



## KEY 5 Participant Guide Paying Bills and Budgeting

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## KEY 5

# Paying Bills and Budgeting



“Paying Bills and Budgeting” is the fifth key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers spending on needs, wants and obligations and different ways to keep track of and pay for bills. Key 5 also examines different ways to budget, including using a spending tracker, relying on habits and rules of thumb, creating a budget for a specific purpose and making a cash-flow budget.

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## What You're Going to Know or Be Able to Do

By the end of this key, you'll know or be able to do the following:

**EXPLAIN** the differences among needs, wants and obligations.

**EXPLAIN** the difference between expenses and recurring bills and the consequences of not paying certain bills/expenses.

**DESCRIBE** ways to pay bills and the risks associated with each.

**USE A SPENDING TRACKER** — paper, mobile or online — to document how money is spent and identify patterns in spending as well as opportunities to make changes.

**UNDERSTAND** on average how much people spend on major expense categories.

**DESCRIBE** different approaches to budgeting and when to use them.

**LIST** strategies for living within your means — with the income and financial resources you have.





## SAVING OR INVESTING

Is saving or investing spending your money? Not technically, but it's a use of your income. You can think about it as spending because it's a planned use of your income.

## SHARING

Sharing means using your money to help others. This could be helping a family member, contributing to your community of faith or donating to your favorite charity. People get joy from sharing their financial resources.

In general, it's productive to plan your giving. This means, not responding to every "in the moment" request from friends or family. Sharing financial resources should not keep you from paying for your own needs and obligations. Make sure your bills and essential expenses are covered before you share.

# SPENDING MONEY

There are three ways to use your income. You can:

- + save or invest it;
- + share it; and
- + spend it.

You can spend your money on:

- + needs — things you must have to survive;
- + obligations — things you must pay because you owe the money, are under contract or have been ordered by the courts or government to pay them; and
- + wants — things you desire but are not necessary for survival.

The definitions of needs, obligations and wants may seem clear, but people get them confused. For example, shelter is a need. But, there may be many choices for shelter. As the features and amenities increase so does the amount you have to spend. Food is another example. Everyone would agree it's a necessity. However, money is spent on food because it is convenient, a form of entertainment or just preferable — not just necessary to sustain health.

How people see expenses — as needs, obligations or wants — is often based on their own values.



## KEY ACTIVITY

# Layla's Needs, Obligations and Wants

Identify the needs, obligations and wants Layla spends her money on.

Layla just started working as a paralegal in a law firm. She is so excited. She waited tables in a local restaurant six nights a week to earn money to pay for school. To start work, Layla felt she needed professional attire. She went to a department store and bought two new suits. While there, she invested in high-quality makeup, too. During her orientation at her new job, she was invited to open a 401(k). Anything she saved in her 401(k) would be matched by her employer. Since retirement was so far in the future and she needed all her money now, she did not fill out the paperwork.

On her second day of work, her new colleagues invited her out to lunch. She couldn't say no. She ended up eating lunch in nice restaurants every day.

On Wednesday, she got a call from her caseworker. She had fallen two months behind on her child support payments. To avoid wage garnishment, she took a cash advance on her credit card to catch up. On Saturday, she sat down to pay her bills. She was late on her cell phone payment, and her car payment was due next week. She also needed to go grocery shopping. On the way to the store, she got a massage because she was feeling so much stress.

**What were Layla's needs?**

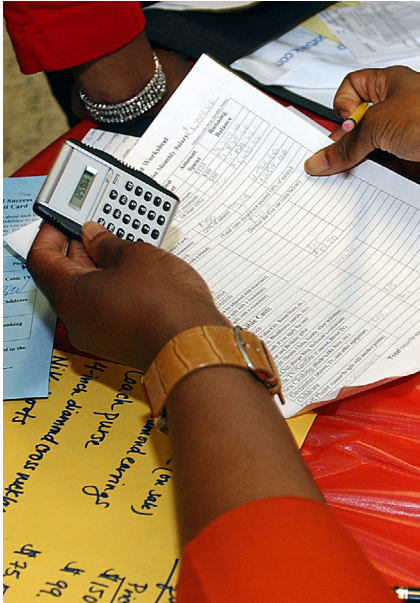
**What were her obligations?**

**What were her wants?**

**Did she confuse her needs, wants and obligations? If yes, which ones?**

**What values do you see reflected in Layla's spending choices?**

**What could she have done differently to ensure her needs and obligations were met?**



## BILLS VS. EXPENSES

Covering all your needs, obligations and wants with your income can be tricky. One reason is that some bills are recurring — this means they happen regularly and predictably. Rent is a recurring bill. You generally pay the same amount on the same day every month. Some bills are periodic. You may only pay them quarterly, twice a year or annually. If you owe money for income taxes, this is an annual payment.

Then there are ongoing expenses that aren't bills, but you must spend your money on them. Two examples are groceries and household supplies such as toilet paper, paper towels and shampoo. Both the amount you pay and when you pay for these expenses varies.

Most people find they can plan for bills, but planning for ongoing expenses is more difficult.

### KEY RESOURCE

#### GET HELP IF YOU CAN'T PAY YOUR BILLS

If you find you don't have the income to pay your bills, get help first. Write the contacts of some people you can turn to for guidance if you cannot pay your bills:

Trusted adult:

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Caseworker:

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Bank or credit union staff:

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Nonprofit financial counselor or coach:

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# PAYING YOUR BILLS

If you don't have bills right now, you may want to mark this section to read later. If, however, you are getting ready to transition to or are already living independently, this section is very important to you.

One of the most important things you can do when it comes to managing your money is pay your bills on time — *all the time*.

By paying your bills on time, you:

- + avoid late fees and penalties — so you save money;
- + avoid loss of services, such as utilities or cell phone;
- + avoid large deposits to re-establish services cut off due to late or nonpayment;
- + avoid repossession of vehicles;
- + avoid losing your apartment or home;
- + maintain or improve your credit history and scores; and
- + ensure people will continue doing business with you.



There are many ways to pay your bills.

## KEY ACTIVITY

### Benefits and Risks of Different Ways to Pay

With other members of your group, list the benefits and risks or potential costs of different ways to pay your bills.

BENEFITS OF USING CASH	RISKS/POTENTIAL COSTS OF USING CASH
BENEFITS OF PREPAID CARDS	RISKS/POTENTIAL COSTS OF PREPAID CARDS

<p style="text-align: center;"><b>BENEFITS OF CHECKS</b></p>	<p style="text-align: center;"><b>RISKS/POTENTIAL COSTS OF CHECKS</b></p>
<p style="text-align: center;"><b>BENEFITS OF AUTOMATIC BILL PAYMENT</b></p>	<p style="text-align: center;"><b>RISKS/POTENTIAL COSTS OF AUTOMATIC BILL PAYMENT</b></p>
<p style="text-align: center;"><b>BENEFITS OF ONLINE BANKING</b></p>	<p style="text-align: center;"><b>RISKS/POTENTIAL COSTS OF ONLINE BANKING</b></p>
<p style="text-align: center;"><b>BENEFITS OF PEER-TO-PEER PAYMENT SERVICE</b></p>	<p style="text-align: center;"><b>RISKS/POTENTIAL COSTS OF PEER-TO-PEER PAYMENT SERVICE</b></p>



# Checking Accounts

A **checking account** is an account at a bank or credit union. When you open a checking account, you deposit money into it. What is in your account is called your balance.

You can pay for bills or other expenses by:

- + writing checks;
- + using your debit card;
- + making withdrawals of cash at ATM (automatic teller machines) and using cash;
- + using online bill payment; and
- + setting up automatic debits from your account.

Each time you use any one of these options to pay for bills or other expenses, your balance goes down.

Checking accounts can provide a safe and convenient way to pay bills. But, you can get into trouble with them.

If you use your account and there isn't enough money in the account, the transaction will be declined or you will pay fees if you have overdraft protection. This will happen if you use your debit card, write a check, have an automatic debt scheduled or withdraw funds using an ATM. The bank or credit union will charge you **NSF** (nonsufficient funds) or **overdraft fees**. The businesses that the payments were intended for may also charge fees.

The best way to make sure you don't run into trouble with a checking account is to keep track of each:

- + deposit or withdrawal you make online, using a mobile app, in person or at an ATM;
- + bill you pay electronically out of your checking account;
- + automatic debit;
- + purchase you make with a debit card; and
- + check you write.

Also, be aware of "authorization holds" on your account. This happens when you use your debit card to buy gas, rent a car or get a hotel room. When you swipe or insert your debit card, the merchant places a hold on funds over the amount you will likely owe. This is because the total amount owed is not known when the authorization is given. While the funds are being held, you cannot use them. Authorization holds are generally lifted within a couple of days, but they can last longer.

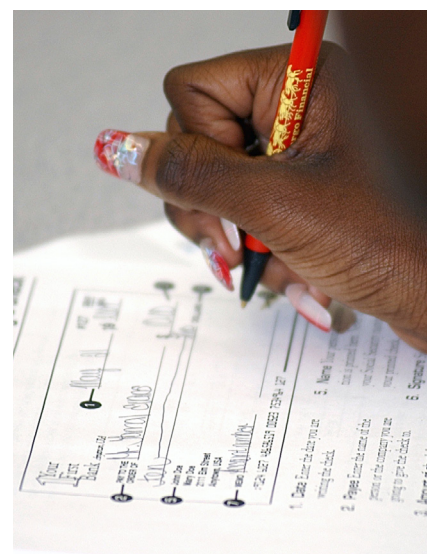


## GETTING A CHECKING ACCOUNT

A checking account is the most common tool people use to pay bills.

You can open a checking account at a bank or credit union. It pays to comparison shop when picking a checking account. In general, you will want to find out:

- Are there minimum balance requirements? If yes, what are they?
- Will the account earn interest? What is it?
- Will you be charged an account maintenance fee?
- Will you get a debit card with the account? ATM card? Will you pay fees when you use your debit card or ATM?
- What are your options for overdraft protection?
- How can you get help with managing this account?





## NSF vs. OVERDRAFT

If you write a check and you do not have enough funds to cover it, the bank or credit union can:

- Cover the check and charge you overdraft fees for using its funds. You will owe them the money used to cover the check.
- Decline the check and charge you a nonsufficient funds fee. The business receiving your check may also charge a fee in this case.

If you use a debit card and there is not enough money in your account, it will be declined unless you have said “yes” to the bank or credit union’s overdraft protection program. This is expensive as you may be charged daily fees and interest on the amount you “borrowed” from the bank to cover the transaction until you pay it back.

A less expensive way is to provide your own overdraft protection. Have your checking account linked to a credit card or line of credit in case of overdraft by check, credit or automatic debit.



## Keeping Track of Your Checking Account

There are several ways to keep track of your checking account.

- + Use the check register provided by the bank or credit union. Write down the date, purpose and amount of each transaction.
- + Sign up for online banking. You can check your account any time of the day from a computer with a secure connection.
- + Use the bank or credit union’s mobile app. Like online banking, you can check your account anywhere from your mobile device.
- + Review your account statements. If you have online banking or mobile app, you will have almost real-time access to your statements all day every day.




## WHAT COULD BE MISSING FROM YOUR ONLINE STATEMENTS OR MOBILE APP?

While online banking and mobile apps provide real-time access to your account information, some information may be missing.

For example:

1. Deposits you made may not have cleared. This means they are not available for use.
2. Checks you have written may not have been cashed. This can cause big problems if you do not keep track of checks written against your balance.

## ONLINE SECURITY

Before using any online site to manage your money, make sure it is secure. First, check to see if there is an “s” after the “http” in the URL. This means the site uses encrypted technology — it scrambles data so they can’t be easily read. There should also be a little picture of a lock .

Second, look for the “seals of approval” from the Better Business Bureau Online (BBBOnline), VeriSign and TRUSTe.

Finally, check to see that the site has a privacy and security policy.

## Bill Calendar

One simple tool to help you make all your payments on time is a bill calendar. A bill calendar is where you write in the dates when payments are due. If you get a regular income, you can also write the days you expect to be paid on the calendar, too.

Do you use the actual due date on the bill calendar? It depends on how you pay your bills.

- **Check or money order through the mail** — write the “due date” five to seven days before the actual due date to ensure the payment arrives on time.
- **In person** — write the due date a few days before the actual due date just in case you are too busy on the actual due date; it’s better to be early with a bill than late.
- **Online banking or online or mobile payment** — put the due date a few days before the actual due date in case you are too busy to make payment on the date the bill is due.
- **Automatic bill payment or automatic debit** — write the actual due date onto the calendar.



## KEY ACTIVITY

### Levi Uses a Bill Calendar

Using the information below, complete a bill payment calendar for one month for Levi.

Levi has a problem keeping track of his bills. He has just transitioned out of foster care and is living in an apartment with a friend he met on the Youth Board. He is working full time at a locally owned restaurant as a server. He is working to earn his GED®.

He recently learned about using a bill payment calendar to stay on track with bills. Using the information below, help Levi prepare a bill calendar for the month of August. Remember to allow time for his payments to arrive.

Business, Organization or Individual to Be Paid	Amount	Due Date and Payment Method
Platinum Properties	\$425 — This is his half of the rent and includes electricity; he pays the landlord directly.	On or before the 1st of the month <i>Using mobile payment app</i>
National Credit Card Company	\$50 — He owes \$920 at 23%; he is making fixed monthly payments, so he can pay it off in 23 months.	On the 15th of the month <i>Online bill payment</i>
Department Store Charge Card	\$25 — He owes \$540 at 18%; he is making a fixed monthly payment, so he can pay it off in 27 months.	On the 15th unless Sunday <i>Mail check</i>
Southbell Cell	\$59.99 — For cell phone, messaging and data plan.	On the 6th of the month <i>Online bill payment</i>
Community Hospital	\$37.86 — On payment plan for expenses incurred beyond Medicaid coverage.	On or before the last day of the month <i>Automatic bill payment</i>
Community YMCA	\$20 — For gym membership.	On the 10th of the month <i>Automatic bill payment</i>
Super Satellite Television Service	\$22.50 — This is his half of the satellite television service; he sends the bill, so he must collect roommate's portion of the payment in advance.	The last day of the month for the following month's service <i>Mail check</i>
Community Credit Union	\$130.95 — For automobile loan; he borrowed \$4,000 at 11% for 3 years.	On the 15th of the month <i>Online bill payment</i>
State USA Auto Insure	\$102 — For automobile insurance, with a \$250 deductible for state required minimum coverage.	On the 21st of the month for coverage for the following month <i>Mail check</i>





## Bill Calendar for August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



# DIFFERENT WAYS TO BUDGET

**What is a budget?**

**How do you feel about budgets?**

Budgets work for some people and don't for others.

**Why don't budgets work for some people?**

Budgets can be useful at specific times, or another approach altogether may work for you. There are many approaches to budgeting. Some really aren't budgeting in the traditional sense, but they are strategies that may help you stay on track with your money. The important thing is finding a strategy or combination of strategies that works for you.

## Tracking Spending

Some people track spending instead of making a budget. By paying attention to what you spend, you tend not to overspend. You can use paper, online tools or mobile apps to track spending. Using debit or credit cards, you have a record of your spending. And, if you have online banking or access to your credit card transactions, you can keep track of your spending in real time.

You can use this information to make changes to bring your spending into balance with your income. Or you can use it to cut back on your spending, so you can save for your goals.



# Key to Your Financial Future: My Spending Tracker

Use the spending tracker, your own calendar, a mobile app or a notebook to track your spending for a week, two weeks or even a month. Keep receipts and use other records of your spending. At the end of the day or week, categorize them. At the end of each week, you can see how much money you spent in total and in each category. You can use this information to see where you may be able to cut back on spending. Or you can use it to make a budget.

	Week 1	Week 2	Week 3	Week 4	Week 5	TOTAL BY CATEGORY
<b>SAVING</b>						
Saving for emergencies						
Saving for goals						
Other saving: _____						
<b>SHARING</b>						
Charitable contributions						
Tithes or donations to faith community						
Money to family/friends						
Other sharing: _____						
<b>SPENDING</b>						
Credit card payment						
Car payment						
Student loan payment						
Other debt: _____						
Rent						
Utilities						
Cell Phone						
Food						
Meals out/fast food						
Household supplies						
Clothing						
Transportation						
Child care						
Pet care						
Medical expenses						
Entertainment						
Activities for child/ren: _____						
Other bills or expenses: _____						
Other bills or expenses: _____						
<b>TOTAL FOR WEEK</b>						



## Habits and Rules of Thumb

Building habits or living by specific rules can be another way to help you live within your means.

Habits are things you do without thinking about it. With electronic banking and mobile apps, you can automate some habits.

### Automate savings.

If you have a job, set up an account and have your paycheck directly deposited. Then, every paycheck, have a specific amount transferred into savings. You set this up automatically in person at your bank or credit union, using online banking or using a mobile app. If you can't open a bank account, use a payroll card and access the savings features on it. If your job offers a retirement savings, sign up for it. Work with the human resources staff to understand the program. Often your employer will match whatever you save. That's money above your pay. You will set up the account, and the amount you designate will be deducted from your pay.

### Save half of any raise, gift or large sum of money.

If you get a \$1.00 an hour raise, direct half of it to savings. For example, if you work 40 hours per week, increase your savings by \$20 ( $\$1.00 \times .5 = \$.50$ ;  $\$.50 \times 40 \text{ hours} = \$20$ ). If you get a \$510 Earned Income Tax Credit refund, save \$255.

### Use text and email alerts for recurring bills.

### Use online bill payment through your bank and schedule payments to be automatically paid on due dates.

### Pack your lunch and drinks.

Spending on meals, soft drinks and coffee out during the workday is one of the biggest habits that can lead to overspending. Plan to eat out from time to time, but bring your lunch and drinks as often as you can.

### Shop with a list and never shop hungry.

Even better than a list, order your groceries in advance and pick up your order — a service offered by an increasing number of stores.

### For bigger items or impulse purchases, ask: Is it worth it at this time?

Try dividing the cost of the item by your hourly wage. This will tell you how many hours of work are needed to buy the item. For example, you would have to work at least 25 hours to afford a new pair of \$180 sneakers if you earn minimum wage:  $\$180/\$7.25$ . With other bills, living expenses and savings for goals, is it worth it at this time?

### Always buy less than you can afford.

If you can afford the \$180 kicks, consider spending less. Spend 75 percent of what you can, and you'll always have a cushion. In this case, spend \$135 on your shoes:  $\$180 \times .75 = \$135$



### Spend no more than one-third of your gross (or total before taxes and deductions are taken out) income on housing.

This includes all costs associated with housing from rent or mortgage to insurance and utilities to furnishing and landscaping. Keep your housing and transportation budget below 45 percent of your total income. If you earn \$1,700 per month, keep your housing costs below \$561:  $\$1,700 \times .33$ . Keep your transportation and housing costs combined below \$765:  $\$1,700 \times .45$ .



### Cut back or cut out.

For recurring bills, make sure you are not paying too much. Examine what you are paying for phone, internet, streaming services and cable/satellite television. Consider what you really use and cut out the rest.

### Organize your stuff and use what you have.

From food in the fridge to personal care items to tools, people often spend unnecessarily because they can't find an item or forget what they have.

### Negotiate for a better deal.

For credit card payments, phone and data plans, cable and satellite service, insurance and other recurring bills, negotiate with your provider to get better terms. Ask for a lower interest rate on your credit card if you have always paid your bills on time. Find out if there is a more favorable plan for your mobile phone and data. Compare auto insurance to see if you can get good coverage at a lower rate.

## KEY ACTIVITY

# Habits and Rules of Thumb

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**What additional habits do you think can help you budget?**

**What rules of thumb would you add to the list?**

## Budget for a Specific Purpose

Sometimes, it can be useful to make a budget if you are trying to figure out what you can afford.

**When would you use a budget for a specific purpose?**

On average, people spend one-third of their income on housing. But when it comes to housing, it's important to think about more than just the rent or mortgage payment — some costs are one-time but required to get into a house, and others are ongoing.

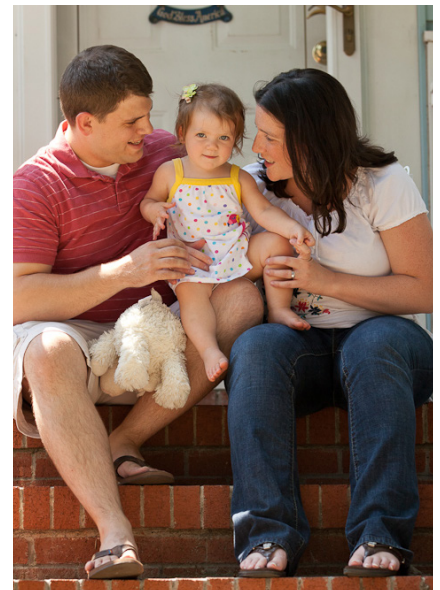
### KEY ACTIVITY

## Geraldine Makes a Housing Budget

Complete Geraldine's housing budget and answer the questions.

Geraldine has been living with roommates for five years. She is ready for her own place. She has a good job managing a local restaurant and makes \$14.50/hour or \$2,500 per month. She has saved \$1,800 for this move and has an additional \$900 in an emergency savings fund. She's found a small apartment she loves for \$800 per month.

The security deposit is \$800. She does not have to pay deposits on her utilities but has been given an estimate of \$150/month for all her utilities not including her cell phone or internet service. Internet service will be an additional \$35 per month. Renter's insurance will cost \$12 per month. She has a bed, dresser, couch and television she plans to move. She has budgeted \$600 to get a small kitchen table, a chair and coffee table. She also needs new linens (\$200), some basic kitchen appliances like a coffee maker (\$200) and cleaning supplies like a broom, mop, cleaner and paper towels (\$100) — a total of \$500 for all of these costs.



Geraldine's Housing Budget	One-Time or Occasional Expenses	Ongoing or Monthly Expenses
First month's rent and security deposit		
Utility deposits <ul style="list-style-type: none"> <li>• Electricity</li> <li>• Gas</li> <li>• Water</li> <li>• Cable or satellite television</li> <li>• Other</li> </ul>		
Furniture (include lamps, chairs, tables, couches, bed and dresser)		
Sheets, bedding and towels		
Kitchen — pots, pans, plates, bowls, appliances (blender, toaster and microwave) and utensils		
Electronics <ul style="list-style-type: none"> <li>• Television</li> <li>• Music (something to play music on)</li> <li>• Computer (unless you already have one)</li> </ul>		
Household supplies (cleaning equipment and supplies)		
Décor (pictures, posters, curtains, etc.)		
Other		
Other one-time expenses		
Rent		
Utilities <ul style="list-style-type: none"> <li>• Electricity</li> <li>• Gas</li> <li>• Water</li> <li>• Cable or satellite television</li> <li>• Other</li> </ul>		
Parking		
Renter's insurance		
Other		
<b>Totals</b>	<b>Total One-Time or Maintenance Costs</b>	<b>Total Ongoing or Monthly Costs</b>



Do you think she can afford this new apartment? Why/why not?



## Making a Budget

You may decide making and following a budget is right for you. A budget is actually a plan for how you are going to use your income to reach your goals and cover your bills and living expenses. In fact, a budget is about using your money to get what you want. Because your money is not unlimited, a budget helps you focus on what is most important.

There are many approaches to budgeting:

1. **The envelope system**
2. **Monthly budget**
3. **Cash-flow budget**
4. **Online budgeting**
5. **Mobile budgeting apps**

You are going to learn about the cash-flow budget in this key. Even though there are many approaches, they are all designed to do one thing: **put you in control of your money so you can reach your goals.**



### BUDGETING WITH GROSS OR NET INCOME

Should you budget using gross income or net income? The answer: you can use either.

If you use your gross income, be sure to include taxes (federal, state, local and FICA) on your budget form as a “use of income.”

If you use net income, you don’t have to include the taxes.

It really comes down to personal preference.

As you get older, you may want to use gross income, so you can keep track of taxes as well as other benefits or deductions that may come out of your paycheck.



## BUDGETING WITH BENEFITS

If you receive public benefits, include them in your budget.

Some public benefits give you money:

- Cash assistance through TANF (it may be called something else in your state)
- Supplemental Security Income (SSI)
- Social Security Disability Income (SSDI)

Other benefits pay for specific necessities and can only be used for those purposes:

- SNAP or food stamps
- Housing assistance
- Child care subsidy
- WIC (Women, Infants and Children)

There are two reasons to include public benefits in your budget:

1. Your budget will be incomplete without them.
2. You can understand the financial value of the benefits. If you want to or must give up public assistance, you will know how much additional income you must bring in to replace the benefit.

To make any kind of budget, you will need to know your **sources of income**. For example:

- + wages from a job;
- + earnings from self-employment;
- + stipends from participation on a youth board or summer program;
- + gifts from family members or friends; and
- + amounts of public benefits.

You will also need to list your **uses of income**. These may include:

- + **savings**;
- + **sharing** — charitable contributions to other organizations;
- + **debt repayment** — credit card, student debt, pay day loan and car payments, for example; and
- + **expenses** — all other expenses from recurring bills such as rent and utilities to ongoing expenses such as bus passes, child care and gasoline to clothing and entertainment.

### Cash-Flow Budget

One challenge with the monthly budget is it does not take into account *timing* of income and uses of income.

Cash pays the bills. A cash-flow budget is about projecting from week to week whether you will have the cash on hand to cover your obligations as well as your other expenses.

## KEY ACTIVITY

### Read Alicia's Cash-Flow Budget

Alicia wants to save money so she can return to school to become an EMT (emergency medical technician). She started school but stopped attending when her life got complicated — she was taking care of her grandmother during an illness. Unfortunately, she had \$15,000 in student loan debt and no degree. She has a construction job earning \$12.50 per hour. This is full time. She also provides child care for a cousin on weekends and is paid in cash.

She shares an apartment with two friends and all expenses related to the apartment are divided among the three of them including the pet care expenses for their dog and cat. Despite a steady job and SNAP benefits, she still finds herself falling behind on payments from time to time, and she can't figure out why.

Use the cash-flow budget on the next page to answer the questions that follow.

	Week 1	Week 2	Week 3	Week 4
Beginning cash balance*	\$ 125.00	\$(191.00)	\$ 1.37	\$(375.63)
<b>SOURCES OF CASH AND OTHER FINANCIAL RESOURCES</b>				
Wages from job (this is net pay)		\$ 787.99		\$ 787.99
Wages from second/part-time job				
Self-employment income	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Benefit I: SNAP	\$ 334.00			
<b>TOTAL SOURCES OF CASH AND FINANCIAL RESOURCES</b>	<b>\$ 509.00</b>	<b>\$ 646.99</b>	<b>\$ 51.37</b>	<b>\$ 462.36</b>
<b>USES OF CASH AND OTHER FINANCIAL RESOURCES</b>				
Emergency savings				\$ 25.00
Sharing	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Credit card (3.5% of balance of \$1,200)			\$ 42.00	
Student loan debt (\$15,000 at 6.8% for 10 years)		\$ 172.62		
Payday loan				
Other debt: \$2,000 loan from grandmother				\$ 50.00
Rent or mortgage payment	\$ 500.00			
Homeowners or rental insurance			\$ 20.00	
Electricity		\$ 45.00		
Cable or satellite television		\$ 25.00		
Internet service			\$ 22.00	
Phone and/or cell phone service			\$ 50.00	
Car payment or public transportation		\$ 168.00		
Insurance			\$ 88.00	
Fuel	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Maintenance				
Groceries	\$ 100.00	\$ 100.00	\$ 100.00	\$ 50.00
Household supplies		\$ 40.00		
Eating out (meals and beverages)	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Personal care	\$ 15.00		\$ 20.00	
Pet care		\$ 10.00		\$ 10.00
Entertainment	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
<b>TOTAL USES OF CASH AND OTHER FINANCIAL RESOURCES</b>	<b>\$ 700.00</b>	<b>\$ 645.62</b>	<b>\$ 427.00</b>	<b>\$ 220.00</b>
<b>ENDING BALANCE: SOURCES - USES</b>	<b>\$(191.00)</b>	<b>\$ 1.37</b>	<b>\$(375.63)</b>	<b>\$ 242.36</b>

\*Cash, balances on prepaid cards, checking account balance or any resources Alicia uses to pay for bills and expenses.



**When does Alicia seem to run out of money?**

**What causes her to run out of money?**

**How does the SNAP benefit factor into her budget?**



**What can Alicia do to improve her cash flow?**

## Bringing Budgets Into Balance

When it comes to bringing a budget into balance, there are four strategies:

- + increase sources of income and financial resources;
- + decrease uses of income and financial resources;
- + match the timing of sources and uses; and
- + get help.



## Strategies for Bringing Your Budget Into Balance

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List ideas for each strategy.

<p><b>Increase Sources of Cash and Financial Resources</b></p> <ul style="list-style-type: none"><li>• One-time increase</li>       <li>• Ongoing increase</li></ul>	<p><b>Decrease Uses of Cash and Financial Resources</b></p> <ul style="list-style-type: none"><li>• One-time decrease</li>       <li>• Ongoing decrease</li></ul>
<p><b>Match Timing</b></p>	<p><b>Get Help</b></p>

# Key to Your Financial Future: Your Cash-Flow Budget

Use the form on the following pages to make your own cash-flow budget.

## 1 STEP ONE

**Set (or revisit) your goals.** This is the purpose of your cash flow. It will give you your savings target for each week.

## 2 STEP TWO

**Figure out how much and when you can expect your income and other financial resources every week.** If you already have a paycheck, use your paycheck stub to get the amount. If you receive public benefits, include them. Use your benefits statements to get the exact amounts you receive.

## 3 STEP THREE

**Write down your current spending — both amounts and timing.** Get copies of bills, statements (credit card statements, for example) and receipts so you can see how much you spend. Or use your spending tracker or bill calendar.

This will help you identify the budget categories you need. If you are under 18, you may only have a few categories in your budget.

If you have transitioned to independence, you may have many categories.

## 4 STEP FOUR

**Identify obligations.** This is a really important step. Obligations are the items you must pay.

## 5 STEP FIVE

**Make the cash-flow budget.**

## 6 STEP SIX

**Track your actual spending and compare it to your cash-flow budget.** Sometimes people make a cash-flow budget, but they don't use it. Tracking your actual spending and comparing it to your cash-flow budget helps keep you accountable to the decisions you made.

### GOALS:

	Week 1	Week 2	Week 3	Week 4
Beginning cash balance*				
<b>SOURCES OF CASH AND OTHER FINANCIAL RESOURCES</b>				
Wages from job				
Wages from second/part-time job				
Self-employment income				
Benefit 1:				
Benefit 2:				
Benefit 3:				
Child support				
Other:				
Other:				
<b>TOTAL SOURCES OF CASH AND FINANCIAL RESOURCES</b>				
<b>USES OF CASH AND OTHER FINANCIAL RESOURCES</b>				
Emergency savings				
Saving for goal 1:				
Saving for goal 2:				
Sharing				
Credit card				
Student loan debt				
Payday loan				
Other debt:				
Other debt:				
Rent or mortgage payment				
Homeowners or rental insurance				
Electricity				
Gas				
Water and sewer				
Cable or satellite television				
Internet service				
Phone and/or cell phone service				
Car payment or public transportation				
Insurance				

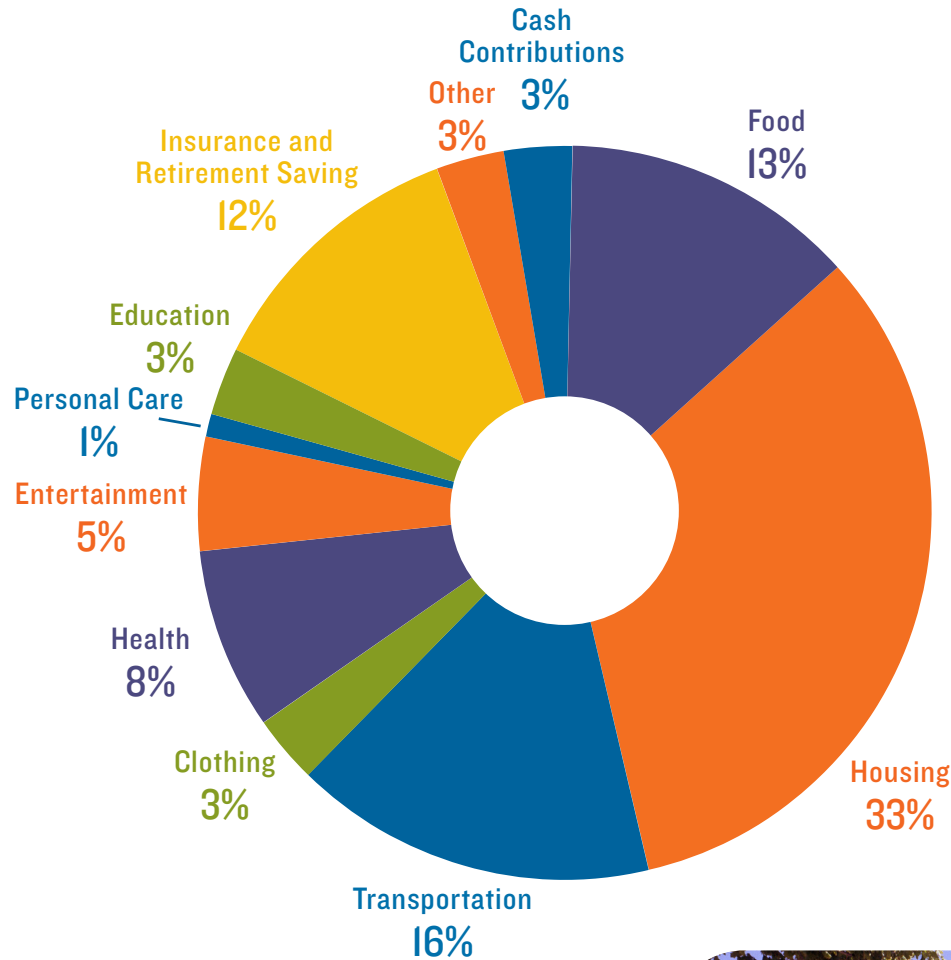
Fuel				
Maintenance				
Groceries				
Household supplies				
Eating out (meals and beverages)				
Personal care				
Pet care				
School supplies/fees				
Tools of the trade and other job-related expenses				
Child care				
Health insurance				
Health care deductibles and co-pays				
Entertainment				
Other:				
Other:				
Other:				
<b>TOTAL USES OF CASH AND OTHER FINANCIAL RESOURCES</b>				
<b>SOURCES - USES</b>				
<b>ENDING BALANCE</b>				

\*Cash, balances on prepaid cards, checking account balance or any resources you use to pay for bills and expenses.



# HOW MUCH DO PEOPLE SPEND?

Sometimes it can be helpful to know what typical household spending looks like in the United States. You can compare your spending patterns to what is average. Here is a breakdown of the percentage of net income households spend in different categories.



SOURCE: Bureau of Labor Statistics. (2018, April). *Consumer expenditures in 2016*. Retrieved November 2, 2018, from [www.bls.gov/opub/reports/consumer-expenditures/2016/home.htm](http://www.bls.gov/opub/reports/consumer-expenditures/2016/home.htm)

## WHEN THERE ISN'T ENOUGH INCOME

There may be times when you can't pay your bills. It's important to prioritize your bills and expenses because there are consequences for not paying your bills. But, some consequences are worse than others.



## Antonio Can't Pay His Bills

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Antonio has been working at a local department store for a year. He makes nearly \$11.00/hour. His job is 12 miles from his apartment, and he relies on his car to get to and from work as well as trade school in the evenings. Business has been slow, and he's only been working about 28 hours per week. He usually works 40 hours and often gets six to 12 hours of overtime.

With his hours cut, he can't pay all his bills. He has rent, utilities, a car payment, car insurance, renter's insurance, a cell phone bill and a couple of bills in collections he has been late paying.

He's paid his rent, most of his utilities and his cell phone bill. And, because of all the calls from the debt collectors, he made those payments, too. Now, he doesn't have enough money for his car payment. He assumes that since it's just one month he's missing his car payment that he should be okay.

**What do you think could be the short-term consequences of Antonio not making his car payment?**

**What could be the long-term consequences of Antonio not making his car payment?**

With the stress of not being able to pay bills, sometimes people pay debt collectors first to get them to stop contacting them. While there are consequences for not paying any bills, some consequences are greater and last longer. A key financial capability skill is identifying and anticipating the consequences of not paying bills and expenses. Then you can plan to pay the most important bills and expenses first. This limits the negative consequences when money is short.

# Key to Your Financial Future: Paying Bills When Money Is Short

Use this worksheet to prioritize your bills when you don't have enough money to cover all of them. This can help minimize negative and long-term consequences of not paying some bills. Make this plan **BEFORE** experiencing this situation.

STRATEGY	YOUR BILLS AND EXPENSES	
	Bill or Expense	Amount
<p><b>Protect Your Job and Income</b></p> <p><b>Pay all the bills and expenses associated with getting to and keeping your job.</b> If you rely on a car, make sure you make your car payment, pay for car insurance, take care of maintenance and have enough money for gas.</p> <p>This category could include other expenses such as:</p> <ul style="list-style-type: none"> <li>• child care;</li> <li>• tools needed for your job;</li> <li>• uniforms or specific clothing;</li> <li>• training or education; and</li> <li>• cell phone (if required for your job).</li> </ul> <p><b>Another way to protect your income is to avoid administrative wage garnishment.</b> This happens when you don't pay federal taxes, federal student loans and child support. Wage garnishment means less money in every paycheck.</p> <p><b>Finally, if you receive benefits, make sure you are following the rules for keeping those benefits.</b> Benefits can be an important part of your income picture.</p> <p><b>The costs of losing your job or income can lead to inability to pay for all other expenses.</b></p>		
<p><b>Protect Your Shelter</b></p> <p><b>Pay all the expenses and bills associated with keeping your shelter</b> such as:</p> <ul style="list-style-type: none"> <li>• rent or mortgage;</li> <li>• insurance; and</li> <li>• utilities.</li> </ul> <p>Getting evicted or foreclosed on, finding new shelter and re-establishing utilities with deposits can be extremely costly and stressful.</p>		

<p><b>Protect Your Assets</b></p> <p>Your assets are the things that you own that have value. Assets are the foundation of economic security. One of your key assets is your health. Expenses associated with protecting your assets can be:</p> <ul style="list-style-type: none"><li>• insurance;</li><li>• maintenance; and</li><li>• accessing proper health care when you need it.</li></ul>		
<b>TOTAL</b>		





# WRAP UP:

## Paying Bills and Budgeting

Congratulations on finishing this section of *Keys to Your Financial Future*. Let's check what you learned:

1. A want is something you must have to live.

True      False

2. A recurring bill happens regularly and predictably — you pay the same amount on the same day every month, quarter or year.

True      False

3. There are only one or two options for paying bills and other expenses.

True      False

4. Nonsufficient funds and overdraft protection are the same.

True      False

5. What are examples of obligations? (select all that apply)

a. Cell phone contract

b. Groceries

c. Child support

d. Student loan debt

e. None of the above

6. The risks of paying for your bills with cash include (select all that apply):

a. No evidence if there is no receipt

b. Easy to use

c. Not safe to send through the mail

d. Difficult or impossible to replace if funds are lost or stolen

e. No bank account required to get cash to pay bills

7. When using a bill payment calendar, it's important to put the due date for anything sent through the mail at least five to seven days before the actual due date.

True      False

8. There is only one right way to budget.

True      False

9. Tracking your spending money may help keep you from overspending.

True      False

10. Examples of habits or rules of thumb include:

a. Automate your savings

b. Save half your raise

c. Shop with a list

d. Ask: Is it worth it at this time?

e. All of the above

## Key Information From This Section

**YOU CAN SAVE, SHARE OR SPEND YOUR INCOME.**

**SPENDING CAN BE ORGANIZED INTO THREE CATEGORIES:** needs, obligations and wants. Part of managing your money is knowing the difference among these.

**SOME SPENDING IS IN THE FORM OF RECURRING BILLS** — you pay the same amount on the same day every month, quarter or year. Examples include rent and utilities. Some spending is variable, such as groceries and gasoline.

**BY PAYING YOUR BILLS ON TIME ALL THE TIME,** you avoid: fees, repossession of assets, foreclosure, eviction, utility shutoffs, negative entries on your credit reports, drops in your credit scores and businesses not wanting to do business with you.

**THERE ARE DIFFERENT WAYS TO PAY YOUR BILLS.** Use approaches that you understand and can maintain.

**CHECKING ACCOUNTS** are a common way to pay bills because they are versatile. You can write checks, use a debit card, use online banking, using a mobile app linked to your checking or get cash from an ATM. But, people run into trouble with checking accounts because they don't keep track of their balances.

## Key Information From This Section

**A BILL CALENDAR** can help you get organized with your bills. It will also help you anticipate when you need money on hand to pay your bills.

**A BUDGET** is a plan to use your money to reach your goals.

**THERE ARE MANY APPROACHES TO BUDGETING.**

**COMPLETING A BUDGET FORM** and monitoring your spending against it does not work for everyone.

Consider another approach:

- Tracking spending.
- Adopting habits and rules of thumb.
- Using budgets for specific or big purchases like housing, car or education and training.



### ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit [www.aecf.org](http://www.aecf.org).

### ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million.

Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.