

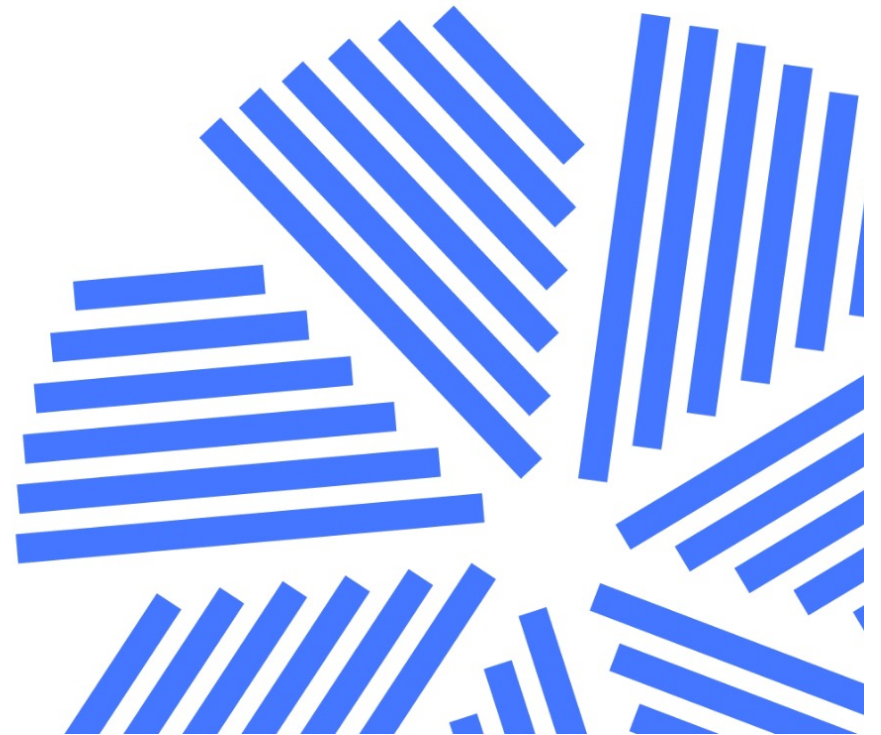


Personal Budgeting

[Presenter name]

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[Date]



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CFA Society Boston

- Non-profit professional society of over 6,000 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



CFA Institute

- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community



Speaker Biographies

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...



Session Goal -- Understand benefits of budgeting and how to get started

AGENDA






-  Purpose and benefits of a Budget
-  Needs vs. Wants
-  Understanding your Paycheck
-  How to set up a Budget
-  Financial Planning & Goals



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Who Budgets and Why?



Individuals

To avoid financial trouble and achieve their goals



Corporations

To make sure they are making a profit for shareholders



Governments

To be able to provide public services



Non-Profits

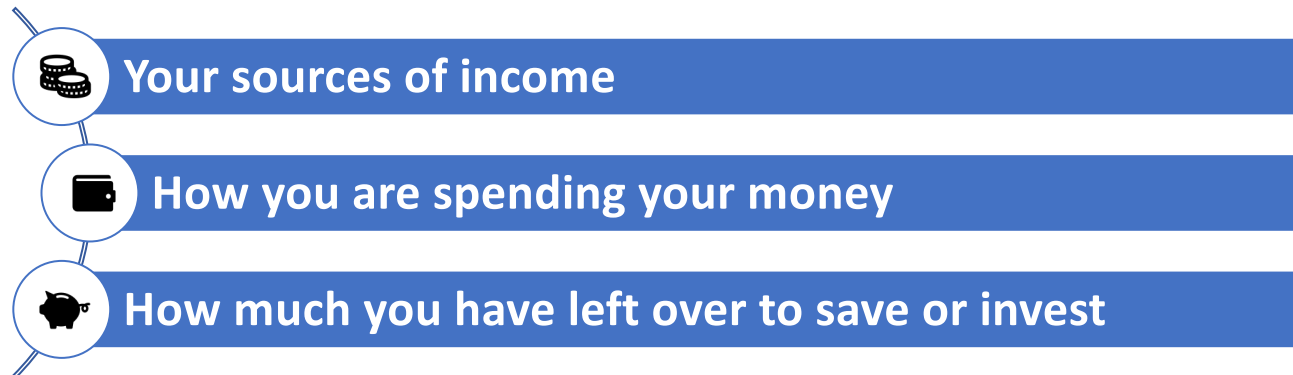
To make sure they have the financial resources needed to achieve their mission



What is a Budget?

A budget is a **spending plan** based on income and expenses over a specific period of time. It is reevaluated on a periodic basis.

It helps you determine ...



Why Budget?

- ✓ Ensures you don't spend money that you don't have
- ✓ Focus on things you Need vs things you Want
- ✓ Sheds light on bad spending habits
- ✓ Helps you prepare for emergencies
- ✓ Helps you save money for your financial goals



Needs vs Wants

Need or Want?

Expense	Need?	Want?
Concert Tickets	?	?
Rent	?	?
Electric Bill	?	?
Netflix	?	?
Student Loans	?	?
Groceries	?	?



Needs vs Wants

Need or Want?

Expense	Need?	Want?
Concert Tickets		✓
Rent	✓	
Electric Bill	✓	
Netflix		✓
Student Loans	✓	
Groceries	✓	



“Needs” before “Wants”

Before you spend on what you want ...

... make sure you can afford what you need

- **NEEDS:** Food, Rent, Electricity Gas, Car Payments, Phone Bills
 - Prioritize these payments to avoid getting stuck in debt
 - Don't risk losing your apartment
 - Think about how to save – less take-out food, the bus instead of an Uber



The “24 hour” rule

**Before you make a big purchase,
wait 24 hours**

- Do I **really** need it?
- Is there a cheaper alternative?
- Can I afford it?



Image by PIRO from Pixabay

The “30 day” rule

**Before a very big purchase,
wait 30 days**

- Same questions as the “24 hour” rule
- Do I **really** need it?
- Is there a cheaper alternative?
- Can I afford it?



Photo by Towfiq barbhuiya on Unsplash

Understanding Your Paycheck

When budgeting, we want to use **"Take Home Pay"**

Take home pay is our gross salary minus mandatory deductions (taxes) and voluntary deductions (health insurance, retirement contributions)

It is the amount of money from each paycheck available to you for spending!

	Annual	Weekly	Bi-Weekly	Semi-Monthly	Monthly
Pay periods per year	1	52	26	24	12
Gross Income or Salary	60,000	1,154	2,308	2,500	5,000
Mandatory Deductions (Withholding)					
Federal Income Tax	(4,660)	(90)	(179)	(194)	(388)
Social Security Tax (6.2%)	(3,720)	(72)	(143)	(155)	(310)
Medicare Tax (1.45%)	(870)	(17)	(33)	(36)	(73)
<u>MA State Tax (5.0%)</u>	<u>(2,621)</u>	<u>(50)</u>	<u>(101)</u>	<u>(109)</u>	<u>(218)</u>
Total Mandatory Deductions	(11,871)	(228)	(457)	(495)	(989)
Income After Mandatory Deduction	48,129	926	1,851	2,005	4,011
Voluntary Deductions					
Medical Insurance	(2,268)	(44)	(87)	(95)	(189)
Dental Insurance	(456)	(9)	(18)	(19)	(38)
Eyecare	0	0	0	0	0
<u>401(K) (5%)</u>	<u>(3,000)</u>	<u>(58)</u>	<u>(115)</u>	<u>(125)</u>	<u>(250)</u>
Total Voluntary Deductions	(5,724)	(110)	(220)	(239)	(477)
Income After All Deductions	42,405	815	1,631	1,767	3,534



How to Budget

Set Up an Initial Budget!

Decide on frequency
(e.g., monthly)

List sources and amounts of
Income

List Expenses
and organize
into categories

Track actual vs.
planned
amounts

Adjust as
necessary

Invest what is
left over as
savings or invest

AUDIENCE POLL

How much of your income should you spend on your “wants” at most?

- A. 50 %
- B. 30 %
- C. 10 %
- D. As much as you want!

Answer the poll
in Teams or in
the chat!

AUDIENCE POLL

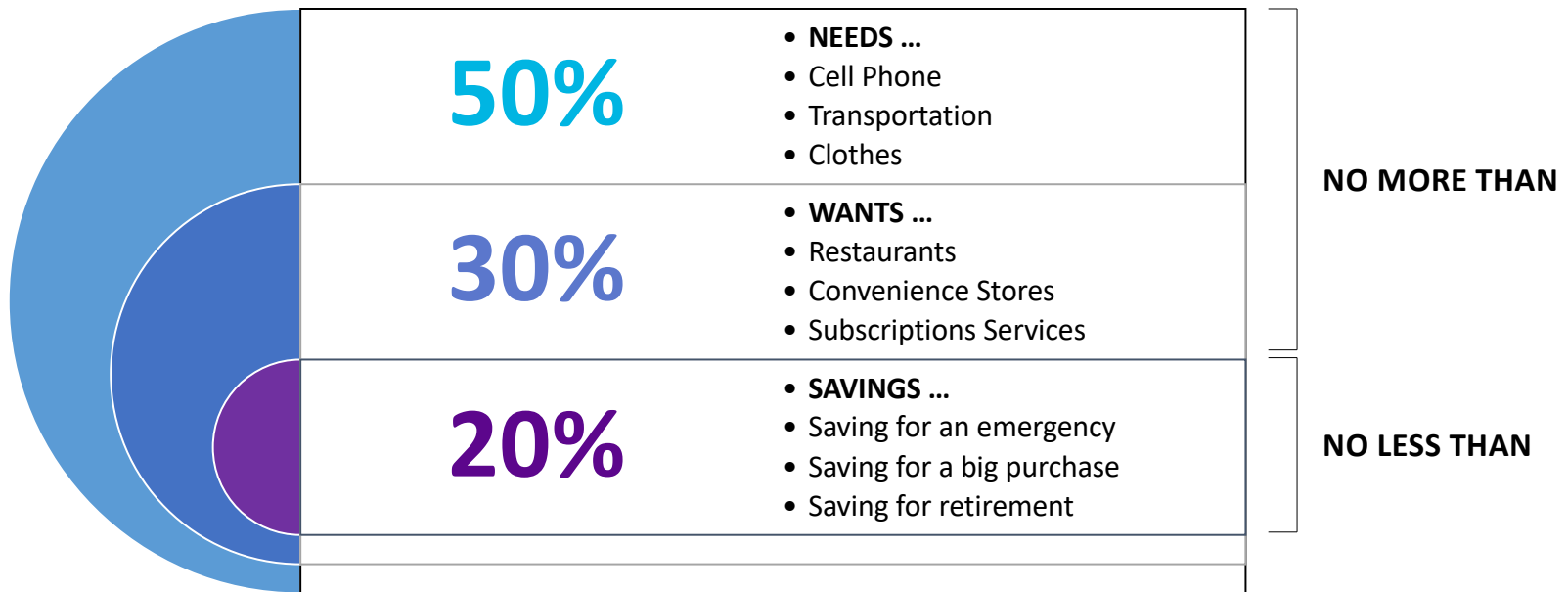
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Answer the poll
in Teams or in
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Use the 50 / 30 / 20 Rule!

50 / 30 / 20 Rule



How to Budget - Income

Record all sources of monthly income – make sure you use Take Home Pay!

Income	
Source	Budget
Full-Time Job	\$ 2,000
Work Study	\$ 175
Other	\$ 0
TOTAL:	\$ 2,175

Note: Amounts are monthly after withholding taxes and voluntary deductions

How to Budget

Make a list of anticipated bills & amounts for the coming month and put them in a column. *It's ok to estimate!*

Organize expenses into categories and be as detailed as possible.

Income	
Source	Budget
Full-Time Job	\$2,000
Work Study	\$175
Other	\$0
TOTAL:	\$2,175



Monthly Expenses

Type	Budget
Rent	\$1,000
Utilities:	\$110
Heat/Electricity	\$40
Cable TV / Internet	\$40
Cell Phone	\$30
Transportation:	\$110
MBTA Monthly	\$90
Uber/Lyft	\$20
Debt:	\$400
Student Loans	\$400
Food:	\$300
Groceries	\$200
Dining Out/Takeout	\$100
Other:	\$113
Clothes	\$50
Entertainment	\$50
Netflix / Subscriptions	\$13
TOTAL EXPENSES:	\$2,033
Net:	\$142

$$\text{Savings} = \text{Total Income} - \text{Total Expenses}$$



Budgeting Exercise

Item	Discretionary or Nondiscretionary?	Fixed or Variable?
Clothing	?	?
Groceries	?	?
Electric bill	?	?
Uber/Lyft	?	?
Restaurants/Takeout	?	?
Netflix	?	?
Student Loans	?	?
Credit Card	?	?



Budgeting Exercise

Item	Discretionary or Nondiscretionary?	Fixed or Variable?
Clothing	It Depends	Variable
Groceries	Nondiscretionary	Variable
Electric bill	Nondiscretionary	Fixed
Uber/Lyft	It Depends	Variable
Restaurants/Takeout	It Depends	Variable
Netflix	Discretionary	Fixed
Student Loans	Nondiscretionary	Fixed
Credit Card	Nondiscretionary	Variable

Sometimes expenses can be both discretionary & nondiscretionary – it can depend on your own circumstances. It's ok to be flexible!



Periodic Review: Income

Review your progress at the end of the month

Income			
Source	Budget	Actual	Diff.
Full-Time Job	\$2,000	\$2,000	\$0
Work Study	\$175	\$225	\$50
Other	\$0	\$0	\$0
TOTAL:	\$2,175	\$2,225	\$50

Periodic Review: Expenses

- Track spending in each category over the course of a month
- Review where you overspent or underspent against your budget
- Make sure your net or savings number is in line with your financial goals
- ACTION:** If not, use your budget to help adjust your spending goals for the following month!

Income			
Source	Budget	Actual	Diff
Full-Time Job	\$2,000	\$2,000	\$0
Work Study	\$175	\$225	\$50
Other	\$0	\$0	\$0
TOTAL:	\$2,175	\$2,225	\$50

Monthly Expenses

Type	Budget	Actual	Diff
Rent	\$1,000	\$1,000	\$0
Utilities:	\$110	\$125	\$15
Heat/Electricity	\$40	\$55	\$15
Cable TV / Internet	\$40	\$40	\$0
Cell Phone	\$30	\$30	\$0
Transportation:	\$110	\$115	\$5
MBTA Monthly	\$90	\$90	\$0
Uber/Lyft	\$20	\$25	\$5
Debt:	\$400	\$400	\$0
Student Loans	\$400	\$400	\$0
Food:	\$300	\$370	\$70
Groceries	\$200	\$220	\$20
Dining Out/Takeout	\$100	\$150	\$50
Other:	\$113	\$108	(\$5)
Clothes	\$50	\$20	(\$30)
Entertainment	\$50	\$75	\$25
Netflix / Subscriptions	\$13	\$13	\$0
TOTAL EXPENSES:	\$2,023	\$2,118	\$85
Net:	\$142	\$107	(\$35)



How to save money on your needs

- Supplemental Nutrition Assistance Program (SNAP) is a federal program that provides financial assistance for groceries.

Household Size	Maximum Pre Tax Income*	Maximum Benefit*
1	2,608	298
2	3,525	546
3	4,442	785
4	5,358	994

* - per month

- Amounts differ depending on income and expenses as well as if you are over 60 yrs old or have a disability.



Budgeting Tips



A lot of things can get in the way!

- List the most important expenses first
- Monitor your progress frequently
- Determine if you must adjust
- Remember, this is your budget. You own it!

Find the right process and tools that work for you!



Budgeting Tips

- ✓ **Know your disposable income**
- ✓ **Identify Needs vs Wants**
- ✓ **Pay Yourself First — Always tuck away some money for emergencies & savings**
- ✓ **Before Charging — 24-Hour or 30-Day Rule**
- ✓ **Track your Money – all of it**



Share What You Have Learned!



- Tell your friends
- Tell your family
- Tell your co-workers

Next Steps in the Process

Monitor your budget monthly

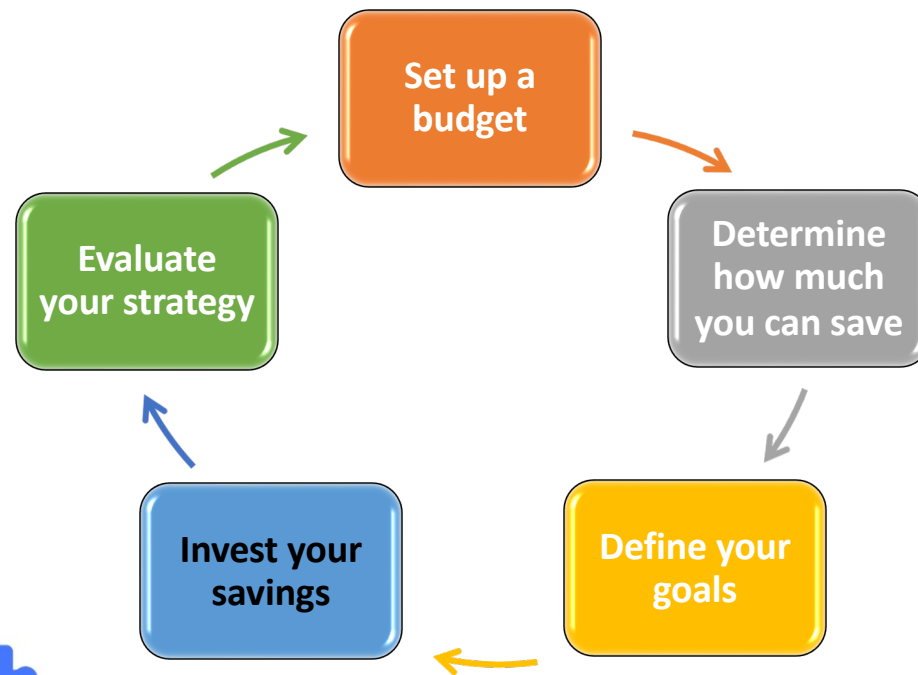
- Is estimated spending realistic?
- Can I cut back anywhere?

Determine how much you can save each month

- Then expand that to your yearly savings estimate

Start working on your financial goals

Financial Planning Steps



Your Financial Goals

List out what you would like to afford in the future that you may not be able to afford today



Determine time frame based on ...

- How much you can save now
- How expensive you estimate the goal to be when you must pay for it
- If you need to achieve the goal within a certain timeline (e.g., retirement)



Categorize your goals:

- By time horizon
- By priority

Your Financial Goals: list your goals!

Buy a car

Retire

College

Buy a House

Vacation

Emergency Savings

Pay off Debt

Financial Goals



Short Term 0-3 years

- Pay off credit card debt
- Build emergency savings (e.g., 3-6 mo. take home pay)



Intermediate Term 3-7 years

- Buy/lease a car
- Take a nice vacation



Long Term 7+ years

- Down payment on a house
- Pay off student loans
- Retirement (401(k), IRA)



Your Balance Sheet or Net Worth Statement

Assets		Liabilities	
Checking	\$3,000	Short Term Debt	
Savings Account	\$15,000	Credit Card Debt	\$1,500
Brokerage Account	\$20,000		
Car Market Value	\$10,000	Long Term Debt	
401K	\$65,000	Car Loan Balance	\$8,000
IRA	\$25,000	Student Loans	\$20,000
House Market Value	\$250,000	Mortgage	\$200,000
Total Assets:	\$388,000	Total Liabilities:	\$229,500
		Net Worth:	\$158,500

Planning Exercise

SITUATION: Ariana makes \$3,000 per month after taxes. She spends \$2,250 a month on non-discretionary expenses and typically spends \$500 a month on discretionary expenses.

GOAL: Ariana wants to buy a new car that requires a \$6,000 down payment and a \$250 monthly payment.

QUESTIONS

1. How long will it take Ariana to save for this car with her current expenses?
2. If Ariana reduced her discretionary spending by \$75 a month, how long would it take her to save for the car?

Planning Exercise

1. How long will it take Ariana to save for this car with her current expenses?

$(\$3,000 \text{ income} - \$2,250 \text{ non-disc} - \$500 \text{ disc}) = \$250/\text{month savings}$

$\times 12 \text{ months} = \$3,000/\text{year savings}$

$\$6,000 \text{ down payment} \div \$3,000 \text{ annual savings} = 2 \text{ years to save for down payment on new car}$

2. If Ariana reduced her discretionary spending by \$75 a month, how long would it take her to save for the car?

$(\$3,000 \text{ income} - \$2,250 \text{ non-disc} - \$425 \text{ disc}) = \$325/\text{month savings}$

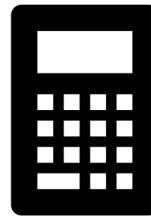
$\times 12 \text{ months} = \$3,900/\text{year savings}$

$\$6,000 \text{ down pymt.} \div \$3,900 \text{ annual savings} = 1.54 \text{ years to save for down payment on new car}$

That means she can afford the car almost 6 months earlier just by saving \$75/mo!



Learn by Doing



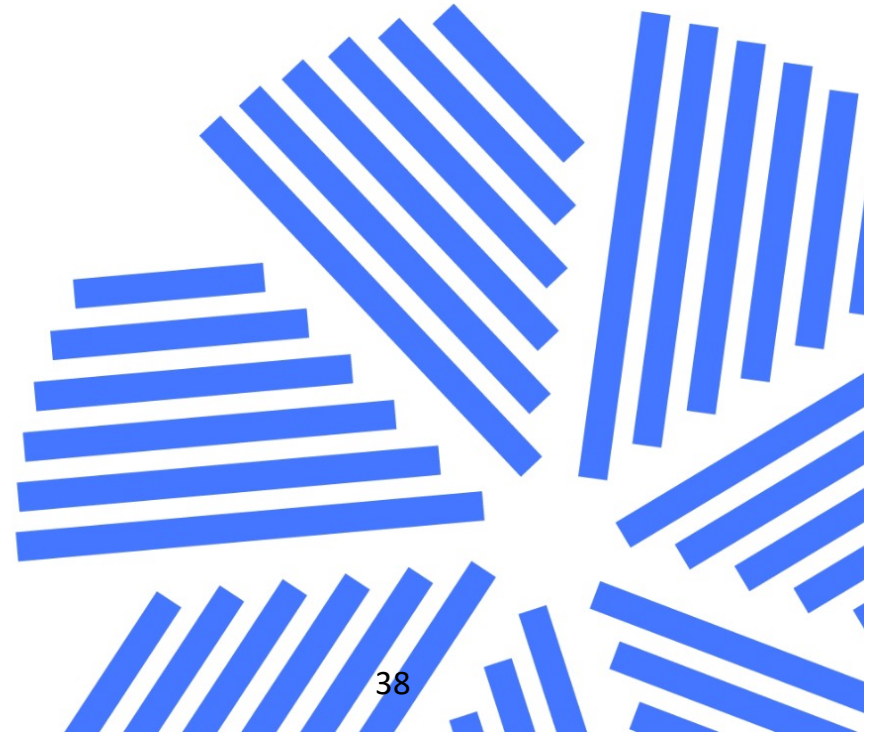
**Create a budget for yourself
for the next 12 months!**





How can we help?

CFA Society Boston
www.cfasociety.org
617-426-0270



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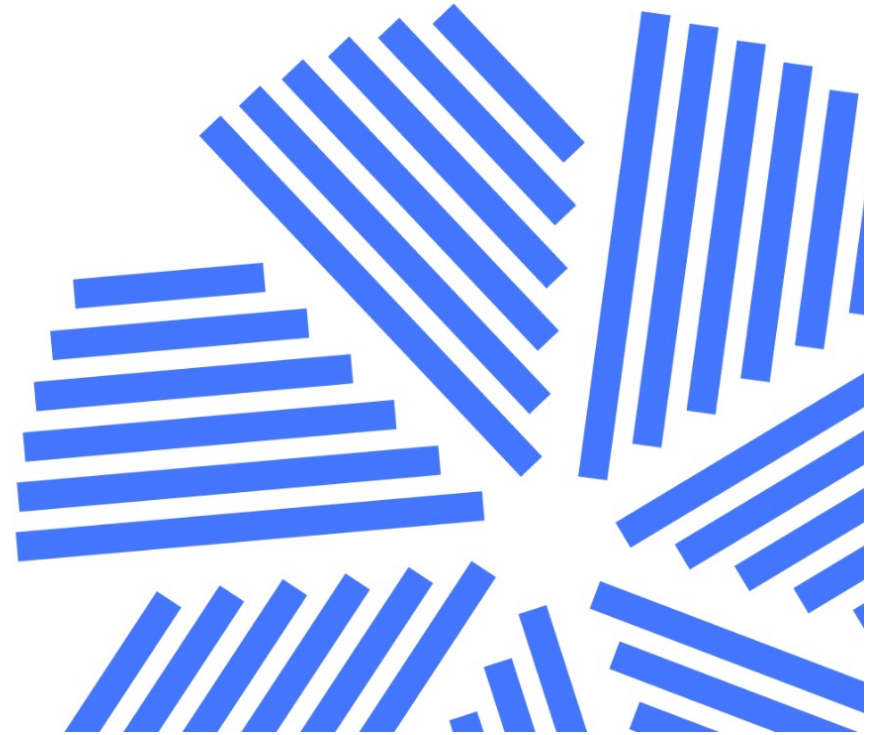
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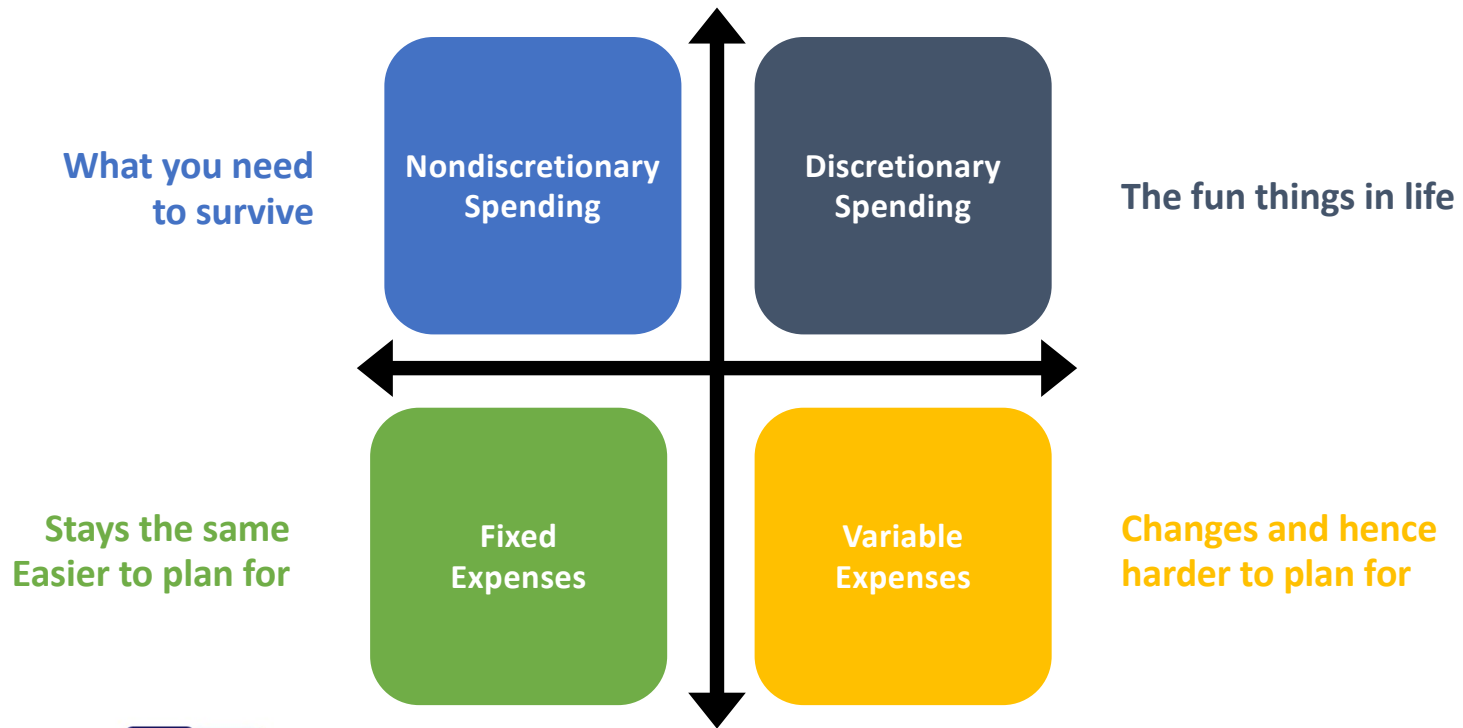
Thank You



Appendix



Terminology – KC suggests Deleting this slide



About CFA Society Boston Financial Literacy Program

Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

Our Financial Literacy Mission

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.

How it Works

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How to Partner with the CFA Society Boston Financial Literacy Program

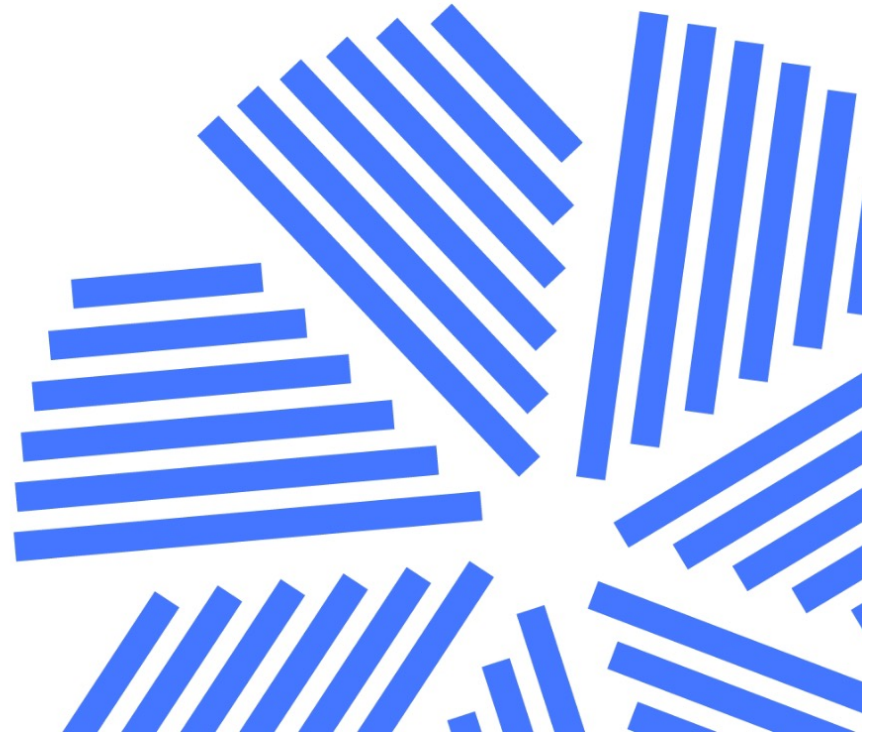
What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit www.cfaboston.org/financialliteracy or email finlit@cfaboston.org.





PRESENTATION INFORMATION

Alliance Leader(s):

Date of Offering:

