

Why Be Budget-Wise?

Why Does This matter? I do not make a lot of money.



What is a Budget?

A budget is a plan for spending and saving that can help you manage your money and meet your goals.



What is a Paycheck?

You have your first job, or a new job, and you know what your hourly wage is, but why aren't you getting that full amount on your check or in your account on payday?

Let's break it down...

What is a Paycheck?



Pay Scenario

- *A full time employee making \$15.00/hour earns \$31,200 a year.*
- *After taxes, their take home is about \$23,900 a year. \$7,300 (\$600/month) goes back to the government.*

Smart Budgeting tips to follow...

- Start a 401k as soon as it is an option
- Begin an emergency savings account and additional savings for the future

- Understand taxes and how it affects your paycheck

Pre-tax deductions such as health/dental/life insurance and 401K are taken out of gross earnings prior to tax withholdings.

- WI State Tax- 5.5% - state taxes may vary by state.
- WI Federal Income Tax Withholding - 10%
- FICA (Federal Insurance Contributions Act) - 7.65% - requires employee contributions out of every paycheck. Amount is based on taxable income. Employers pay part of SS and Medicare.
 - Social Security - 6.2% - provides retirement and disability benefits for employees and dependents.
 - Medicare - 1.45% - provides medical benefits to people age 65 or older, certain younger people with disabilities and people with kidney failure requiring dialysis or transplant.

- Learn to live below your means

Budgeting Guidelines: 2 Simple Rules

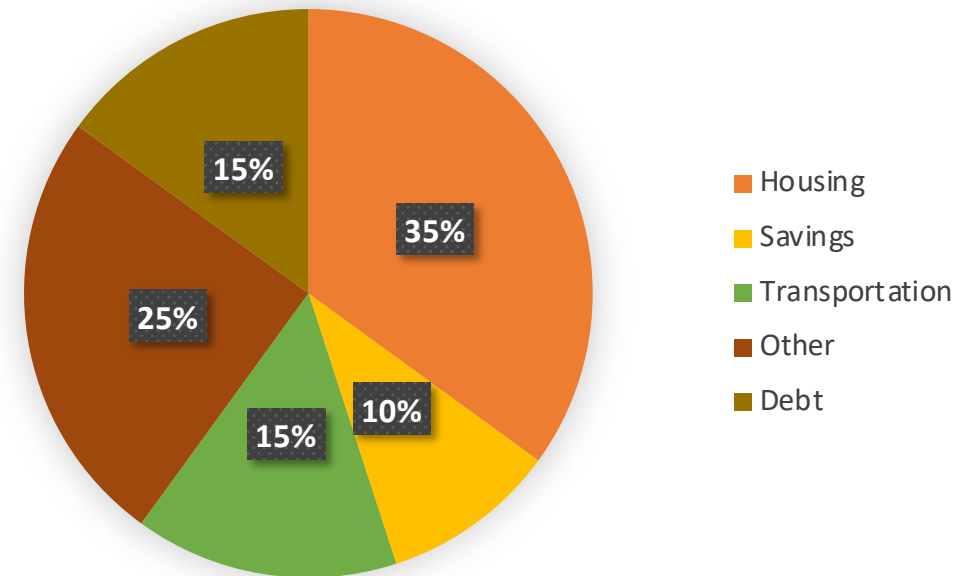
1. You can't spend more than you earn; that means carrying a balance on credit card is not allowed.
2. Money must go to the budget categories as soon as you get paid.

Here is a breakdown of budgeting categories:

- ❖ **Housing** **35%** - Mortgage/rent, utilities, insurance, taxes & maintenance.
- ❖ **Savings** **10%** minimum – Build 3-6 months worth of savings in case of emergency.
- ❖ **Transportation** **15% - (no more)**- Car payments, auto insurance, gas, registration, maintenance & parking.
- ❖ **Debt** **15%** - Consumer debts (student loans), retail accounts (cell phone, furniture, appliances), credit cards, personal/signature loans, medical expenses and tax debts.
- ❖ **Other** **25%** - Food, clothing, entertainment, childcare, medical expenses, charity & vacation.

Always Equals **100%**.

Healthy Budget



Budgeting Mistakes

**(Face it, we ALL make mistakes;
as long as we learn from them, right?)**





Consider these helpful tips: (The Dos)

You'll need to understand... Preparing a workable budget is a journey, and it's OK to fail. Plus, it takes time and effort, BUT the reward in end really pays off. You'll be Budget-WISE!

- Do not grocery shop on an empty stomach
- Keep receipts and keep track of what you spend. Check your budget/transactions online.
- Whatever you use to budget, make it work for you: Budgeting App vs. Spreadsheet vs. Pen & Paper
 - **Every Dollar (more goal driven)**
 - **Spending (easy/user-friendly)**
 - **The Good Budget**
 - **Clarity Money**
- Relationship Budgeting Communication-If you are in a relationship and share money, be sure to openly discuss saving and spending... all parts of it.
- Set goals: short term (concert tickets) & long term (planning a vacation or saving for a home)
- Find a system that works for you and stick with it.



Let's AVOID These common mistakes: (The Don'ts)

- Not Keeping Track of Expenses/Receipts
- Not Including Emergency Savings in Budget (Pay Yourself 1st)
- Borrowing From One Category to Fund Another
- Tempting Situations – Needs vs. Wants
Recommendation: Do not buy a new car right out of college or with your 1st real job.
- Living Paycheck to Paycheck
- Not Asking For Help. **Seeking a Financial Coach is a smart decision!**
It's called coaching or counseling because the experts are here for you along the way, coaching, helping you and offering advice and the answers you may not know are out there. Don't wait until you're in trouble; Start Now!
- Trying to "Keep Up With The Jones" ... Do Not Compare Yourself To Others And What They Have!
- Thinking You Don't Need To Worry About A Budget Because Make So Much Money
- Using Credit – Credit Card
Some debt is good. Borrowing for a home or college usually makes good sense. Just make sure you do not borrow more than you can afford to pay back and always shop around for the best rates.
Some debt is bad. Don't use a credit card to pay for things you consume quickly, such as meals and vacations. There's no faster way to fall into debt if you can't afford to pay off your monthly bill in full in a month or two. Instead, put aside some cash each month for these items so you can pay the bill in full. If there's something you really want, but it's expensive, save for it over a period of weeks or months before charging it so that you can pay the balance when it's due and avoid interest charges.

Incase you're wondering...

Digging in the couch for spare change isn't considered "income".



If your cell phone's data expenses could put you through college you may have a budgeting problem.



How about a Budget Scavenger Hunt?

This isn't a test, it's a budget trial. See how well you do!

Sunday: Grocery shopping-meal prep for the week (specific items/shopping list)

Monday: Starbucks grande vanilla latte w/caramel drizzle, and gas for the week

Tuesday: Starbucks venti mocha cookie crumble frappuccino with cookie dough cake pop, and cell phone bill

Wednesday: Starbucks Dragon-Fruit Refresher, forgot to pack a lunch, pick up fast food at Jimmy Johns

Thursday: Starbucks venti Pink Drink, too lazy to make dinner tonight, so you order pizza from Pizza Hut

Friday: Starbucks venti vanilla Latte w/caramel drizzle, Oh, and it's date night-dinner so you're going to Applebee's and a movie w/drink and popcorn (for two)

Saturday: Entertainment day so you'll be heading to the Mall to the store of your choice with a purchase made. Spend time with friends cosmic bowling for 2 hours. Don't forget shoe rental and a soda.

See how you do for the week money-wise, with this mock run-through of your weekly budget.

Please Complete the Weekly Budget Scavenger Hunt included at www.pcmcu.org/smartstart!

BUDGET SCAVENGER HUNT



Find Your Budget Fat

Once your budget has been in place for a bit or you realize that there needs to be some trimming done, it's time to find your budget fat. Go line by line, and ask yourself the following questions about each item in your budget:

If you answer these questions **honestly**, your fat should be fairly easy to spot.

Is this item essential?

Does it make me happy?

Would something cheaper make me just as happy?

Is this the best use of my money?

Does this expense bring me closer to my financial goals?

Does this expense keep me from achieving any of my financial goals?

Once you've identified your budget fat—those items that **hurt** you more than **help** you—it's time to trim them from your budget and your life. In some cases, this will mean deleting items from your budget entirely. In other cases, it will mean replacing expensive habits (buying coffee from a coffee shop) with less expensive habits (bringing coffee from home).

Trim the Fat



YOU GOT THIS

You're not alone in this.
We're here to guide you!

PCMCU

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PCMCU looks out for our members' financial well-being. We got your back and are here to guide you on your financial journey. We offer one-on-one financial consultations, where we welcome you to visit us to review your budget, offer credit options, and talk about anything else you may have questions on regarding your finances. **Call on us today or visit us online at www.pcmcu.org.**

1. Track your savings and spending
2. Stick to your budget
3. Ask questions if you need help...

Remember, it's a journey!

Additional resources available through our financial partners at ...



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