



Personal Finance

HOSTED BY: ASI

Overview of Today's Presentation

1. What is financial literacy and why it's important
2. The basics of budgeting
3. Accounting basics to use in budgeting
4. Introduction to understanding the Financial Markets and Investing
5. Other tips to know for handling money in college

What is
Financial
Literacy?

What is Financial Literacy?

The possession of skills that allows people to make smart decisions with their money.



What is personal finance?

The basics
of
budgeting



Budgeting
for College
Students

What is a budget?

What is a budget?

1. it is a plan for your money, not a restriction on spending

2 it is a plan for what you'll do with your money- what's coming in, what's going out

3. It will give you a sense of control to follow a plan because you give your money *purpose*



Why would you
need a budget
now?

The first step is to define
your financial goals.



How to Create a Budget



Gather

Gather all
financial
statements



Create

Create a list
of monthly
expenses



Calculate

Calculate
Income



Determine

Determine
fixed and
variable
expenses



Total

Total Monthly
Income and
Expense



Adjust

Make
adjustments
to expenses

Gathering Financial Statements

Bank statements

Investment accounts

Any Bills

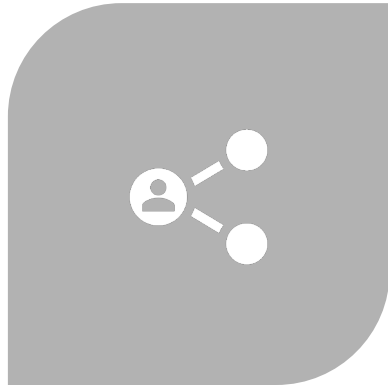
W-2s and 1099s

Credit card bills

Receipts from the last three months

Loan statements

Creating a List of Monthly Expenses



SPLIT THEM INTO NEEDS AND
WANTS



NEEDS ARE EXPENSES YOU
CANNOT GO ON WITHOUT



WANTS ARE EXPENSES THAT
CAN BE THOUGHT OF LIKE
“FUN MONEY”

Calculating Income

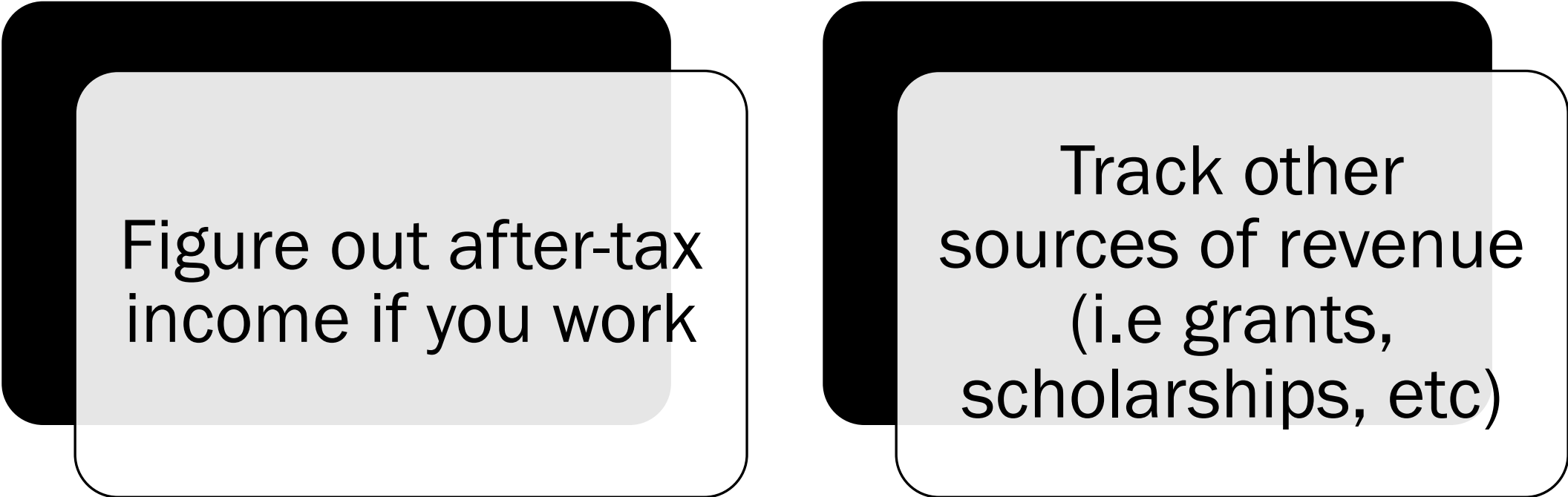


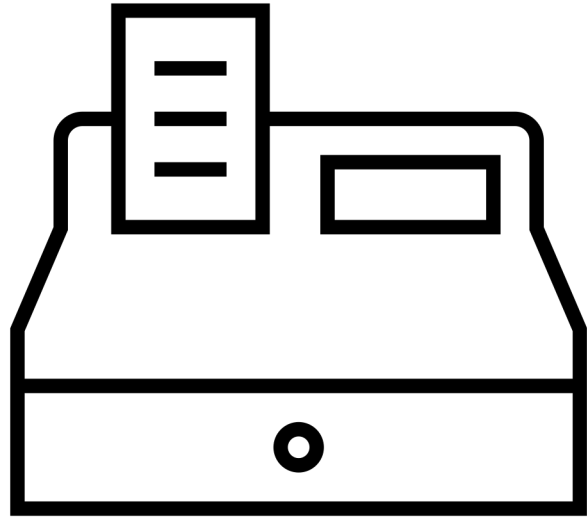
Figure out after-tax
income if you work

Track other
sources of revenue
(i.e grants,
scholarships, etc)

Determine Fixed and Variable Expenses

Fixed expenses- expenses that you pay the same amount for each time (i.e car payments)

Variable expenses- changing from month to month (i.e groceries or transportation)



Total Monthly Income + Expense

The goal: $\text{income} > \text{expense}$

Savings and Debt Repayment

Emergency fund

Savings account

401(k)

Individual retirement account

Other investments

Credit card payments (see budget tip below)

Excess payments on mortgage

Excess payments on student loans

Choosing a budgeting plan

1. **zero-based budget:** which is when *all* your income minus *all* your expenses equals zero.
2. **envelope system:** “enveloping” your expenses
3. **50/30/20 budget:** 50 for needs, 30 for wants, 20 to savings and debt repayment
4. **80/20 budget:** 80 for both needs and wants, 20 to savings and debt repayment
5. **Sub-savings accounts method:** separate savings accounts and separated for specific purposes

Zero-Based Budgeting

From Zero to Hero



January			
Income			
Source	Estimated	Actual	Difference
Income 1	\$5,000.00	\$5,000.00	\$ -
Income 2	\$3,000.00	\$3,000.00	\$ -
Side Hustle 1	\$1,000.00	\$ 850.00	\$ (150.00)
Side Hustle 2	\$ 300.00	\$ 600.00	\$ 300.00
Bonus	\$ -	\$ 250.00	\$ 250.00
Total	\$9,300.00	\$9,700.00	\$ 400.00
Expenses			
Expense Name	Estimated	Actual	Difference
Giving	\$ 930.00	\$ 970.00	\$ 40.00
Saving	\$1,000.00	\$1,400.00	\$ 400.00
Housing	\$2,000.00	\$2,000.00	\$ -
Utilities	\$ 250.00	\$ 190.00	\$ (60.00)
Food	\$ 400.00	\$ 400.00	\$ -
Insurance	\$ 250.00	\$ 250.00	\$ -
Personal Development	\$ 50.00	\$ 35.00	\$ (15.00)
Personal Care	\$ 100.00	\$ 100.00	\$ -
Debts	\$3,500.00	\$3,500.00	\$ -
Children	\$ 300.00	\$ 400.00	\$ 100.00
Clothing	\$ 150.00	\$ 150.00	\$ -
Transportation	\$ 100.00	\$ 175.00	\$ 75.00
Medical/Health	\$ 50.00	\$ -	\$ (50.00)
Household Items	\$ 120.00	\$ 80.00	\$ (40.00)
Recreation/Fun	\$ 100.00	\$ 50.00	\$ (50.00)
Total	\$9,300.00	\$9,700.00	\$ 400.00
Balance	\$ -	\$ -	

Zero-based budget

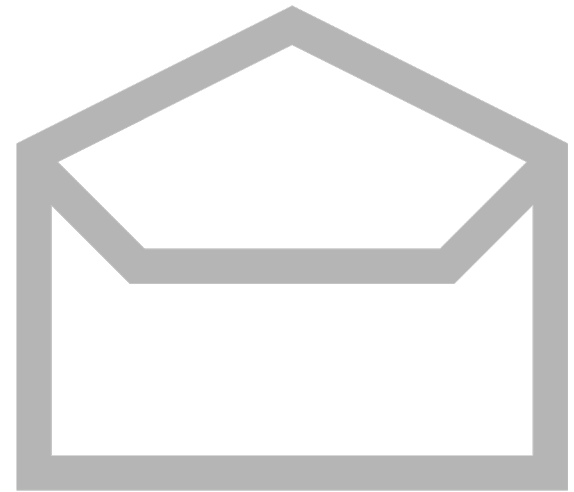
Monthly income: \$3,000

Rent	\$1,000
Groceries	\$375
Eating out	\$75
Bills	\$250
Insurance	\$100
Gas	\$250
Clothing	\$75
Entertainment	\$100
Emergency fund	\$150
Retirement	\$175
Credit card payments	\$125
Student loan payments	\$125
Travel fund	\$100
Other	\$100

Amount left: \$0

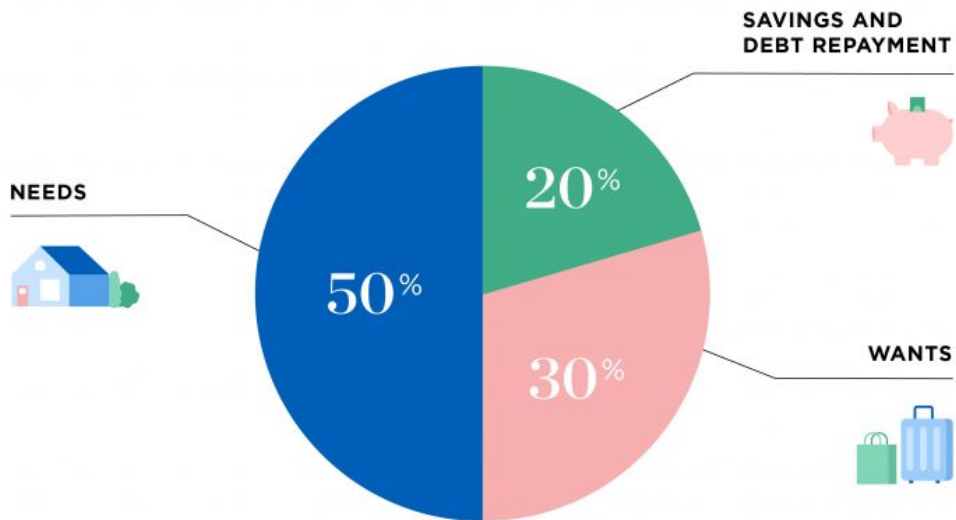
Envelope System

Spend only what you've put in
each envelope





The 50/30/20 Budget Rule



50/30/20

50 %- need, 30 % for wants, 20 % for savings and debt repayment

80/20



Simplified version of 50/30/20.



- it's a great to start to learn how to budget, and then learn how to be flexible with your savings

Sub-savings account method

Passively accomplish financial goals

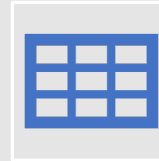
How to set it up:

1. Set your savings goal (and make sure you make it accurate)
2. Create the account with your bank (and open up a savings account if you haven't!)
3. Automate your sub-savings account

Physically creating the budget



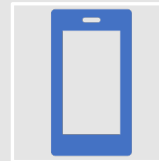
paper and pencil/
buying envelopes



spreadsheets



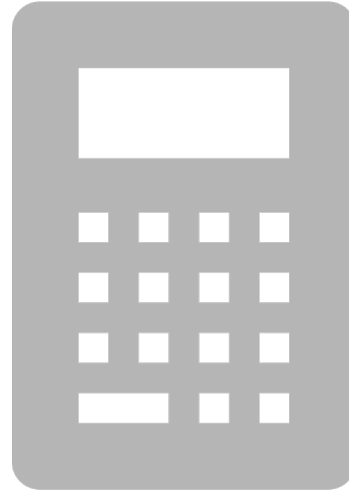
online websites



mobile apps

Last Tips!

1. Do the budget with other family members, or put on music
2. Every month is different, so adjust as needed
3. Start with the most important categories first
4. Pay off your Debt (debt snowball method)
5. Don't be afraid to edit to trim the budget
6. Make a schedule
7. Create a buffer in your budget
8. Do not try to use the credit card as much
9. Track your spending



Accounting in Daily Life

Assets, Liabilities, and Equity



Assets= resources with an economic value that someone owns that will provide a future benefit



Liabilities= a duty or responsibility to others that requires settlement by an exchange that will provide a future benefit



Equity/ Shareholders' equity= represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off

Personal Bookkeeping



RECONCILIATION (TWO SETS OF
RECORDS)



WHERE ACCOUNTANTS LOOK AT CASH
FLOWS, EXPENSES, INVENTORY, ETC.
YOU ARE LOOKING TO SAVE

Accounting Principles to Use in Budgeting

1. Expense Recognition Principle- defines the point in time at which the accountant records a transaction as an expense
2. Matching Principle- each item of revenue should have a corresponding item of expense.
3. Costing Principle- using the historical cost of an item to calculate the actual cost of the item
4. Objectivity Principle- require that accountants should only use factual and verifiable data.
5. Timeliness Principle- refers to the need for accounting information to be presented to the users in time to fulfill their decision making needs.

Accounting Ratios for Personal Budgeting

Liquidity Ratio- determine on ability to pay off current debt

Savings Ratio- how much saved over a time period

Tax Burden- determining your federal income tax

Housing Ratio- how much you can really afford to spend on a home

Debt-to-Asset Ratio- determines borrowing ability

Solvency Ratio- repay all the existing debt with its existing assets

Mortgage Payment- estimates how much you need to borrow

Investing Ratio- guide for asset allocation in investment portfolio

Retirement Savings Ratio- savings and income

Personal Balance Sheet

As of: 7/16/2015

Assets			
Cash			
Checking Accounts	Schedule 1:	5,000	
Savings Accounts	Schedule 1:	-	
CDs (certificates of deposit)	Schedule 1:	-	
Other Cash			
Total Cash		5,000	
Investments			
Life Insurance (cash surrender value)	Schedule 2:	-	
Brokerage Accounts (non-retirement)	Schedule 3:	-	
Securities (stocks, bonds, mutual funds)	Schedule 4:	-	
Investment Real Estate (market value)	Schedule 5b:	-	
Treasury Bills/Notes			
Other Investments			
Total Investments		-	
Personal Property			
Primary Residence (market value)	Schedule 5a:	200,000	
Automobiles (present value)	Schedule 3:		
Bullion (silver, gold, etc)	Schedule 3:		
Jewelry, Art and Collectibles	Schedule 3:		
Other property	Schedule 3:		
Total Property		200,000	
Retirement			
Retirements Accounts (IRA, 401k)	Schedule 6:	20,000	
Pension and Profit Sharing	Schedule 7:	-	
Social Security (\$/month * 240)		-	
Other Assets		-	
Total Retirement		20,000	
Notes and Accounts Receivable			
Notes and Accounts Receivable	Schedule 8:	-	
Other Notes		-	
Total Notes		-	
Total Assets		225,000	
Liabilities			
Mortgages on Real Estate	Schedule 5a:	-	
Mortgages on Investment Real Estate	Schedule 5b:	-	
Credit Accounts, Bills Due, etc.	Schedule 10:	1,000	
Student Loans		-	
Accounts Payable		-	
Loans and Notes Payable to Bank and Others	Schedule 11:	-	
Loans on Life Insurance	Schedule 2:	-	
Loans on Profit Sharing / Pension	Schedule 7:	-	
Loans on Retirement Accounts	Schedule 6:	-	
Unpaid Taxes (current year)		-	
Other Liabilities	Schedule 12:	-	
Total Liabilities		1,000	
Net Worth (Assets - Liabilities)		224,000	

What is a personal financial statement?



Understanding Basic Finance and Stocks

Vocabulary

NASDAQ

NYSE

S+P 500

Dow Jones

Stock-Split

Stock-

Should you Invest?

Open up a retirement account

Where to get started



Other Tips

Tax Benefits for students

1. American Opportunity Tax Credit-
2. Lifetime learning credit-
3. Student Loan Interest Tax Deduction
4. Qualified Tuition Programs
5. Tuition and Fees Deduction

Earning money aside from working

Should You Take Out a Student Loan

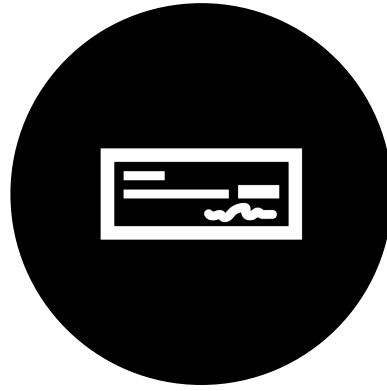
Should You Take Out a Student Loan

- Non-loan options
- Estimate your monthly payments
- Understand what your payment options mean
- Borrow federal first loans first before private loans
- Assess repayment using the Repayment Estimator

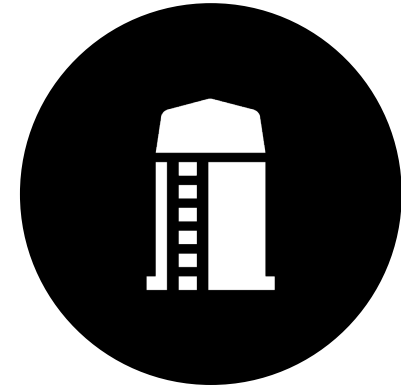
How to pay off your student loans the right way



PAY MORE THAN THE
MINIMUM



MAKE AN EXTRA LOAN
PAYMENT EACH MONTH



PUT DOWN A LUMP-
SUM PAYMENT

Student Tips to Save

1. Skip full-price textbooks (rent used textbooks, and try to sell last sem's books!)
2. Save on transportation (taking public transit is good for your wallet + the environment)
3. Never go grocery shopping when you're hungry
4. Always carry your student ID with you, you never know which places offer student discounts
5. Meal plan instead of eating out
6. Looking into possibly graduating earlier (make use of the degree planner and meet with your advisors!)

Student Tips to Save

Extra Resources

MyMoneyCoach

Glossary of Personal Financial Terms

Budgeting:

Saving:

Expense Calculator and Tracker:

Income and Expense Running Total Tool:

Teaching your kids the basics of budgeting:

Mint

Investopedia

Personal Finance:

- Wealth
- Budgeting and saving

Investing/Trading:

- Investing
- Trading
- Portfolio MGMT
- Risk MGMT

Stocks:

Alison

Financial Literacy Course:

Financial Freedom

Managing your Personal Finance Debts:

Variety of Other Courses:

The Balance
