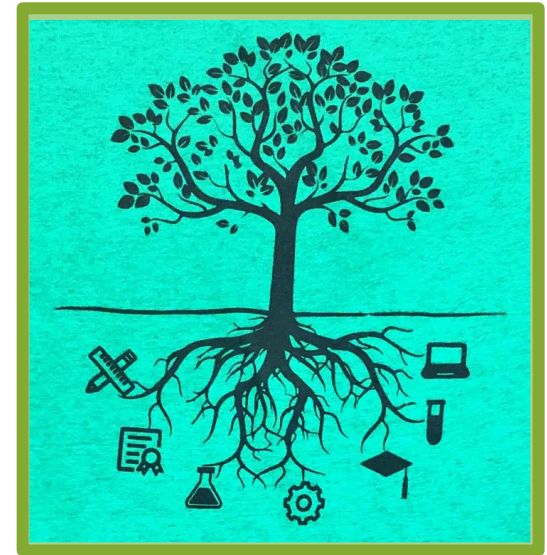


Financial Literacy

11th. The most important tool: Budgeting

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Business Advisory Board www.sphsbab.org



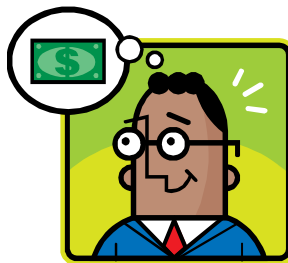
Money grows on skills, not trees.

*It's not how much money you make;
it's what you **keep, and how hard it works** for you.*

-Robert Kiyosaki, Rich Dad Poor Dad

Objectives for today

- Understand the importance of *Financial Literacy*.
- Appreciate the **extraordinary value of budgeting and saving.**
- Evaluate **choices you can make now** for a successful financial future.



“Financial Literacy” means we:

- Effectively **manage money**
- Continuously acquire financial knowledge and skills to **make informed decisions**
- Fulfill personal, family, societal, and governmental **responsibilities**

*It's not how much money you make;
it's what you **keep, and how hard it works** for you.
-Robert Kiyosaki, Rich Dad Poor Dad*



When you're financially literate, you're more likely to:

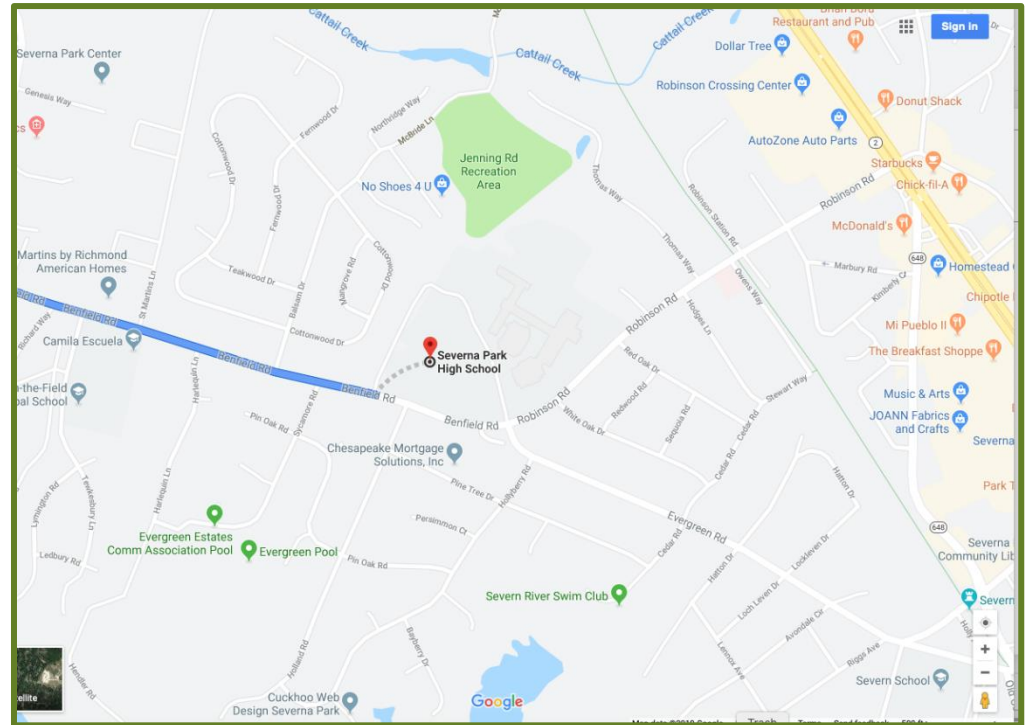
- **Reach your lifetime goals and a better quality of life.**
- Reach important every-day and long-term milestones, such as:
 - Choose the *right* time to **buy something you need** or want
 - Save **money for emergencies**
 - **Pay for post-high school education or college quickly**
 - **Start a business**
 - **Live a comfortable retirement**
 - **Be financially independent and debt-free**



The most important tool: Budgeting

What are
great reasons
to use a map?

1. To know where you are
2. To know where you're going
3. To know how and when you'll get there



The most important tool: Budgeting

What are
great reasons to
use a BUDGET?

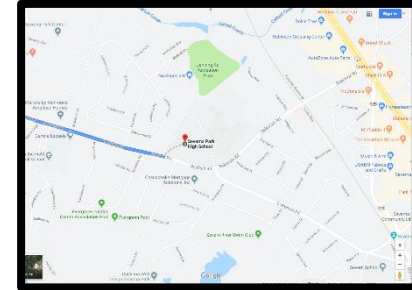
1. To know where you are
2. To know where you're going
3. To know how and when you'll get there

How much do you cost?			
Category	Estimated Monthly Expenses		
Savings Account	\$50.00	FUN	
		Movies/Entertain	\$60.00
		Music	\$20.00
		Snacks/Dining Out	\$40.00
		Friend's Birthdays	\$20.00
		Vacation	\$50.00
Cell Phone	\$110.00	SPORTS	
		Registration	
		Fee/Uniform/Equip	\$75.00
		Gym membership	\$25.00
CAR		HEALTH & BEAUTY	
Car Payment	\$250.00	Hair/ Nails	\$45.00
Car Insurance	\$150.00		
Gas	\$100.00	EDUCATION	
		School Fees/Supplies	\$15.00
		Tutoring	\$40.00
SHOPPING		GRAND TOTAL	\$1200.00
Clothes	\$100.00		
Shoes	\$50.00		

The most important tool: Budgeting 1, 2, 3



A good budget:



- 1. Estimates every dollar** that comes in (INCOME)
- 2. Assigns a job to every dollar** (SAVINGS and EXPENSES)
- 3. Tracks EVERY DOLLAR:** actual income, savings, and expenses and **adjusts for unforeseen** income and expenses

- 1. To know where you are
 - 2. To know where you're going
 - 3. To know how and when you'll get there
- A Budget is a Financial MAP.

The most important tool: Budgeting 1, 2, 3

A good budget

1. **Estimates every dollar** that comes in (INCOME)

What kinds of income do you get?



The most important tool: Budgeting **2a3**

2. A good budget assigns
a job to every dollar
(SAVINGS
and EXPENSES)

Did you mention these?

- **College extras** (like club fees, going out)
- **Investment fund** (YES you can start now.)
- The **PYS Fund**: Pay Yourself First Fund.

What do
you need to
save for?



**MY FRIEND'S
BIRTHDAY**



The most important tool: Budgeting **2b3**

2. A good budget **assigns a job to every dollar** →
(SAVINGS
and EXPENSES)



- Rainy Day fund:
For what kind of emergencies?
Why is it smart to set aside
NOW?

Recommendations:

- Budget 10% of income to keep building up your Emergency Fund.
- Keep at least 3-6 months of total expenses in savings.
- Refill when used.



The most important tool: Budgeting 2023

2. A good budget assigns a job to every dollar (SAVINGS and EXPENSES) → Outline a realistic list of monthly **EXPENSES**.
- These might change month-to-month.

What do you spend on?



The most important tool: Budgeting 1, 2, 3

A good budget

3. Tracks

EVERY PENNY & DOLLAR in and out so you can see where you really are.

Track Your

Savings



TRACK YOUR SPENDING

Track Your Income



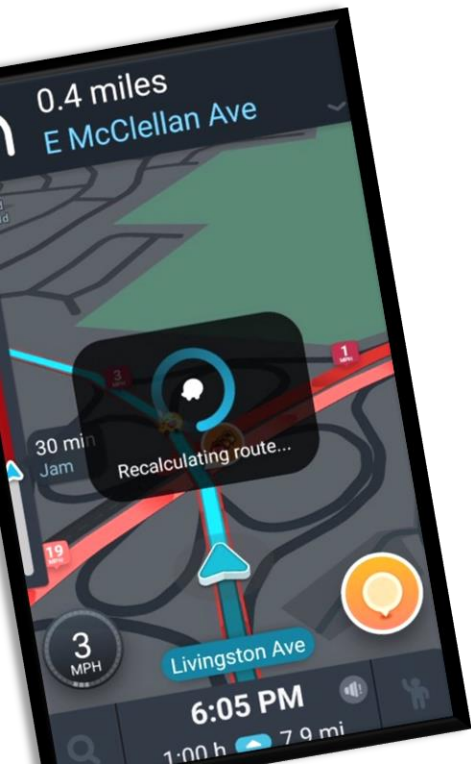
What is a good way to track your budget?

The most important tool: Budgeting 1, 2, 3

You've tracked EVERY DOLLAR.
Oh NO!

Your expenses are more than your income this month!!

You have these excellent options to solve this common problem.



1. INCREASE YOUR INCOME.

2. CUT BACK ON EXPENSES.



3. DO A LITTLE OF BOTH.

How can you do each?

Set your financial goals to assign a job to every dollar.

Make a list of your **short**, **medium**, and **long-term** goals and set dollar amounts to each.



Short Term Savings Goals- can be achieved in fewer than two months.

Medium Term Saving Goals- may take from 2 months to 3 years to achieve.

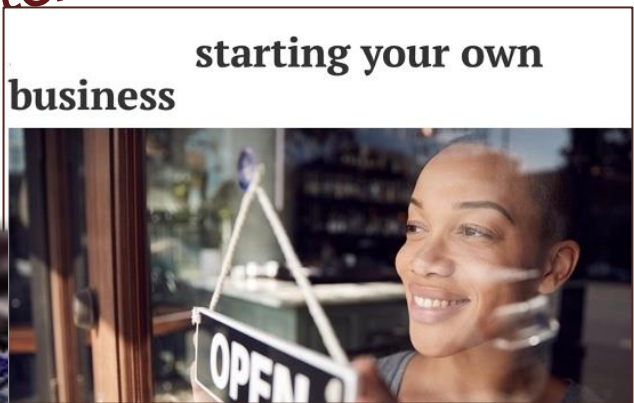
Long Term Savings goals- require 3 years or more to achieve.

→ These are examples of short, medium and long-term goals.

STUDY ABROAD
ROAD TRIP

AP EXAM

STUDENT LOANS



starting your own business



Saving is part of budgeting!

Let's look ahead. What's better?

- Save money early, **like *right now*** at your age?
- **OR** save **a lot *later* when you're older?**

Let's look at the story of two old friends, Jack and Blake.



Jack put away **\$200 a month, every month** starting at age 21.

Some months it was hard, but he managed it.

At age 29, he stopped saving money this way.

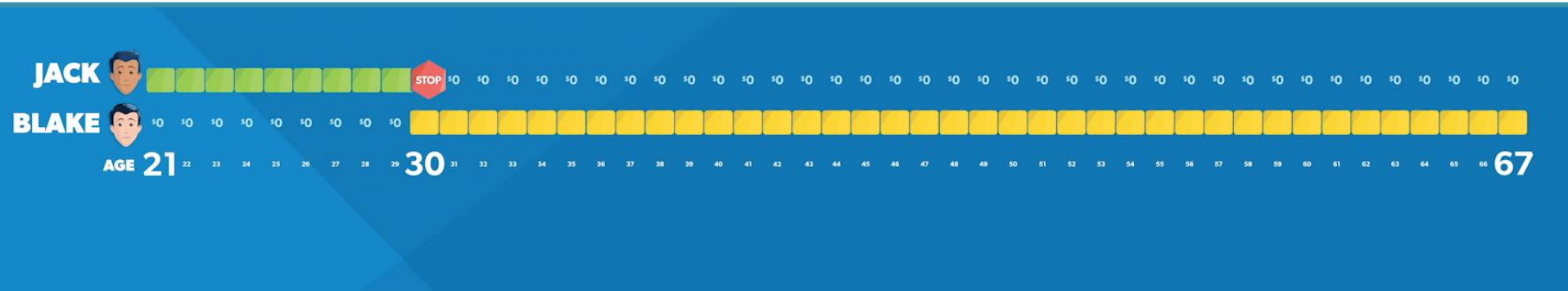
Meanwhile, Blake didn't do anything.



At age 30, Blake realized he'd better start saving.
Blake put away \$200 away every month until he turned age 67.
Meanwhile, Jack didn't put anything new, having stopped at age 29.

Jack saved this way for **just 9 years, for a total of \$21,600.**
Blake saved for **37 years, for a total of \$91,200.**

Who had more money at age 67?



BLAKE *Never* CAUGHT UP!

AND THE POWER OF COMPOUND INTEREST

Imagine
if Jack had kept up the savings
and investing!
He would have \$4 Million at
age 67!!!

What should YOU do?



Blake did well, anyway, right?
He is a millionaire too!
But whose story has the better
ending?

21 • • • • • 30 • • • • • 40 • • • • • 50 • • • • • 60 • • • • • 67

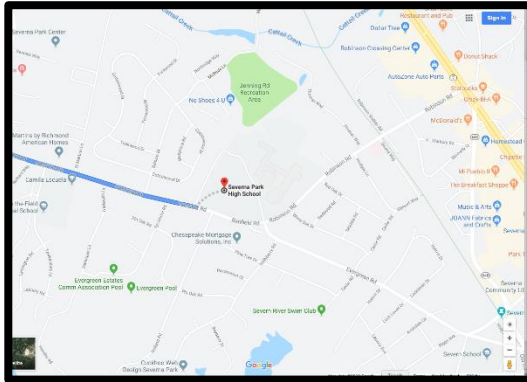
Blake starts saving money at 30 years old.

Blake saves \$2,400 a year until age 67—almost his entire life.

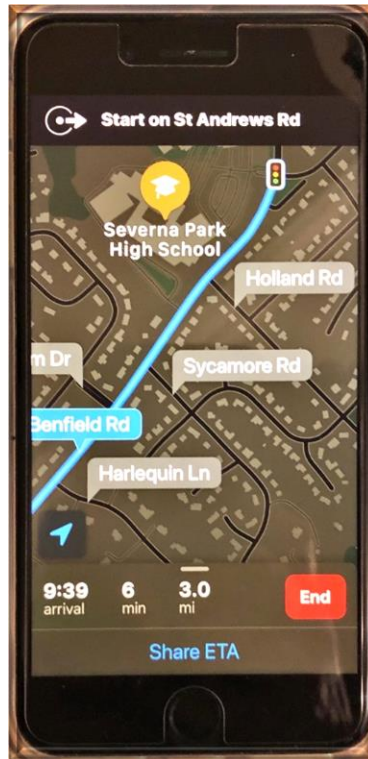
THE MORAL OF THE STORY **START EARLY!!**

The most important tool: Budgeting

BUDGET



YOU



The **budget** is the ***map***.

You use the map to head to a specified strong future.

You are the **app/GPS!**

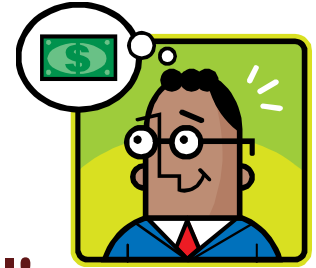
When there are financial stop-offs, traffic, or obstacles,

you make *corrections* to the route and **stay on track.**

And you keep going until you've arrived at financial success!

What can I do now to become *more* financially literate?

- 1. Learn **to EARN**. Get educated to be employable.
- 2. Learn **money management skills**. Read all you can.
- 3. **Live below your means. Pay your expenses in full!**
- 4. **Save early** and often. Pay yourself and your future **first!**
- 5. Gather information before making decisions and ask questions.
 - **Wait at least one night** before making major purchase.
- 6. Learn more about **financial success stories**.



What can I do now to become *more* financially literate?

For more information go to:

- www.360financialliteracy.org
- www.daveramsey.com/blog
- www.mymoney.gov
- Book: *How to turn \$100 to \$1,000,000* Mckenna, Glista, and Fontaine
- This information brought to you by the Severna Park High School Business Advisory Board
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