FGB FINANCIAL FOUNDATIONS
• HIGH SCHOOL •

BUDGETING & SAVING

Good habits are the foundation of smart spending & saving.

BUDGETING

By definition, a budget is a monthly spending and savings plan to guide you on how to best use your money.

Many understand the value of having a budget but have no idea where to start or what to do with their finances. Bottom line, don't spend more than you actually have. Your budgeted income should be based on your net income, not your gross income.

GROSS INCOME vs NET INCOME

- **Gross Income** – your total income without deductions such as taxes and benefits
- **Net Income** – your gross income minus deductions. It's what you have leftover to save and spend (aka your take home pay).

A good way to remember the two: Gross is what you make – Net is what you take.

CREATING A BUDGET

When creating a budget, list your income and expenses. Spend a few weeks focusing on where your money is going every day/week. Tracking your expenses helps you understand if you are using your money in line with your values and goals. It can also help you figure out where you can make changes and spend less.

Income:	**Expenses:**	**Discretionary:**
______________	______________	______________
______________	______________	______________
______________	______________	______________

What are you saving for? ____

____

DID YOU KNOW?

61% of teens making money have some sort of bank account - Junior Achievement USA

Once you have a good idea of where your money goes each day/week/month, create a plan. The good news is, you don't need anything fancy to help you with this step—it can be as simple as inputting due dates for bills on your calendar, using online bill pay, or creating a spreadsheet of your monthly expenses and income.

Does your income cover your expenses? Compare your net income to your total expenses. When you do the math, if you get a positive number your income more than covers your expenses. If you have a negative number, you will need to increase your income or decrease your expenses.

Tip: A flexible budget will help you avoid overspending.

BUDGETING TIPS

1. Add up your total income
2. Track your spending
3. Set financial goals
4. Calculate mandatory expenses
5. Identify debt payments
6. Make a spending plan
7. Adjust each month

SMART SPENDING & SAVING HABITS

These foundational habits can help you get your finances on track and in order.

1: Automate your good habits

Chances are, you're already doing more than you think to further your savings goals. Start with the things you do well and automate them to make it easy for you. Example: enroll in your bank's online banking program and set up automatic payments.

2: Know where your money goes

Spend a few weeks identifying where your money is going every day/week. Grab a pen and paper (or your phone's note app) and write/type it out if you need to! Tracking your expenses helps you understand if you are using your money in line with your values and goals. It can also help you figure out where you can make changes and spend less.

3: Identify areas to cut back

Once you have a good idea of where your money is going each day, week, and month, it can be helpful to think about them in three different ways: needs, wants, and obligations. Where can you cut back on spending?

- **Needs** are things you must have to live.
- **Wants** are things you desire but can live without.
- **Obligations** are debts you owe.

4: Stick to a budget

When creating a budget, you want to make sure that you make one that you can realistically live with AND one that allows you to save (even if just a small amount) every month.

TIP: Pay yourself first.

Make a habit of depositing/moving money into your savings account every time you are paid. That way, you're less likely to spend it!

When you pay yourself first or put money in your savings account **BEFORE** spending your paycheck, you establish a habit that your goals are most important to you.

5: Establish an emergency savings fund

DID YOU KNOW?

According to Bankrate, 51% of people have less than three months worth of savings in an emergency fund.

If you can get these five habits down, you could be well on your way to your saving and spending goals!

HOW SAVINGS CAN ADD UP

	Saving $25 a month	Saving $50 a month
1 year	$300	$600
5 years	$1,500	$3,000
10 years	$3,000	$6,000

Note: Numbers do not account for inflation or any account interest.

Rule of 72 - Calculate how long it will take your money to double. (72/interest rate = number of years it will take your investment to double)

BEST PRACTICES FOR MONEY MANAGEMENT

Comparison shopping – Compare the product, service, price, or interest rate before deciding to move forward.

Save receipts – Keeping your receipts is an excellent way to make sure you remember expenses during the day.

Use your debit card – Using your debit card rather than cash for most of your purchases creates a documented record of your spending.

Update your records – At the end of the day, set aside a few minutes to update your records. Go online to review pending and posted transactions.

Avoid Late Fees – Fees can add up so make sure that you are always paying your bills on time.

Follow the 7-day rule – When shopping, buy things because you need them not because they are on sale. Walk away for 7 days and if you still **must have it AND can afford it**, then consider making the purchase.

WHAT IS A 401(K)?

A 401(k) is a retirement savings plan sponsored by an employer that allows employees to save and invest a portion of their paychecks before taxes are deducted. Where your money is invested is up to you and depends upon what your retirement plan offers. Usually there are several options to choose from. There isn't a one-size-fits-all and your plan can be completely customized. Taxes aren't paid until the money is withdrawn from the account. Some companies will match the funds you place in your account.

- **Matching contribution** – your company matches the contribution that you make to your 401(k) account up to a specific threshold.
- **Partial contribution** – your company contributes 100% of an employee's contribution and the company's total contribution is capped as a percentage of the employee's salary.

STUDENT COLLEGE LOANS

Before you think about student loans, make sure to exhaust all other forms of financial aid that you do not have to repay. If you still need money to cover the cost of tuition and living expenses, then you should consider student loans. Keep in mind:

- Student loans must be repaid with interest
- Federal student loans should be your first choice
- You don't have to accept all the loans offered to you
- You can make payments while in school

Tip: Your school counselor is a great resource for finding scholarships, grants, etc.

When you borrow student loans, you agree to repay that amount in full plus any interest that accrues. You still owe this money even if you don't finish your degree or have difficulty finding a job.

When taking out a loan, determine a strategy to repay your loan(s) while you're still in school! Use the grace period to prepare your finances.

It is important to know how much you owe, the interest rate and when repayment starts.

A common mistake among borrowers is not being aware of all their options when it comes to repayment.

If you want to pay off your student loan debt quickly, experts and seasoned student loan borrowers recommend an aggressive repayment strategy that entails paying more than minimum payments.

DID YOU KNOW?

The average student loan debt as of January 2023 in Louisiana is $34,827.

Notes:

KEY TERMS

Inflation: According to the State Policy Network, Inflation is an economic term to describe a situation when prices rise in the economy. It means goods and services are becoming more expensive, and your monthly paycheck won't buy as much as it previously could. Inflation is when everything becomes more expensive.

Principal: Money you originally agreed to pay back when taking out a loan.

Interest: Extra money you receive if you have invested a sum of money. It's also the extra money that you pay if you have borrowed money or are buying something on credit.

An example on compound interest:

Compare two 25-year-olds that have the same goal of retiring at age 60 and both earn an 8% annual rate of return on their investments.

The early saver invested $5,000 a year for 10 years, from age 25 to 35. At age 60, her portfolio value was just over $615,000 with a total investment of $55,000.

The "wait and save" person saved $5,000 a year for 25 years, from age 35 to 60. At age 60, he accumulated just over $430,000 with a total investment of $130,000.

Even though the later saver invested more than double the amount of money than the early saver, he ended up with $183,000 less at age 60.

Emergency Savings: An emergency fund is money that you've set aside in case of emergency. An emergency can be an unexpected car or home repair or unexpected medical expenses.

A typical emergency fund has AT LEAST 3-6 months of living expenses (enough to cover your basic needs). This can seem like a lot but, start small. You don't have to have your emergency fund overnight. You can make a difference by saving in small increments over time.

Notes:

KICK START YOUR SAVINGS GOALS WITH THE

52-WEEK MONEY CHALLENGE

Put away a little each week and watch it grow into big savings over time.

Week	Deposit Amount	Account Balance	Week	Deposit Amount	Account Balance
1	$1	$1	27	$27	$378
2	$2	$3	28	$28	$406
3	$3	$6	29	$29	$435
4	$4	$10	30	$30	$465
5	$5	$15	31	$31	$496
6	$6	$21	32	$32	$528
7	$7	$28	33	$33	$561
8	$8	$36	34	$34	$595
9	$9	$45	35	$35	$630
10	$10	$55	36	$36	$666
11	$11	$66	37	$37	$703
12	$12	$78	38	$38	$741
13	$13	$91	39	$39	$780
14	$14	$105	40	$40	$820
15	$15	$120	41	$41	$861
16	$16	$136	42	$42	$903
17	$17	$153	43	$43	$946
18	$18	$171	44	$44	$990
19	$19	$190	45	$45	$1,035
20	$20	$210	46	$46	$1,081
21	$21	$231	47	$47	$1,128
22	$22	$253	48	$48	$1,176
23	$23	$276	49	$49	$1,225
24	$24	$300	50	$50	$1,275
25	$25	$325	51	$51	$1,326
26	$26	$351	52	$52	$1,378