

“Goal Setting and Budgeting”

Banking and Finance

Objectives:

- Define goal, values, delayed gratification, opportunity cost, liquidity, future value, time value of money
- Write a specific, measurable, attainable, realistic, and time-bound goal (SMART).
- Distinguish among short, intermediate, and long term goals
- Demonstrate ability to create a budget which allocates income into expenses and savings
- Evaluate and modify spending and savings decisions in order to reach goals
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Goals and Values

- Values – beliefs and practices in your life that are important
 - Influences include: parents, friends, religion, experiences, etc...
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 -
- Goal(s) – something you aim for... points you in the direction you need to take
 - Accomplishment = success!!

GOAL SETTING

- Term / Period:

- ❖ *Short Term* – immediately to 3 months to achieve



- ❖ *Intermediate Term* – more than 3 months to 1 year to achieve

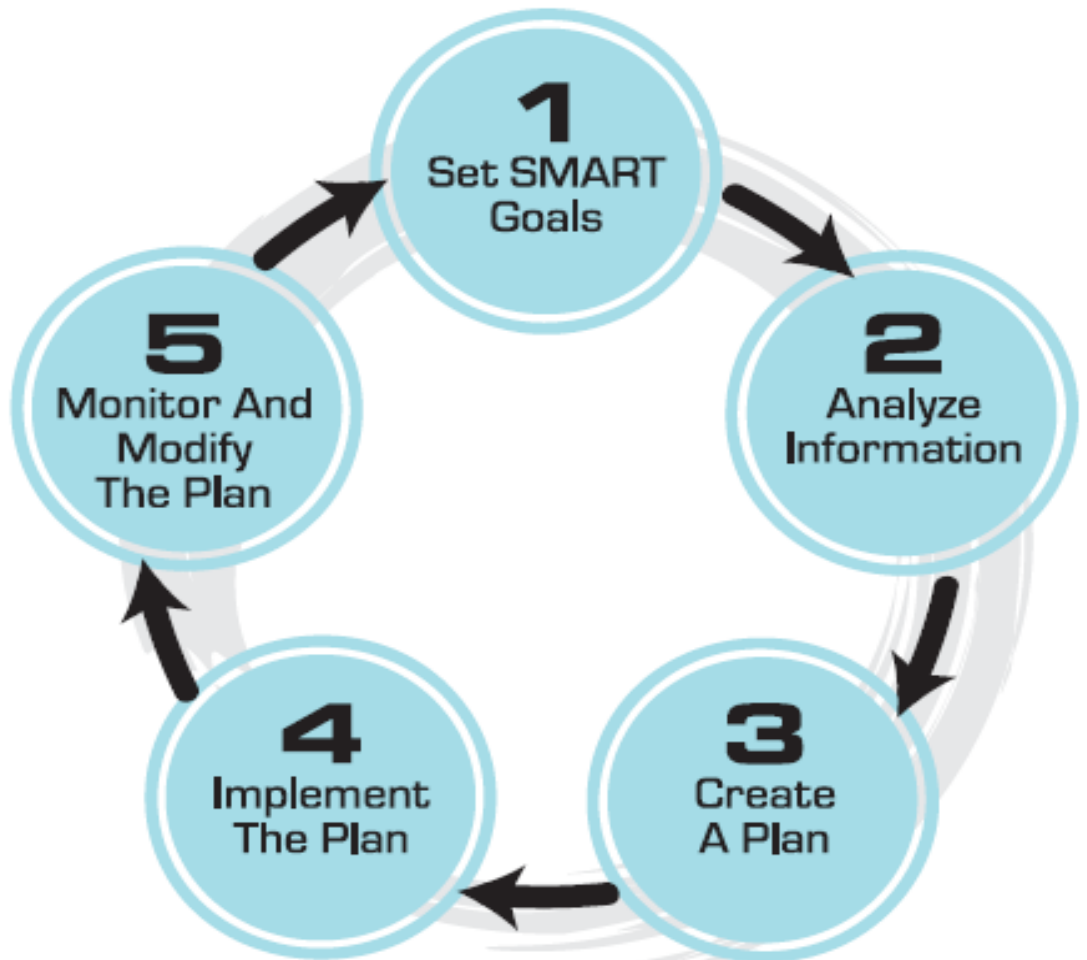


- ❖ *Long Term* – more than 1 year to achieve

Goal Setting

- “*Dreamers* are those who will be content to fantasize about the trip they will never take; *Achievers* are those who reach their top goals through planning and budgeting, disciplined saving, and proper use of credit...”
- Planning will help you achieve anything!
- “NO ONE PLANS TO FAIL, THEY JUST FAIL TO PLAN”

The Five-Step Financial Planning Process



Delayed Gratification

Give up something now to get something even better later

- Saving money over time to make a major purchase.
- Waiting to buy a new product until the price goes down.
- Waiting to see the latest movie until the crowds get smaller and the lines shorter

Step 3 Create a Plan

- Making Decisions...



1. Identify Goal

2. Establish Criteria

Identify expectations (specific)

3. Examine your options

4. Weigh Pros and Cons

5. Make your decision

6. Evaluate results

Age
Wants

Factors That Affect Decision Making

Needs

what about you?

Family

Time

Society

Culture

Money

Motivation

Values

Education

Habits

Attitudes



Assignment

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- Goal Setting Worksheet

Brainstorm and write several personal goals then prioritize.

Terms

- *Opportunity Cost* - trade off among 2 or more decisions. What you don't do is the cost for your decision.
 - Limited resources leads to making choices between Goal A or Goal B (going to the movies or going to the skate park)
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- *Liquidity* –
ability to convert assets into cash without losing value
- *Future Value* –
amount your original deposit will be worth in the future based on earnings, interest rate, and period of time
- *Time Value of Money* –
increase in the amount of money due to earned interest
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S-M-A-R-T Goals Criteria

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**ealistic
- **T**ime-Limited

SMART Goals

Specific.....

“Pay for lodging, transportation, meals for a 5-day trip to Washington, D.C.”

Measurable...

“\$300 through fundraising, \$50 from birthday money, save \$25 a week.”

Attainable.....

“If I stick to my plan, I’ll have the money when I need it.”

Realistic.....

“I still have enough money to live on while I work toward this goal.”

Time-Limited..

“I need to have all the money by 6 months from now.”

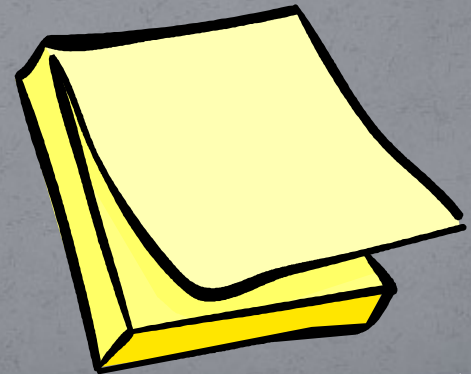
Conditions of Goal Setting

- Specific
- Measurable
- Attainable
- Realistic
- Time-bound

● I want to go to Cabo San Lucas for Spring Break. I'll save \$50 a month for the next 5 months and have the \$250 I'll need by March 15th for my share of the hotel room, gas (driving), and food.

Sticking With Your Plan

- Write your goals on index card or find a picture of your goal and post somewhere that you'll see every day
- Tell other people
- When you spend money, decide how much you will spend and take no more
- Review your plan regularly
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Assignment

- Spending Log – Track Income and Expenses for 2 weeks.
- - List Specific merchants and amounts

Budgeting

Banking and Personal Finance

BUDGETING

- Plan to manage your money during a given time

Monthly Budget			
Revenue:			
	Net Income (take home pay after taxes)		\$914.19
Expenses:			
Variable			
	*PYF (Pay yourself first - Savings)	\$95.00	
	Utilities	\$78.00	
	Food	\$150.00	
Total Variable Exp.		\$323.00	
Fixed			
	Car Payment	\$140.00	
	Insurance	\$45.20	
	Rent	\$245.00	
	Summer Trip (Goal)	\$40.00	
Total Fixed Exp.		\$516.19	
Periodic			
	AAA membership	\$ 75.00	
Total Periodic Exp.		\$75.00	
Total Expenses			\$914.19
Remaining:			\$0

Reasons for a Spending Plan

- ...Helps you determine where you are spending your money currently.
- ...Helps you decide where to spend your money in the future.
- ...You have an organized way to save for things that cost more.
- ...Puts you in control of your financial future, beginning NOW.

People Without a Budget...

- ...Are less likely to know what they have.
- ...Have no plan, often coming up short before their next paycheck or allowance.
- ...Are almost certain to have no plan to save for more expensive spending goals.

Cash Flow

- \$\$ coming in and going out
- *Gross Income* (before taxes)
- Taxes:
 - Social Security, Medicare, Federal / State Income
 - W4 and w2
 -
- *Net Income* (after taxes)
- *Discretionary income* - \$\$ left over after paying for essentials (food, shelter, clothing, transportation, and medication)
- *Net Worth* – difference b/w the amount you own and the debts you owe

PAY YOUR\$ELF FIRST!

Setting aside money for “big ticket items”

Avoids borrowing, which costs you a lot! It’s a

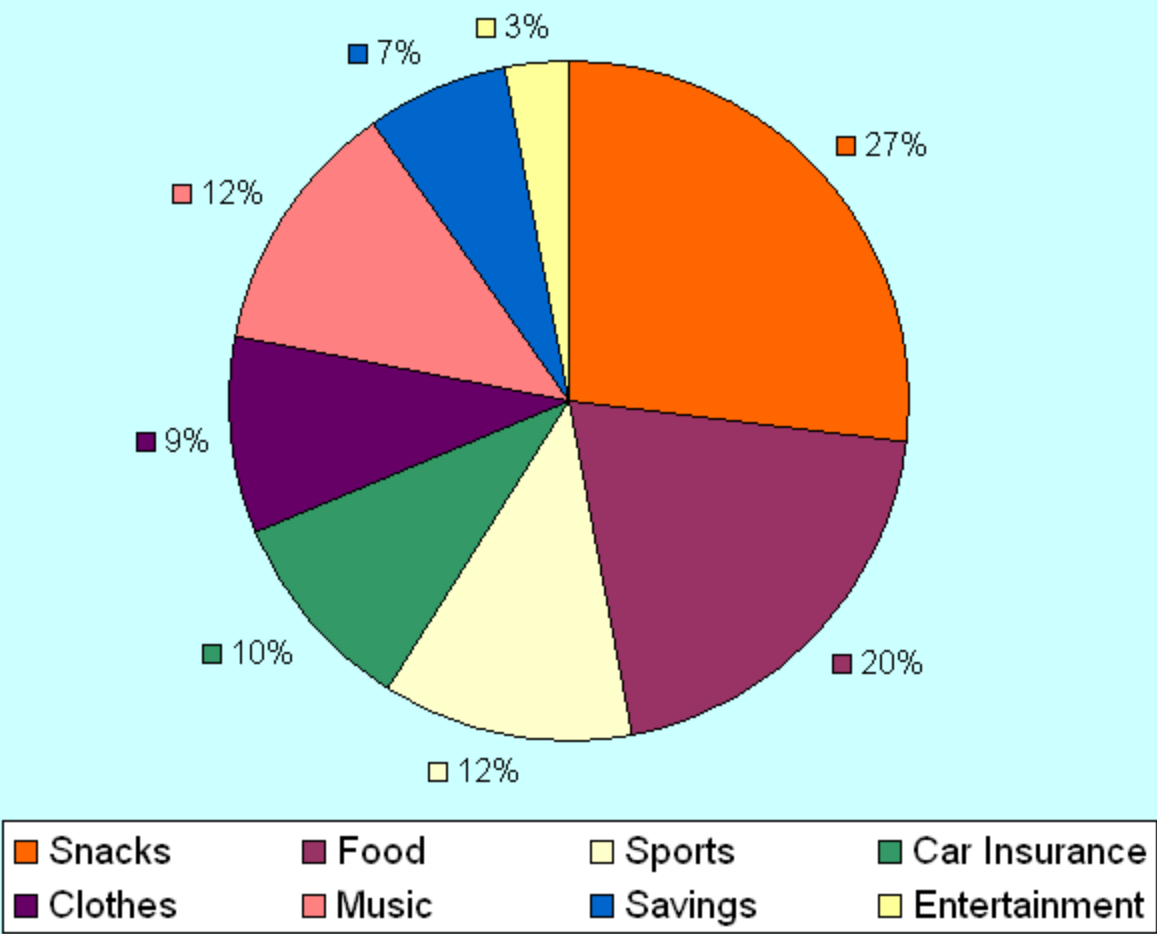
Very wise thing to do, because

Every time you pay yourself first, you are developing a **saving habit** that leaves you with more money to spend later on for things that are really important to you!

HOW DO YOU SPEND YOUR MONEY ?

\$100	Snacks	27%
\$75	Food	20%
\$45	Sports	12%
\$36	Car Insurance	10%
\$35	Clothes	9%
\$46	Music	12%
\$25	Savings	7%
\$11	Entertainment	3%
\$373		100%

Enter data in these fields



For an interactive version of this slide, open the Excel File for this unit and go to Excel Worksheet 2-A-1

Expenses

- Liabilities – debts you owe
- Terms:
 - Fixed Expenses - Each month, same amount
 - Rent, Mortgage, car payment, insurance, etc...
 - Variable Expenses- Each month, different amount
 - Utilities, credit card, clothing, food, PYF, etc...
 - Periodical Expenses- Not every month
 - Car Insurance (6 months), subscriptions, memberships, hair/nails, etc...

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Documents to Keep



- Checking Account Statements
- Savings and Investment Statements
- Pay Stubs
- Tax Documents
- Insurance Statements
- Loan and Credit Card Statements
- Receipts and Warranties (Big Ticket Items)

Staying on Track



- Envelop System
- Tally System
- Checking Account Register
- Budget Spreadsheet
- Personal Finance Software



Assignment - Budget

- 1. Practice creating a budget – Maria's Monthly Budget
- 2. Use Excel and provided template to create your own monthly budget
- 3. Use spending log and goal setting worksheet as an example of expenses and budgeted amounts
- 4. Consider new expenses over the next 4 weeks
- 5. Track this budget over the next 4 weeks to determine if you met , exceeded, or came under.