

Successful Start and the Office of Student Services Present:

# **BUDGETING**

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# SESSION OBJECTIVE

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- ✦ Put you in position to begin budgeting and saving money even while you are in school.

# BUDGETING

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# QUICK POLL

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- ✘ Who believes budgeting is important?
- ✘ Who always budgets?



# BUDGETING

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- ✦ How to Budget in Three Easy Steps:
  1. Identify how dollars are spent today.
  2. Identify all sources of income and amounts.
  3. Set goals that reflect your true financial picture.

# BUDGETING CONSIDERATIONS

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- ✘ Know where your money goes.
- ✘ Start saving for anticipated big expenses and emergencies.
- ✘ Make savings habitual, start small.
- ✘ Plan your shopping, and stick to the list.
- ✘ Needs vs. wants: know the difference.

# BUDGETING CONSIDERATIONS

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- ✦ Common mistake: Fitting **your** spending into somebody else's categories.
- ✦ Successful budgeting includes categories that reflect the way **you** spend money.



# IDENTIFY INCOME

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- ✦ Review all sources and amounts of income (after-tax) for past 3 months to determine monthly income.
- ✦ Examples:
  - + Employment
  - + Student loans
  - + Checking account
  - + Savings account



# IDENTIFY EXPENSES

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- ✦ Review all bills and expenses for the last 3 months to determine monthly expenses.
- ✦ Examples:
  - + Recurring expenses
  - + Variable expenses
  - + Yearly expenses

# FIXED VS. DISCRETIONARY EXPENSES

- × Rent
- × Groceries
- × Utilities
- × Car insurance
- × Haircuts
- × Laundry
- × Cell phones
- × Restaurants
- × Cable TV
- × Spring break
- × Takeout
- × Designer clothes

# CALCULATE BUDGET AMOUNTS

- ✦ Determine budget amounts for each category.
  - + Consider the fine line between realistic/actual expenses and targeted spending levels that will save money.



# SET GOALS AND MAKE ADJUSTMENTS

- ✦ Set goals that reflect your true financial picture.
- ✦ Two types of financial goals:
  - + Managing your money
  - + Spending your money
- ✦ Monitor budgeting process for 2 months to identify areas where you can save.



# EMERGENCY FUNDS

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- ✘ Emergency funds are an absolute necessity!!
- ✘ Emergency funds = 3–6 months of basic living expenses.
- ✘ Emergency funds should be kept separate from a savings account, which is used primarily for large, planned purchases.

# MONEY LEAKAGE

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- × Dinner out every Saturday night:
  - × \$1664 per year
- × One tall Starbucks® coffee per weekday:
  - × \$910 per year
- × Wendy's® #2 Combo + tax twice a week:  
**#2 Classic Double® with Cheese Combo**
  - × \$587 per year

# YOUR TIPS ON SAVING MONEY

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- ✘ Housing?
- ✘ Groceries?
- ✘ Phone?
- ✘ Transportation?
- ✘ Banking and taxes?



# LOAN EXAMPLE: MINIMIZE BORROWING

- ✘ Loan Balance:  
\$80,000.00
  - ✘ Monthly Loan Payment:  
**\$928.87**
  - ✘ Cumulative Payments:  
\$111,464.03
  - ✘ Total Interest Paid:  
\$31,464.03
- ✘ Loan Balance:  
\$70,000.00
  - ✘ Monthly Loan Payment:  
**\$812.76**
  - ✘ Cumulative Payments:  
\$97,531.09
  - ✘ Total Interest Paid:  
\$27,531.09



# TAKE ADVANTAGE OF TAX BREAKS NOW

- ✘ You can deduct up to \$2,500 per year in interest paid on educational loans.
- ✘ Deduction is phased out as annual income moves over \$60,000 (\$120,000 for married taxpayers filing jointly).
- ✘ The deduction is completely eliminated when you earn more than \$75,000 annually (\$150,000 for married taxpayers filing jointly).

# QUESTIONS?

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- ✘ [www.bc.edu/successfulstart](http://www.bc.edu/successfulstart)
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