MONEY 101
BUDGETING

Evergreen Financial Wellness Program

Evergreen Credit Union

BUDGETING Workshop

1. **IMPORTANCE**
   Taking control of your financial future

2. **PREPARE for EMERGENCIES**
   Life is unpredictable - be prepared for surprises

3. **PREVENT DEBT**
   Help you avoid unnecessary debt

4. **BUDGETING TYPES**
   Find what works best for you

5. **INCREASE SAVINGS**
   Budgeting increases your ability to save

6. **INDEPENDENCE**
   You can achieve a sense of freedom and security

WHY BUDGET

In today's fast-paced world, managing personal finances can be a daunting task. Budgeting is not just about restricting your spending; it's about empowering yourself to make informed choices, achieve your financial goals, and create a stable, secure future.

01

Provides a Clear Financial Picture

Helps to identify spending patterns and areas where you can cut back.

02

Helps Achieve Financial Goals

Will prioritize your spending so you can make your dreams a reality.

03

Prepares for Emergencies

This financial cushion ensures that you are prepared for any surprises.

04

Reduces Stress

A plan for your money can provide peace of mind and reduce anxiety about the future.

WHY BUDGET

05

Prevents Debt

The biggest benefit to budgeting is preventing unnecessary debt.

06

Increases Savings

Budgeting inherently increases your ability to save money.

07

Facilitates Better Planning

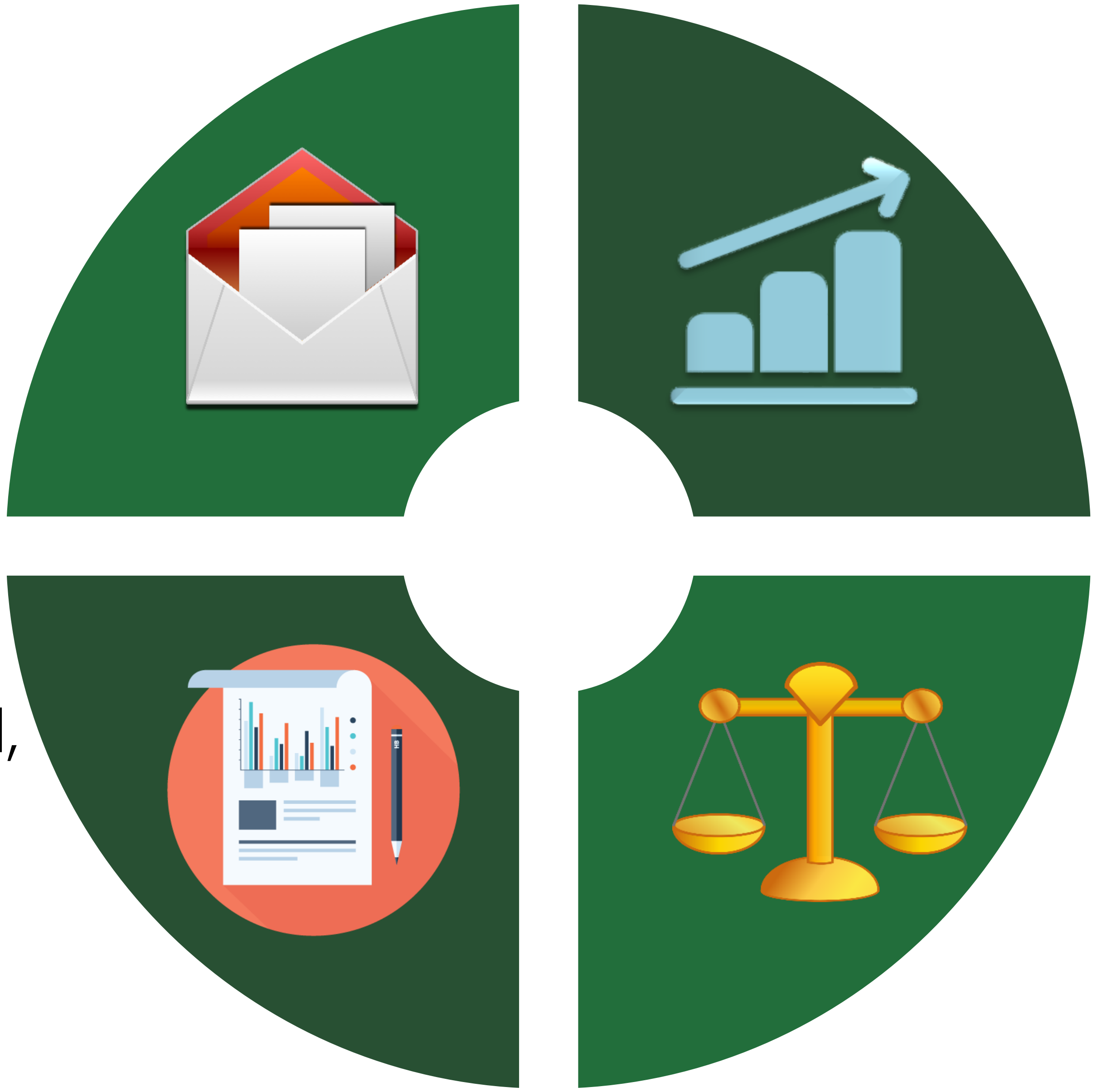
With a budget in place, you can plan for both short-term and long-term financial obligations.

08

Empowers Financial Independence

Budgeting empowers you to take charge of your financial future.

BUDGETING PLANS



ENVELOPE PLAN

You allocate your money for each spending category, then put that amount of cash in an envelope with the name of the category.

50 | 30 | 20

The 50/30/20 budget is all about simplicity. This is a great way to start saving and planning for the future.

REVERSE BUDGETING

The "pay yourself first" method, emphasizes meeting your savings goals like putting money into your retirement fund before other expenses, even including your living expenses.

ZERO BASED BUDGETING

The idea is to assign every dollar to something, essentially making your expenses equal your take-home pay.

ENVELOPE SYSTEM

The envelope budgeting system works for some people because it provides a tangible, visual representation of their spending This is a great option for non-tech folks.

All leftover cash goes into the emergency fund envelope.

- Managing money by **dividing your income** into **categories** and putting the money for each category into a **separate envelope**.
- The categories can be anything you want, such as
  - rent,
  - utilities,
  - groceries,
  - debt & loans.
- When you need to spend money on something in a category, you take the money from the corresponding envelope.
- Once the money in an envelope is gone, you can't spend more until you add more money to it.
- This can help you control spending, visualize your spending habits, and avoid impulse buys.

REVERSE BUDGETING

The reverse budgeting is simply a pay-yourself-first budget which prioritizes using your income toward savings goals like retirement before living expenses.

You budget with your goal(s) as a priority first.

- Step One: Define what you're saving for. Write down your goal(s).
- Step Two: Set up a savings account and label it with what each goal you're saving for: TRAVEL, RETIREMENT, DEBT REPAYMENT, etc …
- Step Three: Add up the cost of what you're saving for and divide it by the time you have between now and when you plan to execute your plan.
- Step Four: Set up automatic transfers into your goal savings account(s).
- Step Five: Live on the rest. Whatever is left in your checking account is what you live with. This may mean having to adjust your lifestyle to achieve your goals.

50 | 30 | 20 BUDGETING

The 50-30-20 rule involves splitting your after-tax income into three categories of spending: 50% goes to needs, 30% goes to wants, and 20% goes to savings.

A budget that you can stick to over time to meet your financial goals.

- 50% allocated for NEEDS:
  Needs are essential expenses that you absolutely must pay and things that are necessary. Half your after-tax income should be all you need to cover those needs and obligations.

- 30% allocated for WANTS:
  Wants are the things you spend money on that aren't absolutely essential. You can work out at home instead of going to the gym or watching sports on TV instead of getting tickets to the game.

- 20% allocated for SAVINGS :
  Try to allocate 20% of your net income to savings and investments. You should have at least three months of emergency savings on hand in case you lose your job, or an unforeseen event occurs.

ZERO BASED BUDGETING

This method ensures that no money is left unaccounted for, and every expense has a purpose.

Every dollar of income is allocated to specific expenses, savings, or debt payments until the total is zero.

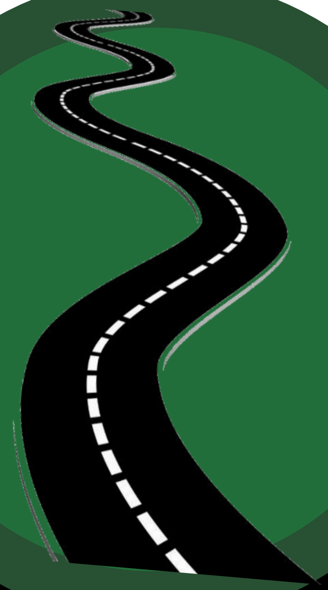
Example of a Zero-Based Budget

Monthly Income: $3,500

Rent	$1,350
Bills (Phone, Internet, etc.)	$225
Car Payment	$225
Gas	$120
Groceries	$250
Dining Out	$175
Student Loan Payment	$150
Gym Membership	$50
Credit Card Payments	$200
Clothing	$125
Entertainment	$150
Emergency Fund	$150
Retirement Savings	$200
Travel Fund	$130

Amount Left: $0

BUDGETING is a fundamental aspect of Financial Health



FINANCIAL ROAD MAP

It's a well thought out plan for managing your money and reducing stress.

ACHIEVE YOUR GOALS

Sticking to a budget will help you secure your financial future.

PREPARES YOU FOR THE UNEXPECTED

It's not about how much money you make, it's about knowing how to manage your money that matters.

PREPARING FOR EMERGENCIES

Set aside a portion of your income before paying other expenses.

$1,000 EMERGENCY FUND

This initial amount covers smaller emergencies, like car repairs or unexpected medical expenses.

3-MONTHS LIVING EXPENSES

Calculate your essential monthly expenses; rent/mortgage, utilities, groceries, insurance, transportation, and minimum debt payments.

6-MONTHS LIVING EXPENSES

This larger fund offers more security, especially if you face a job loss or prolonged illness.

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