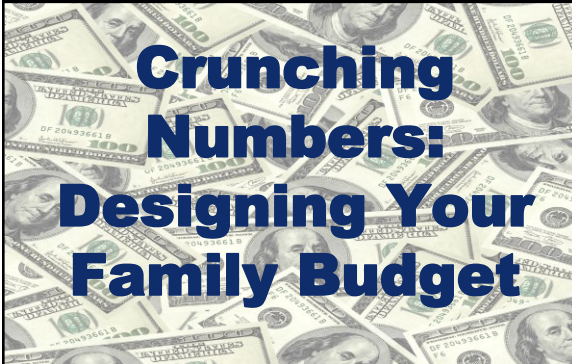



Crunching Numbers: Designing Your Family Budget



1

Mountains & Minds

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- Keri D. Hayes, MSU Publications Assistant

2

Mountains & Minds

What to Expect

- Developing a Spending Plan
- Track'n Your Savings Goals
- Stretching Your Food Dollars
- Credit Card Interest




3

Mountains & Minds

Money Is a Tool

- By itself, money has no value
 - How you use money conveys your values
 - Each person makes unique decisions about money




4

Mountains & Minds

Views of Money

- People have a mixture of different attitudes, values & beliefs about money




5

Mountains & Minds

Questions for Prizes

- Answer as Teams



6

Mountains & Minds

Team Name

- Divide into teams of 4-6
- Decide on Team Name



Take turns--Team Runner

- Sticky Notes
 - Write team name
 - Write team answer

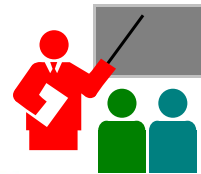


Team Question 1

- What % was the per capita income in Montana in 2008?

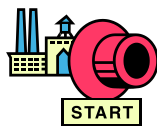


\$34,256



Budget Design

- Today's economy is a good time to start a spending plan



Step 1: List Income

- Determine how much money you have,
 - Net income



Net Income is after taxes, gross income is before taxes.



Step 1: List Income

- What if it is different every month?
 - Determine high & low month income
 - Average over the months



Are there other sources of income?

- Low-Income Energy Assistance (LIEAP) and Weatherization Program
- Child Care Assistance
- Children's Health Insurance Plan (CHIP)



Are there other sources of income?

- Food Stamps: SNAP
- Medicaid
- TANF: Temporary Assistance for Need Families
- WIC



Step 2: Monthly Expenses

- Each family situation is different
- A "typical" spending plan does not apply to everyone



Guidelines Comparing Your Spending Patterns

1. Consumer Expenditure Survey
2. Rules of Thumb
3. Your Expenses



Team Question 2

- What % does a family with income between \$30,000 - \$39,999 spend on food (at home & away)?



Guide 1: Consumer Expenditure Survey

- Chart shown on last page of MontGuide
- Keep in mind these are averages
- Find income \$30,000 – \$39,000

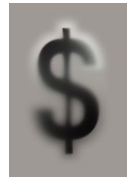


- Food \$30,000 - \$39,999 income
 - 5% away
 - 8% at home
- 13% total**



\$35,000 Income

- $35,000 \times 13\% =$
 $\$4,500 \text{ yearly} \div 12 =$
 $\$379 \text{ monthly}$



Team Question 3

- According to one Rule of Thumb, what % of income is spent on housing costs?



Traditionally, net monthly income



30%

One Rule of Thumb: Housing

- ❑ Lenders look for two ratios:
 - House payment with taxes & insurance should not exceed 28 percent of gross income.



Another Rule of Thumb: Housing

- Total mortgage obligations & long-term debt should not exceed between 33 and 36%.



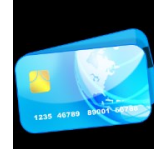
Rule of Thumb: Emergency Funds

- Depends on family needs:
 - Equal to 3 months income
 - Equal to 6 months of income if conservative
 - More than equivalent to 6 months income if self-employed.



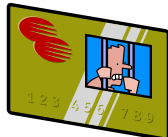
Rule of Thumb: Debt

- Maximum owed on credit purchases should not exceed 20% of annual take-home pay



Team Question 4

- What is the maximum credit load for family with \$3,000 monthly take-home pay?



Maximum Credit Load
\$30,000 x 20% =

\$6,000



Rule of Thumb: Debt

- Maximum debt should not exceed what can be paid with 10% of income over 12-24 months



Guide 3: What you actually spend

- If you know how much you currently spend, you can determine all the categories where your money goes



Guide 3: What you actually spend, con'd.

- Schedule of Non-monthly expenses – MontGuide
 - Don't forget to include a monthly set aside for non-monthly expenses.



Step 3: Balance Income & Expenses

- What expenses are essential to your family's well-being?
- Which expenses have the highest priority?



Step 3: Balance Income & Expenses, con'd.

- Which areas can be reduced to keep your family's spending within its income?
- How much can be afforded in each category?



Step 3: Balance Income and Expenses con'd.

- Subtract expenses from income
 - "Leftover" can help pay off debt



Step 3: Balance Income and Expenses con'd.

▪ Not enough? Try these:

- Increase income
- Cut spending
- Reduce your fixed expenses
- Look at other assets



Track'n Your Expenses

▪ Tool to keep track of expenses

- Adapts for:
 - Credit cards
 - Debit cards
 - Cash
 - Check expenses



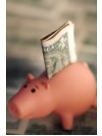
Step 4: Review, Track Expenses and Revise Spending Plan

- Review with family members
- Keep a record of expenses
- Re-evaluate often



Deciding which bills to pay

- Gather the facts
- Who gets paid first?
 - What will affect my family's health and security the most?
 - Will you lose it if you don't pay?
 - How much do you still owe on the loan?



Step 5: Manage your spending plan

- Depend on one family member to track expenses



Step 5: Manage your spending plan, con'd.

- Keep all records & supplies in one place:
 - Spending plan and past spending records
 - Bills and receipts
 - Checkbook, bank statements and cancelled checks



Step 5: Manage your spending plan, con'd.

- Charge slips, charge account, and bank statements
- Savings account records
- Income records



So, where can you find more money?



6 Steps to Get the most out of your Food Dollar



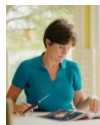
Step 1: Plan

- Meals and snacks for several days
- Many different types of food:
 - Bread, Cereal, Rice, Pasta
 - Vegetables & Fruit
 - Milk, Yogurt and Cheese
 - Meat, Poultry, Fish, Dry Beans, Eggs & Nuts



Step 2: Check For

- Food you have on hand and what you will need
- Newspaper ads for weekly specials
- Coupons for items you use



Step 3: Write

- Grocery List
- Sale price next to item on the list



Step 4: Get Ready

- Take List & Coupons
- Avoid shopping when tired, hungry or rushed
- Decide whether to buy a convenience food or make it yourself.



Step 5: At the Store

- Stick to grocery list
- Compare prices
- Check for less costly items



Step 6: At Home

- Handle and store food properly to reduce waste



Develop a shopping list

- Plan to shop just once a week
- Go through your home and plan to purchase each item
 - Don't wait for the store to help you decide
- 101+ Ways to Save Worksheet

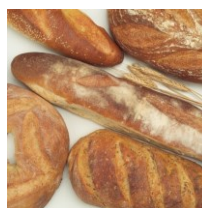


Would you know if you scored a good deal?



Get ready to test your knowledge!

Team Question 5



What is the price for a loaf of whole wheat bread?



\$1.78

Team Question 6



What is the price for a gallon of 2% milk?



\$3.58

Team Question 7



What is the price for 2 pounds of cheddar cheese?



\$6.38

Score a Good Deal



What is the price for a pound of ground beef (15% fat)?

\$1.49

Score a Good Deal



What is the price for a pound of broccoli?

\$.78

Savings Time & Money

- Shop when your stomach is full
- Shop alone
 - Spend extra attention on shopping
 - Less impulse buys
- Know store layout for fast shopping

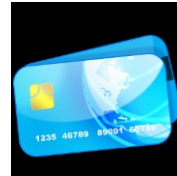


Step Five: Hidden Savings

- Use coupons – but only if you really use it
- Try something new
 - Don't just follow what Mom used
 - Check above & below eye level



Crunching Credit Cards



Team Question 9

- How many credit cards does the average American household use?



Credit Cards Average Household Uses.



8

Team Question 10

- What's the average credit card balance owed by American households?



Credit Card Balance...



Credit Cards: Avoid the Minimum Payments Trap!



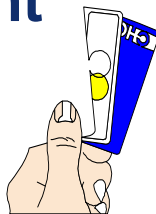
So What's the Big Idea?

- Paying off credit card balances sooner, means higher payments, but
- You pay le\$\$ interest!



Chris & Bethany

- Debt Amount
- \$5,000



Orange Side--Side 1

- \$9,567 pay back
- \$4,567 interest charges
- 16 years to pay off

Blue Side: Side 2

- \$5,000 debt
- \$150 first payment
- 16 years in debt
- \$4,567 interest paid

Blue Side: Side 2

- \$5,000 debt
- \$300 first payment
- 7 years in debt
- \$1,592 interest paid

Parting Wisdom

- Pay **MORE** than 3% minimum & save a **LOT**



Steady as She Goes

- Steady (even) payments will reduce *debt* and interest greatly
- Just the same, steady (even) payments to *savings* will earn interest greatly



Savings & the Time Value of Money

- Tiffany & Brian
- Lesson in saving



Brian

- Deposits \$2,000 for 10 years
- Age 18 - 27
- Nothing for next 41 years

Tiffany

- Waits until age 31
- Deposits \$2,000 for 35 years



