 and calculate what this expense will cost you over time!

# Expenses using the Rule of 752



## Morning Coffee

Grabbing your favorite cup of coffee each day before work is only \$4. However, over 10 years, that \$4 Mocha Frappuccino is costing you \$15,040!

Rule of 752 -  $\$4. \times 5 \text{ days} = \$20/\text{week}.$

$\$20 \times 752 = \$15,040 \text{ over 10 years!}$



## Weekly Lunch

If you're not bringing your lunch to work each day, then your \$8/day lunch is really going to add up over time.

Rule of 752 -  $\$8. \times 5 \text{ days} = \$40/\text{week}.$

$\$40 \times 752 = \$30,080 \text{ over 10 years!}$

Maybe making a sandwich several days a week,  
is something to consider!



# Final Thoughts

- ❖ If you want to calculate the cost for “**monthly**” expenses, take the expense and multiply it by 173 instead of 752 that is used for weekly expenses.



## Gym Membership

Your monthly gym membership at \$20/month will cost you this much over 10 years!

Rule of 173  $\longrightarrow$   $\$20/\text{month} \times 173 = \$3,460$  over 10 years!



# Ways to Plug Your Budget Leaks

The old saying “**what you don’t know won’t hurt you**” is definitely **NOT** true for budget leaks.

The following methods to find leaks and plug them will help save the day.....

# How can you Plug your Spending Leaks?

- 1. Curb your Spending Habits**
- 2. Know your Weaknesses and AVOID the “Leaky” Places**
- 3. Save ALL of your Receipts aka “Shoe Box Shock”**

# How can you Plug your Spending Leaks? (cont.)

## 4. When tempted... **CARRY CASH**

- Leave the credit cards at home!
- If you find something that you would like during your trip, “spend freely” and pay cash for it.
- However, once the cash is gone, it's gone!



## 5. Delete the “auto credit card option” for all on-line shopping sites



# How can you Plug your Spending Leaks? (cont.)

## 6. Use a password manager

- Do not allow your browser to store ANY of your passwords on the websites you frequent – especially the shopping ones.

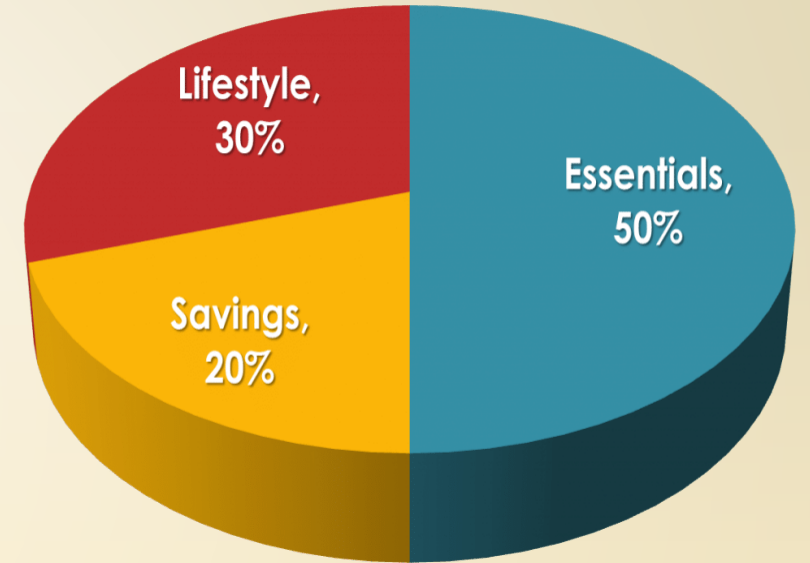
## 7. Convenience Stores are NOT budget-friendly

# The 50-30-20 Rule

The 50-30-20 rule basically suggests “how” you should **balance** your spending each month. 50% of you budget should be on essentials such as food, clothing, shelter and medical care.

The 30% part of your budget should be for your lifestyle or your wants

The final 20% should account for the savings portion of your budget



# 30% Lifestyle

The “lifestyle” portion of your budget is where “budgeting leaks” will occur. It is in this section where you will need to pay attention to your expenses- especially your RECURRING ONES.

*Anything that recurs month to month that is over \$30.00 needs to be examined closely.*

Examples of recurring expenses can be:

Cable, Wi-Fi, cell phone, gym memberships, “free-trial” periods that have ended, monthly subscriptions for magazines or the audio book service “Audible” just to name a few.



Lifestyle,  
30%

# The Five C's

1. **Cancel**

2. **Compare** – actually spend **VS** actually have budgeted

3. **Cut** - *a downgrade in service.*



# The Five C's (cont.)

## 4. **Commit by bundling**

## 5. **Cancel and Challenge on your bank card statement**

- HINT: You can cancel the service even a few moments before you call your credit card company and still be safe. Then, call your credit card company why it is still on your credit card statement.



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# BUDGETING 101

## PART 3

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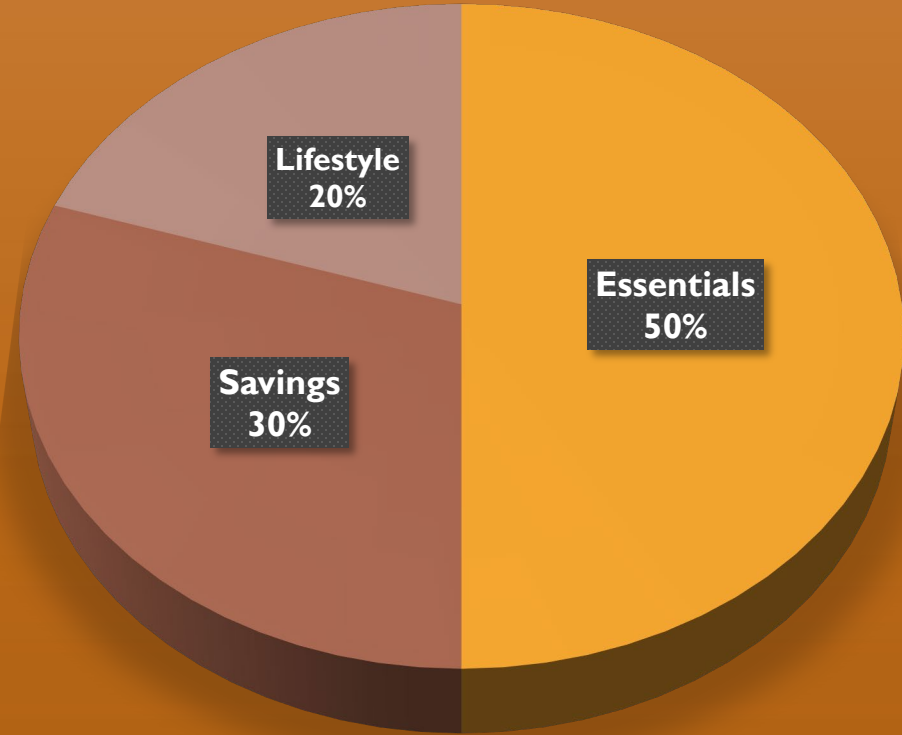
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# Suggestion...

If you want to get ahead of the game, you can change the 50-30-20 rule to the “**Savers Version**”.

You can simply **decrease** your Lifestyle portion to 20% and **increase** your Savings portion to 30%

Personal Budget  
50-30-20 rule  
(Savers version)





# Money Saving Tips for Savers

## Personal Budget 50-30-20 rule (Savers version)



# I. **Make your money work for you**

– **Make savings a monthly expense**



1. **Utilize direct deposit - *What you don't see, you can't spend.***

2. **No-fee checking account**

3. **Watch you ATM fees**

4. **Utilize “rewards” credit cards**

## 2. **“Money Smart” your Home**



- 1. Examine you cable and internet needs**
- 2. Review your telephone and cell phone packages**
- 3. Use a programmable thermostat**
- 4. Use ceiling and floor fans and space heaters whenever possible**

### 3. Be a Savvy Shopper

- Use the internet when researching major purchases and saving money.



#### 1. Use coupons and rebates

- Rebates should also be used for receiving money back from a major purchase. (i.e. tires, major appliance)

#### 2. Free On-line rebate companies

- Consider **EBATES** as a rebate company to seriously consider



### **3. Search for discounts**

### **4. Plan and research major purchases**

- “do your homework” and take the time to look for the best deal when you are making a major purchase

### **5. Buy “quality” whenever you can**

- You usually get what you pay for.
- Look for a quality consignment/re-sales shops that can offer better “quality” retail items at reasonable prices.

### **6. Consider “warehouse” memberships and buying in “bulk”**



## **4. Be a “Budget Conscious” Food Connoisseur**

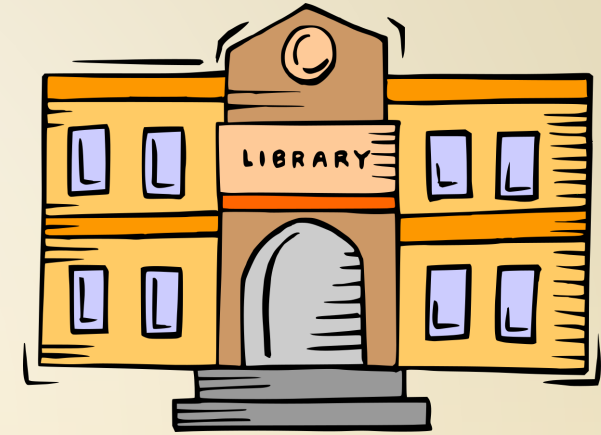
- 1. Use rewards cards**
- 2. Dine In instead of Dining Out**
- 3. Brown Bag your lunches**
- 4. Take advantage of “class” discounts**



**Some Final Tips** – Here are some final suggestions on helping you stay “budget smart”.



## **1. Use the Library**



## **2. Visit Parks**

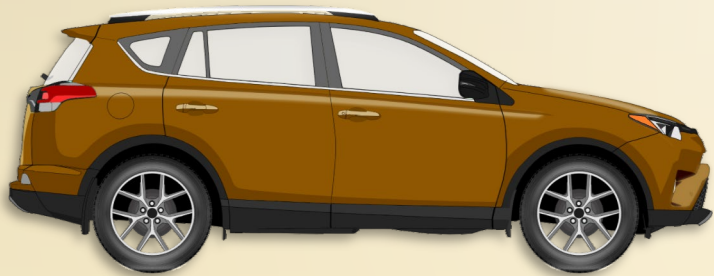
## **3. Consider a paid subscription**

-ones for on-line retail stores like Amazon (i.e. Amazon Prime) and streaming video subscriptions such as Netflix, Hulu and Vimeo.

# In closing.....

## Pride in ownership

- Your **HOME** is the biggest investment you will ever make.



- In addition, maintenance also pertains to your **HOUSEHOLD VEHICLES**.



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