

Edward Jones®

# Power of Budgeting

Edward Jones Advisory Solutions®



Our purpose is to partner for positive impact—to improve the lives of our clients and colleagues, and together, better our communities and society.



# Knowledge leads to confidence

- Many currently lack the necessary knowledge to manage and improve financial wellbeing.
- Providing access to the basics of personal finance helps achieve financial and life goals.



# Confidence creates resilience

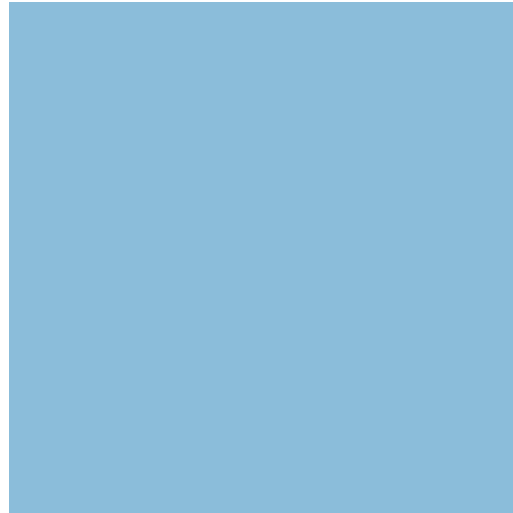
- Aggressive savings programs alone might not be enough.
- Sudden economic shifts can be jarring for anyone.
- Careful planning and goal-setting, and flexibility to revisit and rework strategies, help strengthen resilience.



# Workshop goals

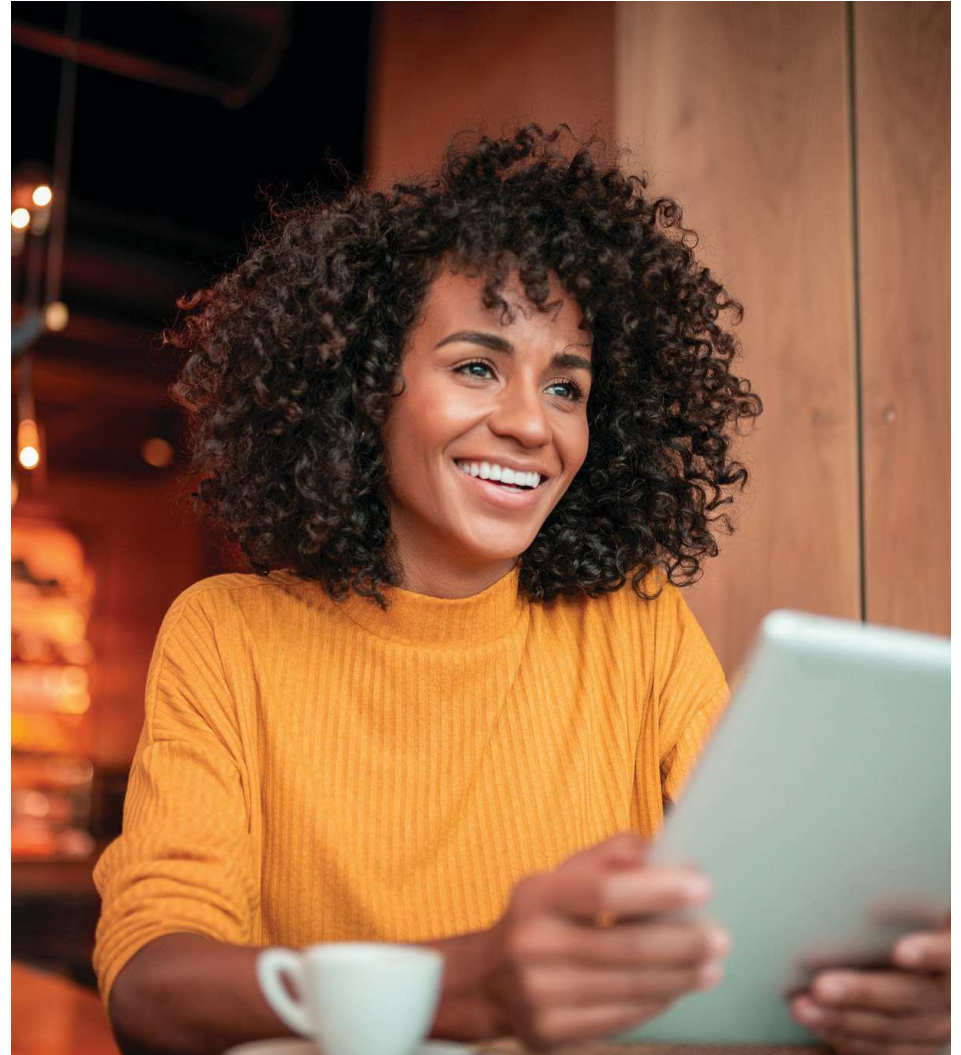
In this workshop, you will...

1. Explore the importance of creating and maintaining a budget.
2. Examine the differences between wants and needs.
3. Set goals for spending, savings, and debt repayment.



## Meet Marta

- Marta is a 30-year-old woman who works two jobs: one at a grocery store and another as a hostess at a restaurant.
- Marta often feels overwhelmed by her debt. She has also paid bills late in the past. One reason is that her personal finances are not very organized.
- Marta wants to become more financially stable.



## Marta's income

- Marta makes \$2,000 per month in net income.
- Marta feels like she can't make her money last through the end of the month.
- How can Marta help herself get ahead?

### She needs to...

- A. Make a financial strategy.
- B. Make a budget.
- C. Have savings.
- D. Live within her means.
- E. Reduce her debt.

## Gross and net income: What's the difference?

### **Gross income**

is the amount of money you earn before anything is taken out for taxes.

### **Net income**

is the amount of money you earn after all taxes are taken out of your pay.

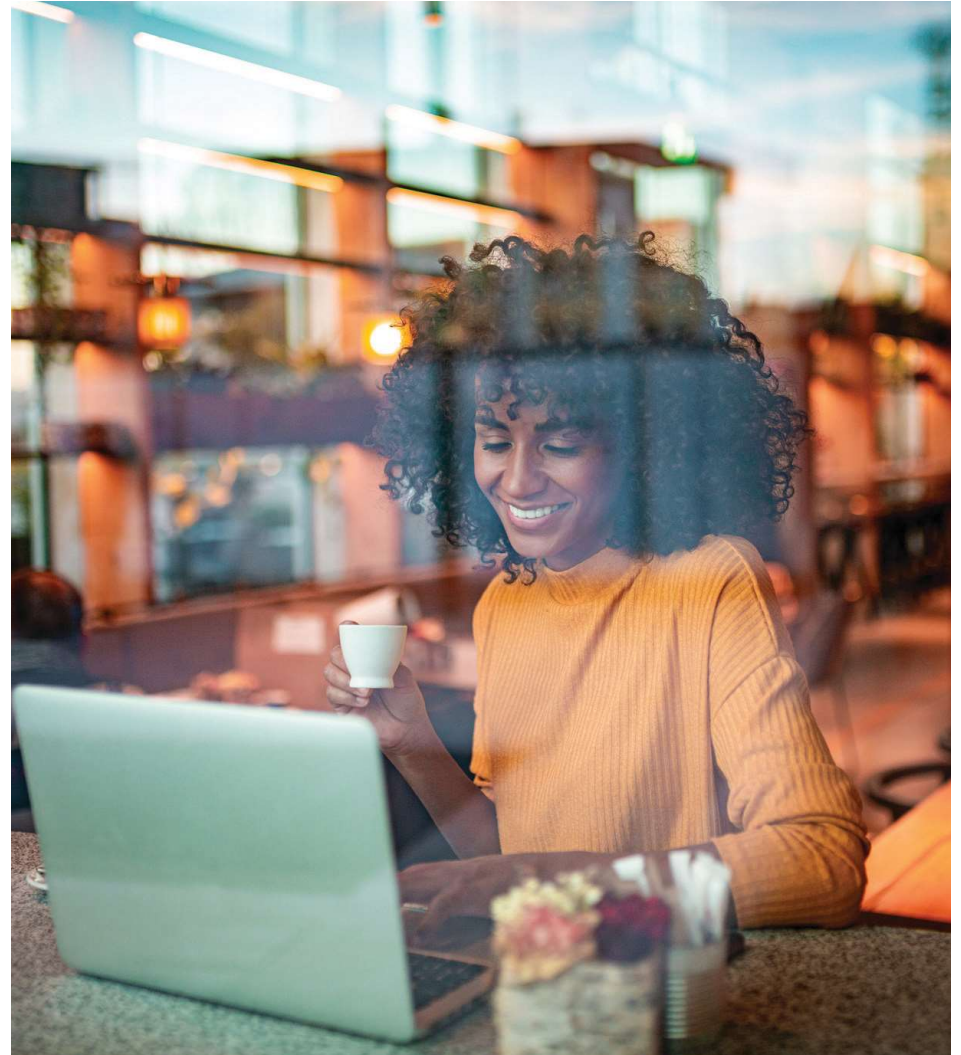


# Budgeting

Budgeting is the process of creating a plan to spend your money.

## How can a budget help me?

- Helps you live within your means.
- Helps you pay down debt.
- Helps you save for the future and emergencies.



# Marta's wants and needs

Look at the list of Marta's monthly expenses and sort the items according to wants and needs.

## Marta's monthly expenses:

- Coffee
- Groceries
- Car insurance
- Cell phone
- Restaurants
- Entertainment
- Car payment
- Clothing
- Transportation expenses
- Rent
- Health insurance/medical expenses
- Utilities
- Salon

# Cutting expenses

Marta earns \$2,000 per month. Which of Marta's expenses can be reduced or cut?

Wants	
Coffee	\$40
Restaurants	\$50
Entertainment	\$40
Clothing	\$100
Salon	\$100
<b>Total</b>	<b>\$330</b>

Needs	
Rent	\$600
Groceries	\$200
Utilities	\$75
Car payment	\$240
Car insurance	\$120
Transportation expenses	\$80
Health insurance/ medical expenses	\$120
Internet	\$50
<b>Total</b>	<b>\$1,485</b>

# How can I free up funds?



Cut expenses.



Reduce spending.



Price shop for services.



Think about a new job.



Consider freelance  
or gig work.

# Marta's debts

Debt	Balance	Interest Rate
Credit Card A	\$400	23%
Credit Card B	\$300	18%
Student Loans	\$7000	12%

# Debt management strategies

## Avalanche method

- List all your debts from highest to lowest interest rate.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the highest interest rate loan to pay off first.

## Snowball method

- List all your debts from smallest to largest balance.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the loan with the smallest balance to pay off first.

# Setting financial goals

Financial goals are personal goals you set for yourself about how you will save and spend money.

There are three types of financial goals you can set:

Short-term goals can be accomplished in a few months or up to two years.

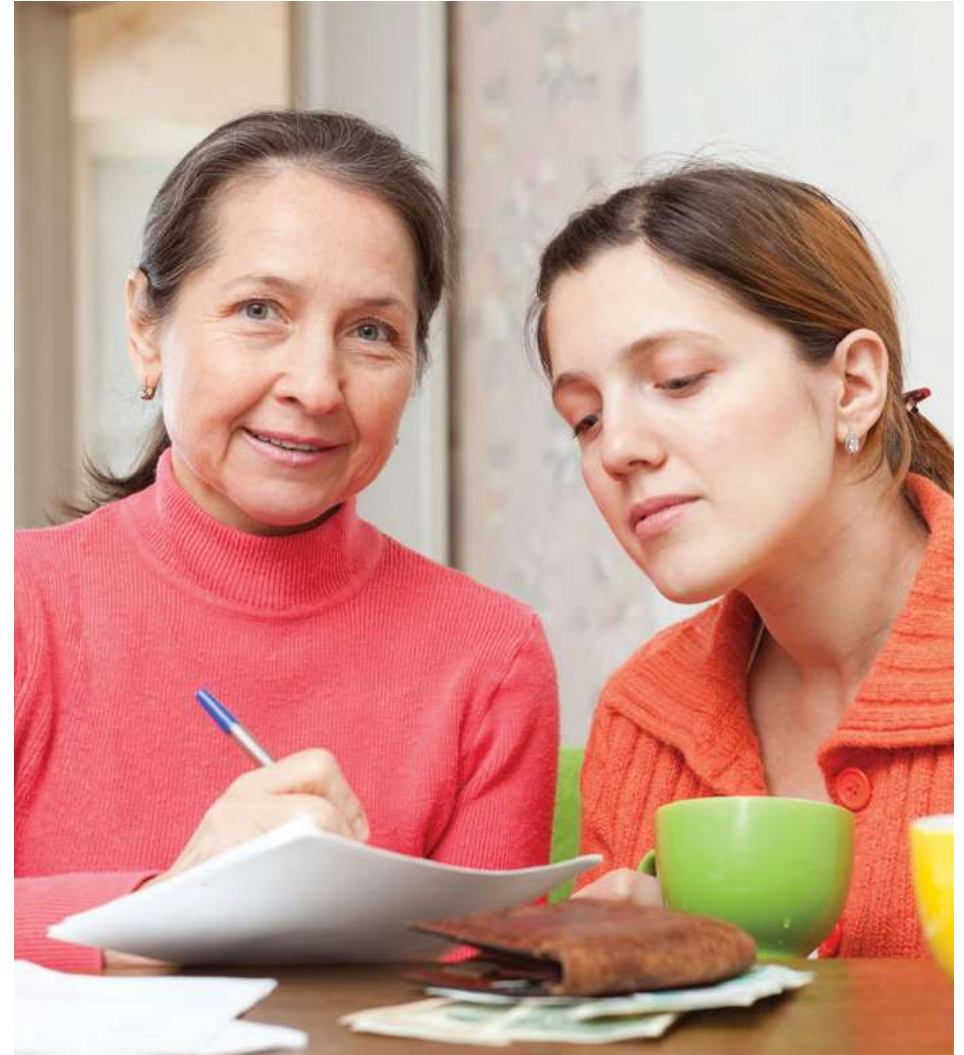
Medium-term goals can be accomplished in two to five years.

Long-term goals can be accomplished in more than five years.

# Setting your own financial goals

Either using the list in your Participant Guide or writing your own list, create a list of your financial goals.

Make sure to include small, medium, and large goals.





# Creating your own budget

There are many budget strategies you can use.

Today we will focus on the 50/30/20 rule and the categories method.



# The 50/30/20 rule

Marta earns \$2,000 per month.

No more than 50% of  
income on needs.

No more than 30% of  
income on wants.

At least 20% of income  
on savings and/or  
debt repayment.

# Marta's monthly expenses after cuts

Wants		
Coffee	\$20	-\$20
Restaurants	\$50	-\$0
Entertainment	\$40	-\$0
Clothing	\$50	-\$50
Salon	\$50	-\$50
<b>Total</b>	<b>\$210</b>	<b>-\$120</b>

Debt	
Credit Cards	\$200
Student Loans	\$100
<b>Total Debt</b>	<b>\$300</b>

Needs		
Rent	\$500	-\$100
Groceries	\$100	-\$100
Utilities	\$75	-\$0
Car payment	\$200	-\$40
Car insurance	\$75	-\$45
Transportation expenses	\$40	-\$40
Health insurance / medical expenses	\$100	-\$20
Internet	\$50	-\$0
<b>Total</b>	<b>\$1,140</b>	<b>-\$345</b>

Savings	
Savings Contribution	\$100

# Categories method

The categories method is a more detailed breakdown of percentages and categories. Here is an example of a budget using categories method:

Example Budget	
Housing	30%
Utilities	10%
Groceries	10%
Transportation, including Car Loan	10%
Debt Repayment	10%
Savings	10%
Dining Out	5%
Car Insurance & Miscellaneous Auto Expenses	5%
Clothing	5%
Entertainment	5%

# Marta's monthly expenses by category

Wants		
Coffee + restaurants	\$70	5% (\$100)
Entertainment	\$40	5% (\$100)
Clothing	\$50	5% (\$100)
Salon	\$50	(not categorized)
<b>Total</b>	<b>\$210</b>	<b>\$350</b>

Debt		
Credit cards + student loans	\$300	10% (\$200)
<b>Total Debt</b>	<b>\$300</b>	<b>\$200</b>

Needs		
Rent	\$500	30% (\$600)
Groceries	\$100	10% (\$200)
Utilities	\$75	10% (\$200)
Car payment + transportation expenses	\$240	10% (\$200)
Car insurance	\$75	5% (\$100)
Health insurance/ medical expenses	\$100	(not categorized)
Internet	\$50	(not categorized)
<b>Total</b>	<b>\$1,140</b>	<b>\$1,450</b>

Savings		
Savings Contribution	\$100	10% (\$200)

# Strategies for savings

These strategies can help ensure that you meet your savings goal each month.

## **Make a habit of saving**

Decide on an amount you'll save each month and stick to it, so you get used to putting your money in savings.

## **Use automatic savings**

An automatic savings plan is a type of savings account where money is automatically transferred into savings at certain times each month.

## **Limit spending**

Spending less can make your savings goal easier, so try to cut back a little when and where you can.

## Build and maintain your expertise — [www.edwardjones.com/ financialfitness](http://www.edwardjones.com/financialfitness)

- Mobile and online financial resources
- At no cost and self-guided by you with no sign-in required
- 50+ brief, interactive modules (less than five minutes in length)
- Practical application across many of life's key milestones



# Key takeaways

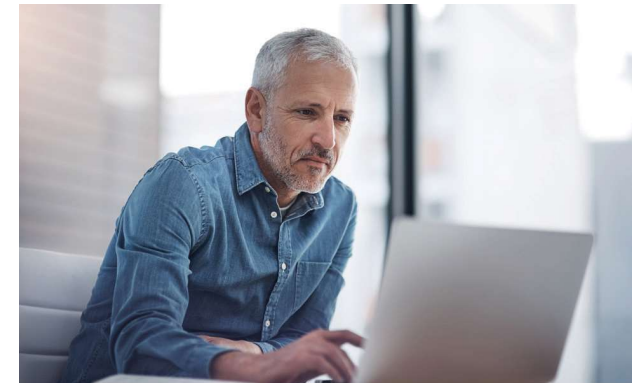
Remember...



**Use a budgeting strategy** to manage your spending, savings, and debt repayment - like the Avalanche or Snowball Methods.



**Speak to someone you can trust**, like family, a friend, or your financial advisor, for additional support.



**Always keep learning** by reviewing financial education.



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Any questions?

