

The background of the cover is a solid purple color. Overlaid on this is a faint, semi-transparent image of a compass rose and a pen. The compass rose is circular with degree markings and cardinal directions (N, E, S, W). A pen is positioned diagonally across the compass, with its tip pointing towards the top left.

LIVING SKILLS

Practical Guidance

MANAGING MONEY

PARTICIPANT WORKBOOK



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AN OVERVIEW OF MANAGING MONEY

Few of us have been taught how to make good decisions with our money. As a result, many of us may have money troubles. We may spend more than we can afford. We may buy things we want, but don't really need. We may have debts we don't know how to repay. Or we may not know how to save money for things we really want, like buying a car, going back to school, or living in a nicer apartment or house.

For some of us, we may be coming out of situations where we've had very little money, for example if we've been homeless or incarcerated. Or we may be coming out of situations where we've had a lot of money, but we got it illegally, for example through selling drugs, or used it for illegal reasons.

The money skills we will talk about in this program are useful for anyone, whether you have managed money all your life, are taking hold of your money situation for the first time, or are looking forward to having money to manage after being imprisoned or homeless.

THIS WORKBOOK IS DIVIDED INTO FOUR SESSIONS

SESSION 1 introduces the idea that managing money can improve the quality of one's life and introduces some of the activities involved in managing money.

SESSION 2 teaches what a budget is and how to create and keep one.

THIS WORKBOOK IS DIVIDED INTO FOUR SESSIONS

SESSION 3 focuses on the value of paying off debt, how to pay off debt, and where to get help to do so.

SESSION 4 teaches about the importance of saving money for the future, particularly for emergencies, life goals, and retirement.



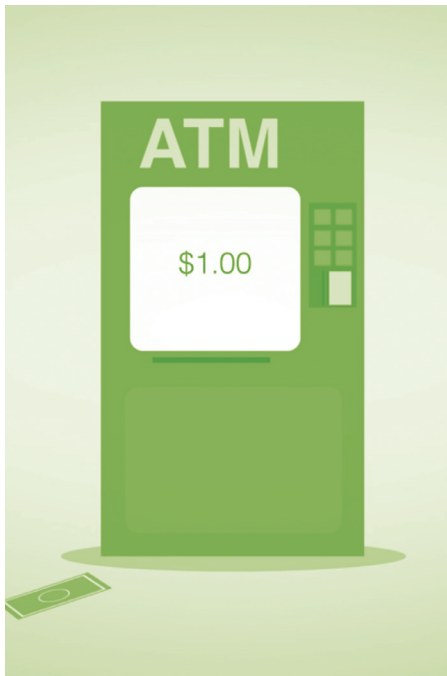
SESSION 1.

Money Basics

If you feel depressed, angry, resentful, or fearful about the role money has played in your life, join the crowd. Many people learn about managing money the hard way—after they’ve gotten into debt or failed to save enough money for big expenses. This is especially true if you are new in recovery from addiction, are dealing with mental illness, have been incarcerated, or have been living in other challenging circumstances.

Whatever your past struggles, it’s never too late to learn how to manage your money. And you **can** learn it!

■ Why is it important to manage your money? Circle your answer below. The correct answer is listed at the end of this session.



- a** You can use money to improve the quality of your life.
- b** You will feel less fearful when you know how to control your money.
- c** You will be prepared if unexpected expenses come up.
- d** It helps you reach long-term goals.
- e** All of the above

There are some basic activities involved in managing your money. We'll learn more about them as we go through this program, but for the moment, we'll just list a few here:

Every Day

- Keep a log of what you spend your money on.

Weekly or Every Other Week

- Deposit your paycheck in the bank. Don't cash it and spend it.
- Pay your bills. Set a regular time during the week to do this.

Monthly

- Balance your checkbook.
- Check your credit card and bank statements.

Yearly

- Make a budget.
- Pay your taxes.



Heidi graduated from high school and went straight on to college. She dropped out after three months. She was tired of studying and got a job as a waitress. The money was pretty good and she had few expenses. Her school debt was almost nothing. She shared rent with a friend and didn't need much.

She and her roommate often went to the casino. Pretty soon Heidi was hooked on gambling, and she ran up a debt that shocked her. She eventually got treatment for her gambling addiction. She continued to work as a waitress, and she met with a financial advisor. She set up a budget and got serious about saving money, paying off her debt, and planning for her future. It took some time, but she eventually got back on track.

■ Have you had problems in the past with money? If so, write about those problems below. Or if you'd rather, draw a picture of what you did that created the money problems.



■ What would you do differently if you could do it all over again?

Everyone makes mistakes. If you've made mistakes with money in the past, don't beat yourself up. The important thing is to make the changes you need to make so you can make better choices in the future.



Heidi took some time while she was in treatment to think about what she wanted to use her money for in the future. She loved to play music, and she knew she wanted to save up for a guitar. She loved to go to movies and eat at restaurants. She also was thinking about going back to school. And some day she wanted to buy a car. She thought these were all ways she wanted to use her money.

■ What is important to you? Prioritize the things on the following list that are most important to you—the things you want to use your money for. Put the number 1 in front of the thing that is most important to you, 2 in front of the next most important, and so on. There may be some things on this list that you won't put a number in front of because it isn't on your list of what's important.

_____ Food	_____ Video games
_____ Movies	_____ Car
_____ Charity/giving to help others	_____ Retirement
_____ Clothes	_____ Going to school
_____ Rent or buying a place to live	_____ Things for my kids
_____ Travel	_____ Restaurants
_____ Concerts	
_____ Household goods: _____	
_____ Other: _____	
_____ Other: _____	
_____ Other: _____	
_____ Other: _____	

Once Heidi decided what was most important to her, she could begin to focus her time and money on reaching those goals.



■ What is one goal you have in life that will require managing your money better?

SUMMARY

- Managing money can improve your quality of life.
- There are daily, weekly, monthly, and yearly activities involved in managing money.
- Prioritizing what is most important helps people know what to spend their money on.

CHALLENGE

Talk to someone you know who is financially responsible and ask that person what things he or she does to manage money.

ANSWER KEY

(page 3)

Why is it important to manage your money?

- a** You can use money to improve the quality of your life.

- b** You will feel less fearful when you know how to control your money.

- c** You will be prepared if unexpected expenses come up.

- d** It helps you reach long-term goals.

- e** All of the above



SESSION 2.

Budgeting Basics

One important skill to learn in managing money is how to create a budget and then stick to that budget. The whole purpose of a budget is to help us learn how to spend only the money we have. It is a balance between keeping track of the money we earn and the money we spend. Making a budget is one of the most powerful tools you have for keeping your spending under control. You are then able to use your money for the things that are really important to you.

When creating a budget, first determine what your actual living expenses are. To estimate how much you're spending, add your total expenses in the following categories:

Fixed monthly expenses. Regular expenses that are due every month.

Periodic expenses. Bills that you pay once or a few times a year. If you don't plan for these expenses, they can throw you into a crisis when these bills suddenly come due.

Flexible expenses. Even though you need many of the items in this category (for example, groceries, clothing, household items), you have more choice in how much you spend on them.



Fill out the following charts to help estimate your expenses.



FIXED MONTHLY EXPENSES	AMOUNT	DUE DATE
Rent/Mortgage Payment		
Phone/Internet Service		
Utilities <i>(heat, electricity, garbage pickup, etc.)</i>		
Transportation <i>(gas, bus or subway fare)</i>		
Child Care <i>(day care, babysitting, school, support)</i>		
Debt Repayment		
Other		
Total Monthly Amount		



PERIODIC EXPENSES	ESTIMATED MONTHLY AMOUNT
Car <i>(license tabs and plates, maintenance, repairs)</i>	
Insurance <i>(health, car, life)</i>	
Emergencies <i>(such as locksmith, towing company)</i>	
Home Maintenance and Repair	
Health Expenses Not Covered by Insurance <i>(deductibles, medications, counseling)</i>	
Dental Expenses Not Covered by Insurance	
Other	
Total Monthly Amount <i>(Divide any yearly expenses by twelve to determine the amount for each month.)</i>	



FLEXIBLE EXPENSES	ESTIMATED MONTHLY AMOUNT
Groceries	
Health and Beauty Products	
Clothing and Shoes	
Gifts	
Eating Out	
Vacation	
Magazines, Newspapers, Books, Music	
Entertainment <i>(movies, video games, cable TV, concerts, etc.)</i>	
Donations	
Other	
Total Monthly Amount	

Add the total from the three charts together.

■ **Total Monthly Expenses:** _____

You need to balance your expenses with your income. Your income can come from a variety of sources: hourly or monthly earnings from a job, child support payments, welfare or public assistance, disability payments, financial aid from a school or training program, or money from investments. Write your income in this chart.

SOURCE OF INCOME	MONTHLY AMOUNT
Paycheck	
Other	
Other	
Total Monthly Income	

Now you can compare your expenses with your income.

Total Monthly Income	
Total Monthly Expenses	

Which is higher? Your income or your expenses? Fill in either Income or Expenses and the amount that they are different here:

■ (Income) (Expenses) _____ is/are higher.

■ Difference: _____

If your income is higher than your expenses, you could put this extra money into savings or pay off debts. Add those savings to your budget.

If your expenses are higher than your income, you will want to find ways to cut your expenses to reach your financial goals. Once you have found ways to cut your expenses, go back and adjust your budget.

Remember Heidi from our last session?

Heidi made a lot of tips at her waitress job, but because she had a lot of debts to pay off, she had to figure out some ways to cut back on expenses to reach her financial goals. Even though she loved going out to eat, she knew she would have to cut back on that if she was going to save money for a guitar, let alone for school. She set a limit of going out to eat twice a month. She also chose to go to inexpensive restaurants. She decided she could save money by getting her clothes at thrift stores. Finally, she planned to cut her energy bill by turning down the heat and the air conditioning.



If your expenses are higher than your income, where can you cut spending?
There are many ways to save money, particularly on your flexible expenses.
List the places where you can cut expenses:

EXPENSE TO BE CUT	AMOUNT TO BE CUT

One way to make your budget work is to get additional income through a part-time job. This is something you need to think about carefully though. First you should think about what it will cost to hold the additional job. List additional costs you will have if you work a part-time job.

■ Transportation _____

■ Child care _____

■ Uniforms, clothing, or other supplies _____

■ Other _____

There are also concerns that you can't measure in money. Think about whether a part-time job will hurt your physical or emotional health. Will you still be able to keep your life in balance?

If you're heavily in debt, you may be tempted to cut all entertainment expenses out of your budget. This all-or-nothing approach rarely works. If you deprive yourself too much, you'll start feeling angry or resentful, and you might go out and blow your budget. Keeping your life in balance includes spending money on fun once in a while.

■ What are some fun things you can spend money on while still trying to stay on your budget?

Once you have made a budget, it's important to stick with it. Be sure to keep track of your expenses each month and see if they are staying within the amounts you budgeted. You may need to adjust your budget over time, but you always want to make sure your expenses aren't greater than your income.

SUMMARY

- A budget is a tool for keeping track of the money we earn and the money we spend.
- A realistic budget includes fixed monthly expenses, periodic expenses, and flexible expenses, as well as income from a variety of sources.
- If expenses are higher than income, there are ways to cut expenses or get additional income to create a balanced budget.

CHALLENGE

Buy the Sunday newspaper and cut coupons out of the coupon section. Use the coupons to buy items that you need. When you are done shopping, add up your total savings.



SESSION 3.

Getting Out of Debt

For many people, being in debt is a source of fear, tension, and worry. Spending more money than we make can create stress in many areas of our lives and in our relationships. Paying off debt brings relief and opportunities to do things you really want to do.

The first step in dealing with debt is to make a list of debts and the amount you owe. This list may include:

- Credit card companies
- Student loan companies
- Friends or family members who have given you personal loans
- Finance companies
- Health care organizations
- Government agencies (current or back taxes)

List your creditors here. Use extra paper if necessary.

PERSON OR INSTITUTION I OWE MONEY TO <i>(bank, credit card company, school, family member, or friend)</i>	AMOUNT I OWE
1.	
2.	
3.	
4.	
5.	

Decide which debt or debts you should start paying off first. For example, if you are thinking about going back to school, you may want to begin repaying school loans so you will be allowed to register. Sometimes it helps to pay off smaller debts first, so you feel like you are making progress. Or if some debts have higher interest rates, you may want to start with those.

What debts do you consider to be priorities right now?

■ Priority Debt 1: _____

■ Priority Debt 2: _____

■ Priority Debt 3: _____

Next, think about whether it makes sense to contact these creditors to negotiate a payment plan. Before you do, have a solid idea of what you can afford to pay. Be realistic. Don't make a promise you can't keep.

When you begin paying off your debts, contact each of your creditors to say that you intend to pay the debt in full. If you can't pay anything back at the moment, explain what you plan to pay and when. If you're being hassled by creditors, you may be able to stop the phone calls with a letter saying you'll begin paying them something on a particular date. In any case, people appreciate it when you show that you plan to make good on your debt—even if you can only pay a small amount every month.



ADDITIONAL OPTIONS FOR DEALING WITH PERSONAL DEBT

Consolidating Debt

- Get a low-interest loan to pay off debts that have a high interest rate.
- Combining several loans into one consolidated loan will reduce your monthly payment and interest.
- Beware of deals that seem too good to be true.

Debt Moratorium

- Some creditors will allow you to stop paying back your debt for a brief time.
- You will need to fill out a form and explain your situation.
- You will agree to start paying again after a set amount of time or when you have the money.

Getting Help with Debt Repayment

For free credit counseling and financial education services, visit this website: www.usa.gov/topics/money/credit/debt/out-of-control.shtml

Filing for Bankruptcy

- Bankruptcy is an extreme measure that shouldn't be taken lightly.
- Its purpose is to help people who can never pay back their debts.
- It can provide a necessary and healing break from the past.
- Eventually the bankruptcy record will come off your credit report.
- Get financial counseling before proceeding with this option.



You may wish to talk to a financial counselor or advisor. This professional can help you develop a plan for getting out of debt and may be able to suggest resources to help you pay for things such as day care, health care, housing, transportation, and job training.

Before you start contacting sources for help, review your finances and determine the debts causing you the most problems.

Write down three of your current money problems.

EXAMPLES:

- I need prescription medicine to take care of my mental health, but I can't afford it.
- I need help looking for a job, but I can't afford the clothes I need for interviews.

1

2

3

There are many free options for talking with a financial counselor, including community service agencies and job training sites. Talk with people in your support group, counselors, or nonprofit or religious organizations, or look in the Yellow Pages (under Social Service Organizations).

Here are some of the kinds of help that are available:

- **Federal grants and loans** help low-income people go back to school or get technical training. Public libraries, career counseling centers, and other nonprofit agencies can provide information and applications for these programs.
- **Emergency assistance** can help with utility bills.
- You may be eligible for many different types of **public assistance**, including
 - Welfare
 - Medical Assistance
 - Medicare or Medicaid
 - Workers compensation
 - Unemployment benefits
 - Social Security
 - Job counseling
- Nonprofit agencies in your area may offer a variety of other **support services** free of charge, including legal aid, child care, foster care, pregnancy counseling, and so on.

In the space provided below, write down the names and phone numbers of potential resources that can help you deal with your financial problems. Next, make a phone call to find out what services might be available and write down this information. If the agency you call first can't help you, ask whomever you talk with to suggest other people or agencies that might offer the help you need.

■ Agency name: _____ Phone: _____

■ Contact person: _____

■ Services available/other agencies to try:

■ Agency name: _____ Phone: _____

■ Contact person: _____

■ Services available/other agencies to try:

If you have had trouble managing your finances in the past, you may be feeling overwhelmed. You may be worried that your credit history is ruined forever—that you'll never be trusted with credit again. That simply isn't true. Money problems don't stay on your record forever. Your future doesn't have to be haunted by past financial mistakes. But you do need to take care of the situation.

SUMMARY

- Paying off debt brings people relief and opportunities to do things they really want to do.
- Strategies for paying off debt include making a list of debts and the amount owed, prioritizing which debts should be paid off first, and contacting creditors to negotiate a payment plan.
- People can get help with paying off debts from a financial counselor or advisor, federal grants or loans, emergency assistance, public assistance, and nonprofit agencies offering free support services.

CHALLENGE

Identify one debt you have that could be paid back right now. Start taking steps to pay this debt.



SESSION 4.

Saving for the Future

Along with learning to budget and pay off debts, it's also important to learn how to save money for the future. You may think you don't make enough money to save any, but it is possible and it is important. Saving money for emergencies, to purchase something that helps you meet your life goals, or for retirement are all important.

Here are some secrets to saving:

1. Set saving goals. Make a list of the things you want to save for. Keep that list visible, so you are reminded of why you are saving.
2. Don't put off saving. The sooner you start, the more money you will save over time. You are never too young or too old to start saving.
3. Try to save on a regular basis. For example, save money from every paycheck. If you are given money as a gift, put some of that money into savings. Even small amounts saved regularly over time will add up.
4. Put your savings where it will earn the highest interest rate. Check around to see who has the highest interest rate.
5. Choose a way to save that has low fees. Savings accounts charge different kinds of fees—some more than others.
6. Deposit money into your savings account when you get paid, before you spend money on other things.
7. Have your savings taken out of your paycheck automatically—many banks can set up an automatic savings plan.
8. Set aside some money for emergencies in a savings account. This money should be available only for emergencies. It is helpful to have an emergency fund, in case you lose your job, for example.

- 9. See if your workplace has a retirement savings program. In many cases, this money can be saved without paying taxes on it, so you have more money to save.
- 10. See if your workplace also has a matching program, one in which the company will match the amount of money you put into a retirement fund. Try to put in the maximum amount the company will match each year. It's a great way to double your money!
- 11. Don't retire too early. The longer you work, the more Social Security you will get and the more retirement money you can save.
- 12. Celebrate when you reach your saving goals. Are there fun ways to celebrate without spending money?

Setting Savings Goals

Setting savings goals really helps keep you motivated and focused. What are some savings goals that you have? Write down what you are saving for, how much you need to save, and by what date. Be sure one of your goals includes money for retirement.

SAVINGS GOAL	AMOUNT	BY THIS DATE

Setting Up an Emergency Fund

Juanita didn't really see the need to save money. She always paid her bills on time and had money to buy whatever she wanted. But then the economy got bad and she was laid off from her job. She had no money coming in, but she still needed to pay rent and all her household expenses.



Juanita was trusting that her money situation would always stay the same, but we are never guaranteed that this will be the case. It is always wise to put money into an emergency fund, just in case.

■ What amount do you want to set as a goal for your emergency fund? _____

As you build your emergency fund, you will want to put the money into an account that is earning interest, but is readily available if needed quickly. Generally, an account called a *money market account* will pay you a higher interest rate than a bank savings account. Check around to see which bank or credit union has the best rates on money market accounts.

■ List some possible places to start saving money for your emergency fund.

It is often best to have this money automatically transferred into your emergency fund each time your paycheck is deposited in your bank. This is called an automatic deposit. You can usually set this up with your bank.

Remember, emergency fund means just that! It is only meant to be used in an emergency. If you want to save money for other purchases, it is best to open a separate savings account for those.

Saving for Retirement



Jeremiah was sixty-nine years old. He got up every morning at 6 a.m. to go to work. When he got home at 5 p.m. he was exhausted. He had arthritis in his knees, and his job required him to stand a lot during the day. He wanted badly to retire. However, he didn't start thinking about saving for retirement until he was fifty-five years old. He had always prided himself on having fun, and thinking about being old and retired was not his idea of fun. However, Jeremiah felt regretful when he watched his younger brother retire.

Saving for retirement is one of the most important things you can do, no matter how old you are. Here are some different retirement options:

1. Social Security is one of the things almost everybody in the United States counts on in retirement. Most people who work either pay into Social Security themselves or their employer pays into Social Security. When you retire, Social Security will pay you a check every month.

The early retirement age is sixty-two. Full retirement age is sixty-six (if you were born before 1960) or sixty-seven (if you were born in 1960 or later).

If you wait until full retirement age, you will get more money from Social Security than if you retire early. The government has a website where you can estimate what your Social Security payments will be when you retire: www.ssa.gov/retire2/estimator.htm.

Many people depend completely on Social Security to cover their needs in retirement, but Social Security will most likely not be enough. You should also be saving money elsewhere.

2. If you work for a company or organization, there may be a retirement savings program available to you. Sometimes employers will add as much money to your retirement account as you put into it. This is called a *match*.

■ Check with your employer. Does the company have a retirement savings program?

■ If so, does your employer match all or a portion of your savings?

■ How much? _____

■ Are you taking full advantage of the match? In other words, are you putting away the maximum amount that will earn an employer match?

For example, if you put \$100 each month into your company's retirement savings program and your employer provides a match, the company would put \$100 into your retirement account each month as well. It's like earning extra money at work tax-free!



If you are looking for a job, it's important to ask if the company has a retirement savings program and if the company will match your contributions.

Even if your employer doesn't match, it is a good idea to put money into the program. Or you can put away more than your employer matches. Any money you put into a retirement savings program at work is usually not taxed, so it's a good way to save money for retirement.

Now that you've learned more about saving, go back and look at your savings goals. Would you change any of them? Do that now.

■ What are the key skills you will take away from this program?

■ What changes are you going to make in how you manage your money?

SUMMARY

- It is important to save money for emergencies, to purchase something that helps you meet your life goals, or for retirement.
- Some secrets to saving money include setting savings goals, not putting off saving, saving on a regular basis, putting savings where it will earn the highest interest rate, and having savings taken out of your paycheck automatically.
- People should identify a personal savings goal, determining what they are saving for, how much they need to save, and by what date.

CHALLENGE

Visit your local bank and get some brochures on the different savings accounts. Speak with a banker about them, if possible.



RECOMMENDED RESOURCES

Websites

Money Basics

www.mymoney.gov

This federal government website focuses on basic financial literacy.

www.gcflearnfree.org/moneybasics

This site has free tutorials on basic money topics, such as money management, banking, and retirement planning.

How to Understand Personal Finance Basics

www.wikihow.com/Understand-Personal-Finance-Basics

This website includes steps, a video, and tips to understanding the basics of personal finance.

Budgeting Basics—Setting Up a Budget

www.investopedia.com/university/budgeting/basics2.asp

This website helps people set up and use a budget and also shows a budget spreadsheet.

Money Management Advice for Older Adults

www.aarp.org/money

This site covers the topics of budgeting, debt management, saving and investing, taxes, and retirement planning.

Top Ten Ways to Prepare for Retirement

www.dol.gov/ebsa/publications/10_ways_to_prepare.html

This U.S. Department of Labor website explains how to prepare for retirement and includes links to other helpful websites.

**Resources Available through Hazelden Publishing
(800-328-9000, hazelden.org/bookstore)**

Spent: Break the Buying Obsession and Discover Your True Worth

Sally Palaian, Ph.D. (Order No. 3814, E-book Order No. EB3814)

This book offers proven plans for addressing a range of personal money issues by examining the underlying emotional, familial, and societal factors that trigger spending behaviors.

Letting Go of Debt

Karen Casanova (Order No. 1202, E-book Order No. EB1202)

This daily meditation book is for those who struggle with the burden of debt.

