



Making Sense of Money

Guide 1

Because learning
about money is just
as important as
earning it

Desert Schools Money Matters Series

Guiding you toward financial success



Ever wondered where your money goes? Between gas, snacks and bills, you probably already spent some today. When you understand where your money goes, you can begin to make the most of it and reach your financial goals, like buying a home or opening a business. Yet, learning about money doesn't have to be one complicated math problem after another. This guide will help you make sense of your money and start a plan to achieve your short- and long-term goals.

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Also available as part of the Desert Schools Money Matters Series:

Managing Your Checking Account

Understanding Credit

Protecting Yourself from Identity Theft

Understanding Insurance and Investments



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When you think of style, you likely think of the clothes you wear. Style can also define the manner in which you do something, like manage money. Since everyone has a unique personality, the way you approach money will be unique, too. The first step in determining your current style is to find out how you think about and handle money matters, like spending and saving, and determine if you can improve your current money style in order to reach your financial goals.

● What's Your Money Style?

Put a checkmark next to the sentences that best describe you.

- I feel in control of my spending.
- I have a spending plan (budget).
- I follow my spending plan (budget) regularly.
- Saving is important. That's why I do it every month.
- I pay my bills on time and review my account statements.
- I contribute to my 401(k) or other retirement savings plan.
- I comparison shop and research items before a purchase.
- I make more than the minimum payment on my credit cards.
- I review my credit report annually.
- I believe I am in control of my financial future.

Total your checkmarks to see how you scored.

0-4: Be proud of yourself; today you're taking control of your finances.

5-8: You're on your way. Believe in yourself, stay motivated, and you'll get there.

9-10: Excellent! There's no telling how far you'll go with your determination.

Setting Financial Goals

You, like everyone else, have goals for your life. Maybe you want to buy a new home or car, or you're simply tired of coming up short each month. The first step in taking control of your finances is setting financial goals. These are the milestones that will not only keep you motivated but also give you that wonderful sense of accomplishment. So, think about your goals, and write them down. You'll stay motivated to make the changes necessary to achieve them.

Short-term goals
 To be accomplished in one to two years
 Example: "Our family will save \$100 each week for the next 6 months to save \$1,200 for a summer trip and \$1,200 for emergency savings."

Mid-term goals
 To be accomplished in two to five years
 Example: "I will save \$100 every month for the next year to save for a down payment on a new car."

Long-term goals
 To be accomplished in five to ten years
 Example: "My wife and I will save \$200 a month every month to have \$12,000 for a home down payment in 5 years."

● **Short-term Goals**

	Target Date*	Cost Estimate	Amount Saved/Paid	Amount Needed Per Month to Reach Your Goal
1.				
2.				
3.				
4.				

● **Mid-term Goals**

	Target Date*	Cost Estimate	Amount Saved/Paid	Amount Needed Per Month to Reach Your Goal
1.				
2.				
3.				
4.				

● **Long-term Goals**

	Target Date*	Cost Estimate	Amount Saved/Paid	Amount Needed Per Month to Reach Your Goal
1.				
2.				
3.				
4.				

*provide an actual date (month/year)

Tracking Your Daily Spending

How much you spend may be a mystery. After all, iced mochas and music downloads add up. An excellent way to see where your money goes is to track what you spend. Everyone buys things they don't need, but if it happens too often, it could sabotage your future goals. But, if you stay focused, you can achieve big results. Whenever you feel tempted to buy something on impulse, remember that saving \$5 a day will add up to \$1,825 in a year.

For the next two weeks, write down every penny you spend. Use the form below, or write in a notepad. Then, after two weeks, evaluate your spending habits. Notice any room for improvement?

Date	Expense	Category	Amount
1/15	movie tickets	entertainment	\$18.00

Small amounts of money add up!

Item	Cost	Weekly Cost	Monthly Cost	Yearly Cost	Cost per Five Years
Snack or soda	\$0.75	\$5.25	\$21.00	\$252.00	\$1,260.00
Four movie tickets	\$60.00	\$420.00	\$1,680.00	\$20,160.00	\$100,800.00
Coffee	\$3.00	\$21.00	\$84.00	\$1,008.00	\$5,040.00
Daily pack of cigarettes	\$4.00	\$28.00	\$112.00	\$1,344.00	\$6,720.00
Dining out	\$10.00	\$70.00	\$280.00	\$3,360.00	\$16,800.00

How can you trim expenses?

- Eat out less, and nix ordering off fast food bargain menus. \$5 at the grocery store will stretch farther than you think, especially when you use coupons.
- Curb impulse buys and daily habits (e.g. coffee, snacks).
- Comparison shop, and use coupons.
- Stop using your credit cards, if you can.
- Stick to a shopping list, and bundle errands to save gas.
- Ask yourself what's important to determine if it's a want or need.

Creating a Spending Plan

So, you've set goals. The next step is achieving them. But how? By creating a spending plan, which is your blueprint to outline how you can stay committed, while taking care of important monthly costs. To create your spending plan, determine how much money is available, where it's being spent and what adjustments need to be made.

3 Steps to Create Your Spending Plan

- 1. Record monthly income** – Write down all means of income, including alimony and child support.
- 2. Record monthly expenses** – Write down your required monthly expenses, like mortgage payments.
- 3. Compare income to expenses** – Subtract total monthly expenses from total income to see if you have a surplus or need to make adjustments. In order to create or increase your surplus, consider spending less, earning more or doing both.

Monthly Income	Amount
Net income (after taxes)	
Extra income	
Public benefits/assistance	
Alimony or child support	
Other	
Total Income	

Monthly Expenses	Cost
Mortgage or rent	
Phone	
Utilities	
Home maintenance and repairs	
Cable	
Auto payment	
Auto insurance	
Gasoline	
Vehicle maintenance and repairs	
Public transportation	
Groceries	
Restaurants/Dining out	
Childcare	
Clothing	
Personal care (beauty products, health club, medical, etc.)	
Entertainment (sporting events, books, movies, video games, etc.)	
Donations	
Gifts	
Emergency fund savings	
General savings	
Debt (loans, credit cards, etc.)	
Other	
Total Expenses	

Total Income – Total Expenses =

Desert Schools Tip #7:
Your local library is a great resource to learn more about money management and career growth.

True or False
Expenses include holiday and birthday gifts.
(True)

Paying Yourself First

This is the secret to getting what you want. How else can you accomplish your goals if you don't make a commitment to save for them? Paying yourself first is a simple, yet effective, principle. Think of yourself as your most important creditor, and pledge to pay yourself first each payday. How? Open a savings or money market account, and save 5 to 10% of your annual income. Break it down per week or per month, whatever works for you. It's important that this becomes a natural, easy thing for you to do.

Keep in mind your budget and goals. Consider how hard you work, and remember that paying yourself first is acknowledging how important you, your family and your future are. After all, there's no time like today to make a habit of saving, especially when one change can make a lasting, positive impact.

4 Ways to Pay Yourself First

- 1. Put money into a retirement account** – If available, take advantage of your employer's 401(k) and matching contributions.
- 2. Make saving automatic** – Setup a direct payroll deduction or automatic monthly transfer from your checking to savings.
- 3. Stash the savings from coupons, sales and discounts** – If you score a 10% savings while shopping, for example, stash the 10% you saved into savings.
- 4. Save your extra paycheck** – If you get paid on alternate weeks, live on two paychecks a month, or, if you get paid weekly, live on four; you'll get an extra paycheck in some months to put into savings.

Reducing Debt

Is debt preventing you from reaching your goals? Then make the commitment today to reduce your debt. Simply determine how much you currently owe. Use the debt worksheet on the next page to list any outstanding debt, including student loans and credit cards. Arrange your accounts in order, from the highest to the lowest Annual Percentage Rate (APR) charged. Include mortgage or rent payments.

Creditor	Account Type	APR	Current Balance	Minimum Payment	Due Date
1					
2					
3					
4					
5					
6					
7					
8					
Total					

If you can, use extra income each month to accelerate your debt repayment. Start with the account with the highest APR. Then, when that is paid off, increase your payment to the next account. Remember to make at least the minimum payment on all your accounts.

What's your debt-to-income ratio?

Look at what you currently owe, like mortgage, credit cards and student loans, and divide that by what you earn (e.g. monthly salary, commission, alimony).

$$\frac{\text{Total monthly debt payments}}{\text{Total monthly net income}} = \text{Debt-to-income ratio (\%)}$$

Place your information in the boxes below.

$$\boxed{\text{I owe}} / \boxed{\text{I earn}} = \boxed{\%}$$

Understanding Your Results

Less than 30%: Excellent!

30% to 36%: An acceptable range, but work to bring it down below 30%.

36% to 40%: Reduce your current debt load; additional debt may set you back.

40% or higher: Your debt load is heavy, so take action today.

Is Your Credit Use Under Control?

Ask yourself a few questions to find out.

- | | | |
|---|-----|----|
| 1. Do I charge everyday items (e.g. gas, groceries)? | Yes | No |
| 2. Am I only making the minimum payment on my credit cards? | Yes | No |
| 3. Do I use cash advances on one credit card to make payments on another? | Yes | No |
| 4. Am I near, at or over the limit on one or more credit cards? | Yes | No |
| 5. Do I charge more each month than I make in payments? | Yes | No |
| 6. Do I feel buried in debt? | Yes | No |
| 7. Am I worried about my credit rating (FICO score)? | Yes | No |

Scoring Your Answers

If you answered mostly “no,” pat yourself on the back. You know how to manage credit well, though Desert Schools encourages you to continue to learn smart spending habits to increase your opportunity to build more financial wealth.

If you answered mostly “yes,” consider making a change today. Start with a spending plan. If you fear you are in serious trouble, consider credit counseling from **Take Charge America** to help you take control of your finances, pay down your debt and become more financially independent. To learn more, visit takechargeamerica.org or call 1 (877) 822-2410.

True or False

Making the minimum payment on my credit card is the best way to pay off the balance.

(False)

True or False

Basic needs should be met before money is spent on wants.

(True)

Looking to save?

Visit desertschools.org and type “Savings tips” in the Search field.

Staying Motivated

You’ve already come far by picking up this guide and reading it. After you know your spending habits and have a spending plan in place, make a pledge to yourself and your future. Get your family involved. Rally the support of friends. Staying motivated isn’t easy, but it will be worth every cent.

Tips for Staying Motivated

Communicate your goals – Write your goals down. Tape them to your mirror or where you’ll see them every day. Tell friends and family what you plan to do, and ask for their support.

Bring the family into it – If you work together as a family, encourage one another. Agree to compromise once in a while, especially if your child brings home an A-grade paper. Embrace a new, collaborative outlook on your family finances, and have it be a partnership to learn from and enjoy.

Exercise control – Don’t become your worst enemy; instead, become your biggest fan. Consider how hardworking athletes win gold or gym members lose weight. They stay focused and ignore urges to give up or “just take one day off.” Exercise your self-control.

Reward yourself – If you meet a savings goal or pay off a creditor, reward yourself. Just be frugal. This is about building wealth, not spending more.

How SMART are Your Goals?

Setting financial goals and staying motivated is about achievement, not disappointment. Use the five key ingredients listed below to set financial goals you know you can obtain.

S-pecific	You are more likely to be successful when you define your goal: “to have \$500 in a new savings account by the end of the year.”
M-easurable	It is important to have checkpoints along the way to build the momentum you need to reach your goal.
A-ttainable	Make sure the goal is valuable to you; when you identify one that is important to you, you begin to figure out how to make it come true.
R-ealistic	If you are realistic, the goal, no matter how high, is possible with small steps over time.
T-imely	A goal should be grounded by a time frame you can stick to; know what works for you, and build goals with your preference in mind.



Learning about money doesn't have to be a series of complex math problems.

Making Sense of Money will help you do just that – make sense of your money. In this guide, you'll learn how to start a plan to reach your short- and long-term goals, cut back on expenses, pay yourself first, and save without subtracting all the fun from your life.

Because learning about money is just as important as earning it, ***Making Sense of Money*** is your guide to understand where your money goes, so you begin to make the most of it. All it takes is deciding to take control of your finances and your future.

If you find this guide helpful, please share it with family and friends.

To learn more, call
(602) 433-7000, visit
desertschools.org or stop
by a nearby branch.

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