



DEBT MANAGEMENT

Financial Education Workbook

23844 Hawthorne Blvd, Torrance, CA 90505

844-872-9043

www.goldendebt.org

Lesson 1: Budget Development

Setting short-term and long-term financial goals and develop skills to achieve goals.

Types of Goals

Setting goals is merely a means, not an end. Simply setting goals is not nearly as difficult as attaining those goals.

1. **Short-term goals:** People are better able to reach long-term goals when they set short-term goals that are along the same path. These goals should be thought of as sections of the path towards the overall goal. Short-term goals are ones that should be able to be completed within the near future.
2. **Long-term goals:** Short-term goals should be set with the long-term in mind. Without desired long-term goals in mind, the short-term goals would be loose meaning. The overall long-term goals should be the main concern, while short-term goals are the means of getting there. Long-term goals are goals that can be achieved over a longer period of time.

Difference between net income and gross income.

Gross income: the money earned before any deductions such as taxes, expenses (such as health insurance), or 401k deductions, etc. has been deducted.

To determine your monthly gross income, add all income received on a monthly basis.

EXAMPLE:

Base Employment Income + Part-Time/Second job income + Bonuses (on a monthly average) + Commissions (on a monthly average) + Dividends/Interest + Rental Income
+ Alimony/ Child Support + Pension/ Social Security Benefits + Veterans Benefits + Other Income

= Total Monthly Gross Income

NET Income: The money received after all deductions have been made. **EX:** The actual amount of the check. The net income is your monthly take home pay, how much the check given to you is actually written for.

Expense Breakdown: fixed expense, variable expense, periodic expense

- **Fixed Expenses:** Expenses that do not vary from month to month. **EX:** mortgage, car payments, insurance etc.

- **Variable Expenses:** Expenses that change from month to month, but will always be an expense every month. Variable expenses are usually where cut backs can be made in your expenses. **EX:** utilities, groceries, clothing.

- **Periodic Expense:** A periodic expense generally occurs 1 to 4 times a year. Although a periodic expense is not paid monthly it is a regular payment. **EX:** health insurance, house and car insurance, property and income taxes, car repairs, etc. A periodic expense should be part of the monthly budget, primarily because it is important to save for that expense. To remember your periodic expenses, they should be marked on your financial calendar and set aside in a savings account. In order to determine how much you spend on a specific periodic expense every month, determine how much was spent on the periodic expense within the past year and divide the total by 12.

EX: Both summer and winter taxes in 2007 were a total of \$10,000. Take the \$10,000 spent last year and divide that by 12. Every month \$833.33 should be set aside for the periodic expense of the summer and winter tax. $10,000/12=833.33$

LESSON NOTES:

MONTHLY BUDGET WORKSHEET

FOR: _____

DATE: _____

Gross Income Per Month

Salary: _____

Spouse: _____

Other: _____

Total: _____

Net Income Per Month

Salary: _____

Spouse: _____

Other: _____

Total: _____

Housing

Mortgage: _____

Rent: _____

Insurance: _____

Taxes: _____

Utilities

Electricity: _____

Gas: _____

Water: _____

Sanitation: _____

Telephone: _____

Maintenance: _____

Other: _____

Automobiles

Payment 1: _____

Payment 2: _____

Maintenance: _____

Insurance: _____

Food

Groceries: _____

Restaurant: _____

Clothing

Children: _____

Adult: _____

Cleaning: _____

Medical

Doctors: _____

Prescription: _____

Insurance: _____

Personal

Cosmetics: _____

Babysitter: _____

Subscriptions: _____

Education: _____

Entertainment: _____

Travel: _____

Other: _____

Unsecured Debt:

Balances: _____

Payments: _____

Income vs. Expenses

Income: _____

Minus Expense: _____

Amount Left: _____

Setting & Achieving Goals

4 Steps to planning:

1. State goals in specific terms.
2. Create a plan of how to achieve each goal.
3. Evaluate progress toward the goal.
4. Decide whether to keep working toward the goal or to focus on a new one.

Examples of financial goals:

- Paying for an education
- Buying a home
- Saving for retirement

What to keep in mind when setting goals:

- You should set both short-term and long-term goals.
- Short-term goals should be set with long-term goals in mind.
- Be specific when setting goals.
- Set a goal that can be objectively measured.
- Goals set must be realistic.
- Financial goals shift and evolve throughout the lifespan.

How to achieve goals that have been set:

- o Be committed to the action that needs to be taken in order to achieve the goal set.
- o Believe that the goal can be achieved.
- o Acquiring necessary skills to achieve the goal set.
- o “You can do it!” Desired outcomes are not only possible but also realistic.
- o Do not let fear of failing get in your way.

Short Term Goals

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

Long Term Goals

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

HOW TO DETERMINE YOUR GROSS MONTHLY INCOME:

HOURLY

If you are paid hourly take your hourly pay multiplied by the number of hours worked each week multiplied by 52 weeks divided by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccccccc} \$ \underline{\hspace{2cm}} & \text{X} & \underline{\hspace{2cm}} & \text{X} & 52 \text{ weeks} \div & 12 \text{ months} & = \$ \underline{\hspace{2cm}} \\ \text{Hourly pay} & & \text{hours worked} & & & & \text{gross monthly income} \end{array}$$

WEEKLY

If you are paid weekly take your weekly pay before deductions multiplied by 52 weeks divided by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccccccc} \$ \underline{\hspace{2cm}} & \text{X} & \underline{\hspace{2cm}} & 52 \text{ weeks} \div & 12 \text{ months} & = \$ \underline{\hspace{2cm}} \\ \text{Pay before deductions} & & & & & & \text{gross monthly income} \end{array}$$

BI-WEEKLY

If you are paid bi-weekly take your pay before any deductions and multiply that number by 26 and divide by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccccccc} \$ \underline{\hspace{2cm}} & \text{X} & \underline{\hspace{2cm}} & 26 \text{ weeks} \div & 12 \text{ months} & = \$ \underline{\hspace{2cm}} \\ \text{Pay before deductions} & & & & & & \text{gross monthly income} \end{array}$$

TWICE A MONTH

If you are paid twice a month take your pay before deductions multiply that 24 and divide by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccccccc} \$ \underline{\hspace{2cm}} & \text{X} & \underline{\hspace{2cm}} & 24 \text{ weeks} \div & 12 \text{ months} & = \$ \underline{\hspace{2cm}} \\ \text{Pay before deductions} & & & & & & \text{gross monthly income} \end{array}$$

Add all other income received from spouse, second job, regular overtime, government assistance, child support, pensions, Social Security, etc.

My Gross Monthly is: \$ _____

HOW TO DETERMINE YOUR NET MONTHLY INCOME:

HOURLY

If you are paid hourly take your hourly pay multiplied by the number of hours worked each week subtracted by any deductions (such as tax and social security), multiplied by 52 weeks, divided by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \times & \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & \times 52 \text{ weeks} \div 12 \text{ months} = \$ \underline{\hspace{2cm}} \\ \text{Hourly pay} & & & \text{hours worked} & & \text{Any Deductions} & & \text{NET monthly income} \end{array}$$

WEEKLY

If you are paid weekly take your weekly pay AFTER deductions multiplied by 52 weeks divided by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccc} \$ \underline{\hspace{2cm}} & \times 52 \text{ weeks} \div 12 \text{ months} = \$ \underline{\hspace{2cm}} \\ \text{Pay after deductions} & & \text{NET monthly income} \end{array}$$

BI-WEEKLY

If you are paid bi-weekly take your pay AFTER any deductions and multiply that number by 26 and divide by 12 months, which equals your gross monthly pay.

$$\begin{array}{ccc} \$ \underline{\hspace{2cm}} & \times 26 \text{ weeks} \div 12 \text{ months} = \$ \underline{\hspace{2cm}} \\ \text{Pay after deductions} & & \text{NET monthly income} \end{array}$$

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$$\begin{array}{ccc} \$ \underline{\hspace{2cm}} & \times 24 \text{ weeks} \div 12 \text{ months} = \$ \underline{\hspace{2cm}} \\ \text{Pay after deductions} & & \text{NET monthly income} \end{array}$$

My NET Monthly income is: \$ _____

Lesson 2: Money Management

Directions: Referring to your Monthly Budget Worksheet completed in the beginning of this course, please classify all of your monthly expenses under fixed, variable, or Periodic.

Fixed Expenses

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Periodic Expenses

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Variable Expenses

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

**WHAT EXPENSES DO YOU FEEL
ARE UNNECESSARY AND MAY BE
REMOVED NEXT MONTH?**

MONTHLY SPENDING PLAN

FOR _____ THE MONTH OF _____

<i>CATEGORY</i>	<i>BUDGETED</i>	<i>AMOUNT PAID</i>	<i>CATEGORY</i>	<i>BUDGETED</i>	<i>AMOUNT PAID</i>
------------------------	------------------------	---------------------------	------------------------	------------------------	---------------------------

Savings

Emergency: _____
 Retirement: _____
 College: _____
SUBTOTAL _____

Housing

1st Mortgage: _____
 2nd Mortgage: _____
 Real Estate Taxes: _____
 Homeowners Ins: _____
 Home Repairs: _____
 Replacement Furn: _____
 Rent: _____
 Other: _____
SUBTOTAL _____

Utilities

Electric: _____
 Gas: _____
 Water: _____
 Phone: _____
 Trash: _____

 Cable: _____
 Internet: _____
SUBTOTAL _____

Food

Grocery: _____
 Restaurants: _____
 Fast Food: _____
SUBTOTAL _____

Transportation

Car Payment 1: _____
 Car Payment 2: _____
 Gas & Oil Changes: _____
 License and Taxes: _____
 Car Replacement: _____
SUBTOTAL _____

Clothing

Children _____
 Adults _____
 Cleaning/Laundry _____
SUBTOTAL _____

Medical/Health

Disability Insurance _____

 Health Insurance _____
 Doctor Bills _____
 Dentist _____
 Optometrist _____
 Medication _____
 Other _____
SUBTOTAL _____

MONTHLY SPENDING PLAN

CATEGORY	BUDGETED	AMOUNT SPENT
----------	----------	--------------

Personal

Life Insurance	_____	_____
Child Care	_____	_____
Baby-sitter	_____	_____
Toiletries	_____	_____
Cosmetics	_____	_____
Hair Care	_____	_____
Education/Adult	_____	_____
School Tuition	_____	_____
School Supplies	_____	_____
Child Support	_____	_____
Alimony	_____	_____
Subscriptions	_____	_____
Gifts	_____	_____
Miscellaneous	_____	_____
SUBTOTAL	_____	_____

Recreation

Entertainment	_____	_____
Vacation	_____	_____
SUBTOTAL	_____	_____

Debts ** (last 4 digits)**

Credit Card1_____	_____	_____
Credit Card2_____	_____	_____
Credit Card3_____	_____	_____
Credit Card4_____	_____	_____
Dept. Card1_____	_____	_____
Dept. Card2_____	_____	_____
Student Loan	_____	_____
Other_____	_____	_____
Other_____	_____	_____
Other_____	_____	_____
SUBTOTAL	_____	_____

Grand Total	_____	_____
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-Total Income _____

WAYS TO ECONOMIZE

<p>Cut food costs by:</p> <ul style="list-style-type: none">→ Substituting: Buying generic brands when suitable→ Conserving: Wrap and store food properly→ Cooperating: Plan a community garden→ Utilizing community resources: Use food stamps (if you qualify)	<p>Cut transportation costs by:</p> <ul style="list-style-type: none">→ Substituting: Drive a car that uses less gas.→ Conserving: Do preventative automobile maintenance→ Cooperating: Carpool with co-workers→ Utilizing community resources: Use public transit
<p>Cut housing costs by:</p> <ul style="list-style-type: none">→ Substituting: Shop for the best financial terms→ Conserving: Conserve energy with insulation, weather stripping→ Cooperating: Trade home repair skills with friends and neighbors→ Utilizing community resources: Use local assistance with energy costs.	<p>Cut clothing costs by:</p> <ul style="list-style-type: none">→ Substituting: Shop for kid clothes at thrift stores and consignment shops→ Conserving: Keep clothes clean, remove stains promptly→ Cooperating: Swap kid clothes and baby accessories→ Utilizing community resources: Shop at rummage sales

Substituting is also a category where comparative shopping comes in. You substitute what you may have bought in the past with something less costly as you shop with new and more cost conscious considerations.

Conserving has a lot to do with lifestyle. Good planning and management of resources helps a consumer avoid unnecessary waste and reap the full benefits from each resource.

Cooperating with others can be challenging, but it can also be fun. Neighborhood garage sales and informal potluck dinners not only help save money but increase community ties and provide low-cost entertainment.

WAYS TO ECONOMIZE

WHAT ARE SOME IMMEDIATE CHANGES YOU CAN MAKE IN YOUR LIFE IN ORDER TO ECONOMIZE?

Change Made:

Way to Economize (ex: substituting)

1. _____
2. _____
3. _____

4. _____
5. _____