



EMPOWERU

FINANCIAL FITNESS 1

WEEK 4



Welcome to Financial Fitness!

We're so glad you're here!

A few things to remember:

- Make sure you sign in to get credit for attending
- It is vital that you come on time each week in order to avoid the disruption that is created for the rest of the class and we want to make sure that you don't miss any important Financial Fitness principles
- Full attendance means that you arrive on time, stay for the entire 1.5 hour class and complete each week's homework. Credit will not be given for partial attendance or incomplete homework
- Childcare is available for those attending Financial Fitness
- In case of absence please make sure to call the Love in Action office and leave a message at (616) 846-2701 extension 108. An absence without a call will be entered as a NO CALL/ NO SHOW
- Please turn down your cell phone and avoid using it during class out of respect for other class attendees and the class instructor
- Please refrain from leaving class during the session unless there is an emergency
- During inclement weather class cancellations will be posted on WZZM 13

Living within your means

Lesson Objectives:

- **Living within your means**
- **Homework Review**
- **Filling out a monthly Spending Actual form**
- **Utilizing the annualized payment planning form**
- **Improving your financial situation**

We live in a society that constantly bombards us and our families with the idea that we deserve the best. Bigger, better, faster, newer and more, more, more.

We are exposed to advertisements that promise if we buy the product or item, it will provide the key to our happiness, a better life and certainly more status. We may base our self worth on the quality and amount of possessions we have.

Discontent and striving for “stuff” is the norm. Who doesn’t love new things? Phones, laptops, cars, clothes, homes etc. are where it’s at. How about that vacation the family deserves? The media tells us to put it on the new credit card that boasts no interest for 12 months. They forget to mention what happens when it isn’t paid off on time and the 14% interest charges kick in. Or that bigger house that you can barely afford, but if you really crunch the numbers and no emergencies arise, you should be able to do it.

Learning to live within your means decreases the stress of debt and overcommitted finances and frees you up for the important things in life.

If you have a family or share money responsibilities with someone else, share your goals of managing your finances with them. Ask for their help.





If you have children get them involved in the process and make it fun. Help them to start understanding money principles while they are young and create healthy financial habits for adulthood.

The first step in teaching your kids how to handle money is to be a good example.

“It is not what you do for your children but what you have taught them to do for themselves that will make them successful human beings.”

Ann Landers

“If you don’t teach your teenagers about money now, they will forever live in your basement.”

Dave Ramsey

- Give your children a clothing budget. Teach them to make it go further by shopping at clearance sales or second-hand stores. Include a notebook that tracks the clothing purchase, date and amount. Help them keep the balance accurate and understand that when the money is gone there won’t be more until the budget starts over.
- Make a game out of who can save the most money for the week and give them a small reward for their efforts. Help them open a savings account and learn to read a bank statement, include a little math lesson in the process.
- Brainstorm with them about ways to save money.
- Teach them about meal planning and have them help you shop and cook. Let them be responsible for the coupons.
- Help them write checks for the bills
- Teach them to understand the relationship between money and stuff, how much things actually cost and how much work time it takes to earn enough to pay for items.

Bible Truths

- God is always with us and caring for us.

Hebrews 13:5

⁵ Keep your lives free from the love of money and be content with what you have, because God has said, “Never will I leave you; never will I forsake you.

- The most meaningful and important things in life are not possessions.

Luke 12:15

¹⁵ Then he said to them, “Watch out! Be on your guard against all kinds of greed; life does not consist in an abundance of possessions.

- Earthly possessions are temporary and will eventually disappear. Those things we work so hard to acquire and think we can't live without have a life span and can quickly become obsolete. God wants to focus on things that will last forever; our relationship with Him and others.

Matthew 6: 19-21

¹⁹ Do not lay up for yourselves treasures on earth, where moth and rust destroy and where thieves break in and steal. ²⁰ But lay up for yourselves treasures in heaven, where neither moth nor rust destroys and where thieves do not break in and steal. ²¹ For where your treasure is, there your heart will be also.

- When living above our means and striving to have what we cannot afford becomes our focus it creates ruin and destruction in the form of anxiety, relationship issues, debt and loss of precious resources. Being content, living within our means and carefully managing the resources that we have will bring peace of mind and gratefulness for what we have been blessed with.

1 Timothy 6:6-10

⁶ But godliness actually is a means of great gain when accompanied by contentment. ⁷ For we have brought nothing into this world, so we cannot take anything out of it either. ⁸ If we have food and covering, with these we shall be content. ⁹ But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. ¹⁰ For the love of money is a root of all sorts of evil, and some by longing for it have wandered away from the faith and pierced themselves with many griefs.

Bob and Susan's financial picture



Bob is an assembly line worker for Premier Plastics and has worked his way up to line supervisor. Susan works part time at Sugar-N-Spice Bakery. They just purchased a newer car on payments for 36 months. Susan was feeling really optimistic about Bob's employment future and all the recent overtime. She believed that they could finally afford to stop renting and buy their first home. They used their \$2500.00 income tax refund for a down payment. Due to the minimal amount used for their down payment they had to have PMI insurance added to their loan. Bob was hesitant at first. He felt like it might be good to hold off, save for a bigger down payment and work at having an emergency fund in place. He gave in and they bought a home that made their income feel a little tight but "hey" things were going great so why not?

Premier Plastics suddenly lost 2 of their biggest contracts and Bob was laid off. They quickly began to feel financially buried and to argue and blame each other for their financial problems. The stress of it all has triggered Bob's desire to smoke again and he is now smoking a pack a day.

Susan needs a root canal and decides to use a Care Credit Card to pay for it. They will not have to pay interest on it if they pay it off in a 12 month period but the interest rate jumps to 26.99% if not paid off on time. They have high heat bills in the winter and high electric bills in the summer.

Their cell phone contract is up for renewal and they both want the latest iPhone that they can get if they renew with a 30- month contract that costs \$225.00 per month.

➤ **DISCUSSION QUESTION:**

If you were Susan and Bob's financial advisor, what suggestions would you make to help them begin to change their difficult financial situation?

Financial lesson

Monthly Spending Actual form:

- Now is the time to take a look at your spending and prioritize needs vs wants.
- Notice the Categories of the Daily Spending Record correlate to the categories of the monthly spending record

Spendable income:

- Portion of your income (after taxes) that can be used to meet monthly expenses
- Include all weekly or monthly sources of income: Bridge card, SSI, SSDI, Child Support payments received.
- Payroll taxes withheld should be reviewed and adjusted if needed. Paying excessive taxes will reduce spendable income while not having enough taxes withheld will cause you to owe taxes at the end of the year.

Housing and utilities:

- All expenses necessary to operate a home
- Estimate all expenses based on a monthly average from the past 12 months

Mortgage/Rent:

- Amount you pay for Mortgage or Rent each month. If you pay for a trailer and lot rent include both numbers added together
- Generally speaking you do not want to spend more than 40% of your income on Housing or Rent
- Making one extra mortgage payment a year can shave several years worth of payments off of your mortgage and save you thousands of dollars in interest

Homeowners/renters Insurance

- List amount that you pay for Homeowner/renters insurance
- Do you have multiple policies? Sometimes insurance companies will give discounts for bundled policies such as home and auto
- If you rent make sure you have renter's insurance

Taxes:

- If a tax escrow is not included in your mortgage payment, you will need to save monthly (see Annualized Spending Plan) to ensure you will be able to pay these twice a year taxes

Utilities:

- Gas and Electricity companies may have a budget plan that allows you to pay the same amount monthly and avoid a big hit during the coldest and hottest months
- Water may be billed in 3 month increments. Make sure to divide amount and save monthly
- For Sanitation typically there is more than one sanitation company in any area. Call around and get the best rates

Cell phone and Telephone

- Do you have the most basic plan? Many cell phone companies now offer low cost plans that offer unlimited everything with fairly inexpensive phones (such as AT&T Go phone, Straight Talk and Boost Mobile)
- Do you have a landline and a cell phone? Have you considered just having one or the other?
- Depending on income you may qualify for government assistance cell phones (such as Lifeline, Assurance Wireless, or Trak phone).

Home Maintenance:

- Is the repair one you can learn how to do by getting more information by calling or visiting your local home repair store or by watching a video of the process?
- Do you have family or friends who can show you how to do the repair or help you with it?
- Many communities have free classes that teach basic home and landscape care.
- If you need to hire someone to do the repair call around and get estimates.

Food:

- Includes all grocery store purchases, base this amount on actual costs (Restaurant and eating out expenses will be logged under entertainment)
- Watch for and utilize sales and coupons
- Purchase health and beauty products from dollar stores or drug stores as they are typically cheaper than grocery stores
- Shop at Aldi or Save- a- Lot
- Learn to make your own inexpensive cleaning products and laundry soap
- Buy store brands instead of popular or brand names that cost more
- Meal planning helps to decrease the amount of wasted food and help determine how much food to buy. It will keep you from making unnecessary trips to the store and the temptation to buy what you don't need.
- While you are in **Financial Fitness**, you will be given a weekly food voucher. Using the voucher instead of purchasing food will increase your available income and allow you to transfer the money you would spend on food to another category.

Transportation- All expenses pertaining to vehicles or public transit

- *Car Payments*- If possible pay cash for a solid, dependable car that meets your needs and avoid making payments.
- If you are considering buying a new car, it is wise to purchase one that is a year or two old. On average, a new car will lose as much as **19%** of its value in its first year of ownership. That means that your \$20,000 new car will be worth about \$16,200 after just one year.
- *Gas*- Write total amount spent for all household vehicles. Is carpooling an option? Try to combine trips in order to conserve gas expenses.

Car Insurance:

- Avoid over or under insuring your vehicle
- Shop around and get the best rates. Look for companies that provide multi-policy discounts. If you have more than one vehicle, put them on the same policy, and if you can combine your homeowners/renters insurance, you may get an even bigger discount
- If not paid monthly this amount needs to be placed on your Annualized Payment Form

Registration and license fees:

- Registration is due yearly, record amount on Annualized Payment form
- Driver's License renewal is periodical

Bus/Taxi/Train Fare:

- If you rely on public transportation to get around make sure you accurately budget and record how much you spend each month

Clothing:

- Estimate and divide yearly totals into monthly amounts
- Utilize clearance sales and shop off season
- Second hand stores and garage sales are a great place to get excellent quality used clothing for a fraction of the price.
- Don't own more than you will wear
- Learn to do simple mending and sew buttons back on etc. to extend the life of your clothing
- Shop in your own closet. Are there some new combinations you can make from what you currently own?
- Be sure to include any expenses required for the laundromat or dry cleaning

Medical Expenses:

- Include doctor bills, eye and dental care, medication, insurance deductibles and co-pays
- Utilize your employer's flex pay plans or sign up for a HSA (pre- tax medical spending account)
- Don't automatically accept a denied claim. Sometimes it can be resubmitted with adequate explanation and paid as a result
- Ask your doctor's office for samples of medications that you take
- Prescriptions:
 - a. Call around to find the best price, they can vary substantially based on the pharmacy
 - b. Ask for a generic brand if possible
 - c. Get more than a 30 day supply if possible, it can save money, gas and time
 - d. Check to see if your medication is on the free or low cost list that some pharmacies offer
 - e. If possible go to your doctor's office or urgent care rather than the ER

Savings:

Get into the habit of saving something even if only \$5.00 per month or pay period. A savings account can help you plan for:

- *Emergency Expenses*- Having an emergency fund is the way to plan ahead to meet those unexpected expenses
- *Annualized Expenses*- It is a way to put aside money for quarterly, semi-annual and annual expenses

Retirement:

- Many companies offer opportunity for employees to invest in their retirement in the form of an IRA, 401K or 403B and will sometimes offer a company match for the amount invested.
- Some contributions are pre-tax and will bring down your taxable income and some are tax free when you withdraw them during retirement.
- Let's assume you aim to sock away \$5,000 a year in a retirement account, and your money grew at 6% annualized rate
 - If you start at age 25 you will have \$1.126 million by age 70
 - If you start at age 35 you will have \$591,000 by age 70
 - If you start at age 45 you will have \$291,000 by age 70

Giving:

- We have been blessed with resources in order for us to bless others.
- Giving a portion of our income is a way to demonstrate our gratitude and allows us the opportunity to be generous.

Debts:

- Any monthly payments required to meet debt minimums should be included on your debt sheet
- Include money owed to family and friends
- Do not include home mortgage or car payments

Entertainment and Recreation:*Eating out:*

- A luxury not a necessity.
- Try to limit or eliminate altogether
- Use coupons
- Ask for gift cards to your favorite restaurants for Birthdays or Holidays
- Share a meal or order from the kids/senior menu
- Do not order full meals for small children

Babysitters:

- Is there someone who you can swap babysitting with rather than paying cash?
- Can you barter for babysitting?

Activities/Trips

- Look for inexpensive activities close to home. Explore the areas and attractions where you live. Take advantage of the free parks and look for low cost/free events in your area.
- Pack food, snacks and drinks when you go away from home
- Utilize [Groupon](#), [LivingSocial](#) and other local online coupon sites for activities, food, concerts and sporting events, etc.

Cable TV:

- Cable TV is a luxury and eliminating it is a quick way to free up money on a monthly basis
- There are many alternatives to cable. You can rent movies from a video store and if you have the internet you can stream movies through sites like Netflix, Hulu, Amazon, Roku, and Apple TV, which are just a few options available. The cost for these services is much cheaper than cable. With the addition of the right TV antenna you will also be able to receive free local broadcasting.

Internet:

- Shop around for the best rates periodically.
- If your internet and cable are combined, separate and list the costs individually on this form

Miscellaneous expenses:

- List here anything that isn't covered in any of the other categories

Smoking and alcohol:

- Have you considered cutting back or quitting altogether?
- Do a little math and figure out how much you would save if you gave up one of these habits. How much could you add into your budget a day, a week, a month, a year, or how about 10 years? How much would you be able to put toward your retirement or paying off a debt?

Gifts:

- Estimate by dividing yearly gift expenses by 12
- This includes all gift giving and Holidays
- Stick to your budget and don't go over
- Get creative, make something or offer to do a service that you know would be appreciated.
- Photo sites like Shutterfly, Printerpix and Canvas People often run specials with very reduced prices on their products and sometimes are even free with just the cost of shipping. Canvas prints, address labels and photo books are just a few of the items that make excellent low-cost gifts. Photo books with pictures of a special event or the most memorable pictures taken over the year of a child's life makes a great gift and keepsake for anyone. Kids love their own address labels and colorful stationery especially as they are learning to write, and several times a year you can get them for just the cost of shipping. Enter your e-mail address on their website and you will receive notification when they are running specials. Plan ahead and have the items on hand when that Holiday or special occasion arrives.

Salon/Barber shops

- Utilize the local beauty schools
- Look for coupons and specials

Pets:

- Ask you vet about specials
- Use coupons to purchase pet food and other pet items

School/Childcare:

- For private school tuition ask if there is an income based pay scale or a reduction for more than one child
- Record the monthly expenses for tuition and/or daycare
- Record all expenses for books, yearly fees, programs, extra curricular activities, field trips, senior trips, yearbooks, graduation expenses, or fees for childcare that are above the original costs
- Include incurred food costs for breakfast and lunches for children and on campus meals for college students,

Life insurance:

- Life insurance is utilized to cover the care for the people who would be left vulnerable due to the lack of income and financial provisions that would occur as the result of your death
- Shop around and get quotes before you purchase life insurance

Medical Insurance:

- Medical insurance is utilized to keep medical costs down and to cover serious illnesses
- Make sure that the medical insurance that you purchase adequately meets you needs
- Does your spouse have benefits through their work that would be a good option for Health insurance coverage instead of purchasing your own policy?
- Consider an HSA account if you have a high medical deductible: An HSA account is a Health Savings account available to taxpayers in the US who are enrolled in a high-deductible health plan (HDHP). The funds contributed to an account are tax free at the time of deposit and can be used to pay co-pays and deductibles.

Income VS Expenses:

This is where the rubber meets the road and you compare your spending to your income

Net Spendable income:

- The amount listed in the upper left corner of the **Monthly Spending Record Budget Form** entered next to A

Total monthly expenses:

- Add the expenses from sections 1-12 and enter the amount next to B

Total monthly expenses subtracted from the Net Spendable Income:

- Subtract from the net spendable income ($A-B=C$) to compare your income vs expenses
- A positive number indicates more income than expenses
- A negative number indicates more expenses than income
- If you are spending more than you make each month, it means that you are going into debt

Annualized Payment planning Form:

- Used for expenses that do not occur on a monthly basis
- Remember to divide these numbers into monthly increments and include them in your budget
- If you choose to use money from savings to pay a bill from your Annualized Payment Plan, record it as income

Example:

- Jen pays her car insurance every six months (2 times a year) in order to get a better rate. It costs \$375 every 6 months and \$750 per year. She saves \$62.50 per month in order to have the money available when the bill is due.
- \$750.00 will be entered on her Annualized Payment Plan
- \$62.50 will be entered on their Monthly Spending Record

The month that the bill is due they will:

- Put the amount of the bill \$375 on an income line and label it as income from Annualized savings
- Then in the transportation section next to car insurance, they will put the amount of the bill

The **Monthly Spending Actual** shows income vs expenses. If the amount was not written as "income" the section of $A-B=C$ will show a negative balance. Jen planned ahead and was ready to pay the bill when it came due.



Annualized Payment Planning

Payments you make on a NON-monthly basis can be budget busters if not planned for. Below is a conversion chart to set money aside on a monthly basis to avoid strain or borrowing when these payments are due.

ITEM NEEDED	ANNUAL AMOUNT			PLANNED MONTHLY
Home / Renters Insurance	\$	÷ 12		\$
Property Taxes	\$	÷ 12		\$
Water	\$	÷ 12		\$
Sanitation	\$	÷ 12		\$
Home Repairs / Maintenance	\$	÷ 12		\$
Vehicle Maintenance / Repairs	\$	÷ 12		\$
Car Insurance	\$	÷ 12		\$
Car Registration / License	\$	÷ 12		\$
Life Insurance	\$	÷ 12		\$
Medical Insurance	\$	÷ 12		\$
Medical Bills	\$	÷ 12		\$
Tuition	\$	÷ 12		\$
Bank Note	\$	÷ 12		\$
IRS (Self Employed)	\$	÷ 12		\$
Vacation	\$	÷ 12		\$
Gifts (including Christmas)	\$	÷ 12		\$
Other _____	\$	÷ 12		\$
	TOTAL			\$

* Use these planned monthly amounts to enter on your Monthly Spending Plan Form.

"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it?" - Luke 14:28



Monthly Spending Actual for _____

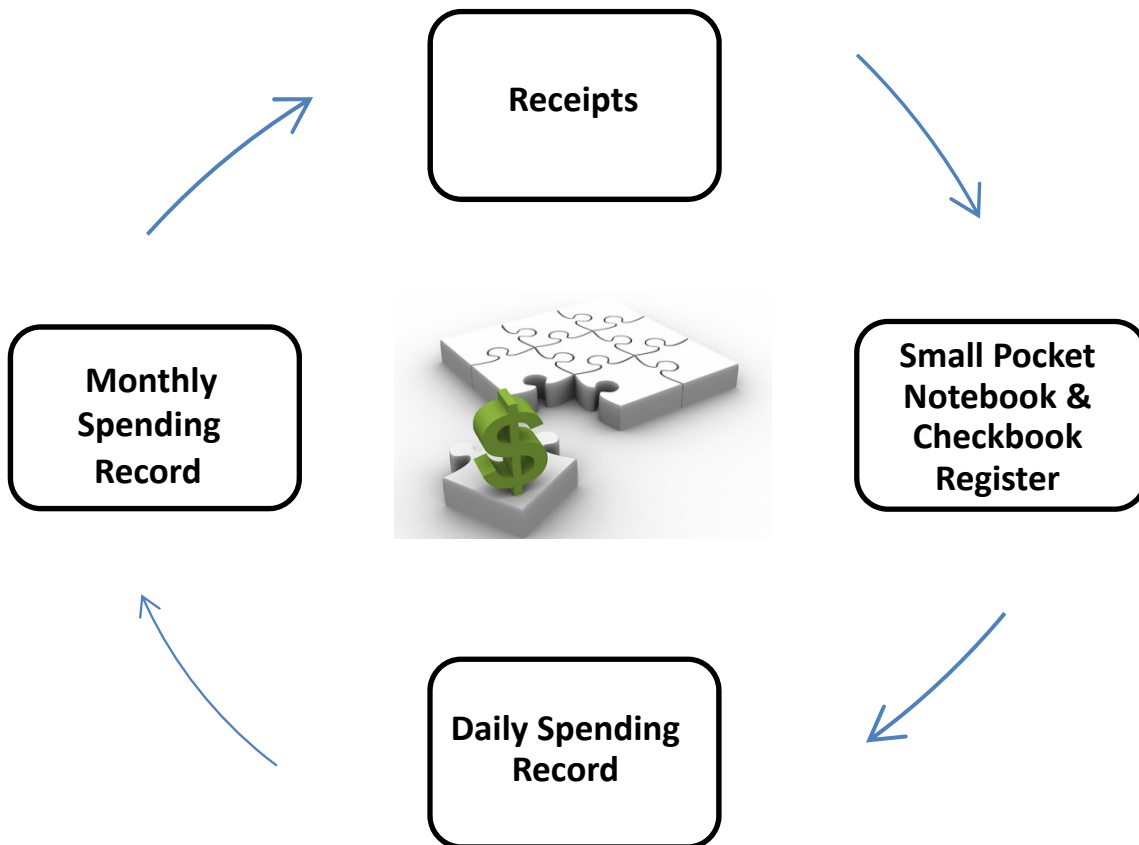
SPENDABLE INCOME					
Income #1	\$			6. Savings (5-10%)	
Income #2	\$			Emergency Fund	\$
Income #3	\$			Annualized Savings	\$
Income #4	\$			Savings	\$
A. Net Spendable Income		<u>\$</u>		Retirement	\$
				SUBTOTAL	<u>\$</u>
EXPENSES					
1. Housing/Utilities (30-45%)				7. Tithe/Offerings (1-10%+)	<u>\$</u>
Mortgage/Rent	\$			8. Debts	<u>\$</u>
Home/Renter's Insurance	\$				
Taxes	\$			9. Entertainment & Rec (5-10%)	
Electricity	\$			Eating Out	\$
Gas	\$			Babysitters	\$
Water	\$			Activities/Trips	\$
Sanitation	\$			Cable TV	\$
Telephone	\$			Internet	\$
Cell Phone	\$			Fun Money/Movies/Etc	\$
Maintenance	\$			Other	\$
Storage	\$			SUBTOTAL	<u>\$</u>
Other	\$				
SUBTOTAL		<u>\$</u>		10. Insurance	
				Life	\$
2. Food (5-15%)		<u>\$</u>		Medical	\$
				Other	\$
3. Transportation (10-15%)				SUBTOTAL	<u>\$</u>
Vehicle Payments	\$				
Gas	\$			11. Miscellaneous (5-10%)	
Maintenance/Repair	\$			Smoking	\$
Car Insurance	\$			Salon/Barber	\$
Registration/License	\$			Gifts	\$
Bus/Taxi/Train Fare	\$			Pets	\$
Other	\$			Other	\$
SUBTOTAL		<u>\$</u>		SUBTOTAL	<u>\$</u>
4. Clothing (2-7%)				12. School/Childcare (5-10%)	
Clothing	\$			Tuition/Daycare	\$
Laundromat/Laundry	\$			Materials/Fees	\$
SUBTOTAL		<u>\$</u>		Field Trips	\$
				Hot Lunch	\$
5. Medical Expenses (5-10%)		<u>\$</u>		Other	\$
				SUBTOTAL	<u>\$</u>
				B. Total Monthly Expenses	<u>\$</u>
				Income vs. Expenses	
				A. Net Spendable Income	<u>\$</u>
				B. Less: Total Monthly Expenses	<u>\$</u>
				C. Subtract B from A = C (+ or -)	<u>\$</u>

To Earn a Voucher You Must Complete B - A = C

Money management tools:

- Small pocket notebook
- Receipt envelope
- Organizational binder
- Daily Spending record
- Payment Calendar
- Checkbook Register
- Bank Statement
- Monthly Spending Record (Budget Form is shown but not completed yet)
- Annualized Payment Plan

The diagram below shows the progress of recording your spending. At times it may seem repetitive to insert spending into multiple forms, but each form has its purpose.



Financial Goals to be worked toward:

- Accurate recording of all spending
- Every penny becoming current with bills if you are not already paying bills on time
- Not spending over the amount budgeted for a category of spending
- Having \$300.00 in a savings account
- Having an accurate list of any debts
- Prioritizing your debt list
- Having money in savings to pay non-monthly bills when they come due

Homework:

Today's assignment: **To be turned into a class facilitator before you leave today.**

1. Write down the following on a piece of paper, include your name and date:

- 2 budgeting principles or areas of spending you think your family does well with
- 2 budgeting principles you think your family needs to work on
- 2 or 3 areas of spending that need to be cut out completely



1. Complete your **Monthly Spending Actual** With the amounts you place in your **Daily Spending Record** for the first 4 weeks.
2. Figure out and make note of any Annualized Planning you will need to do
3. Review your organization system. Is it working for you? Are you keeping up on your day to day recording? Are your bills where they need to be? If it's not working for you talk to a class facilitator for ideas.
4. **BRING YOUR CREDIT REPORT TO CLASS NEXT WEEK!**

Keep recording all of your daily spending and using all of the following Financial Fitness tools:

- Receipt envelope
- Small pocket notebook
- Payment Calendar
- Daily Spending Record
- Transaction Register – Keep it balanced! Reconcile it against your bank statement monthly!
- Bank Statement
- Monthly Spending Record
- Annualized Savings Plan