

MONEY MANAGEMENT

Do you often run out of money before the end of the month? Do you know where your money goes and how much goes to what expenses? Budgets are effective tools for managing your money and answering these questions. A simple budget determines how much money you have coming in, and how much money you have going out each month.

Fill out the budget below:

Monthly Budget								
1. Income								
Take-Home Pay							\$	-
Other Income							\$	-
Total Income							\$	-
2. Your Expenses								
Housing (Rent or Mortgage plus taxes, insurance, etc)							\$	-
Car Payment							\$	-
Gasoline							\$	-
Auto Insurance							\$	-
Internet							\$	-
Cell Phone							\$	-
Cable TV							\$	-
Subscriptions (netflix, hulu, gym, newspaper, magazine, etc)							\$	-
Groceries							\$	-
Medical & Dental (co-pays, prescriptions, etc)							\$	-
Dining out (restaurants, Mcdonalds, Dominos, snacks, etc)							\$	-
Entertainment (movies, going out, gambling, etc)							\$	-
Travel							\$	-
Utilities (Heat, electricity, water, garbage, etc)							\$	-
Other spending (Hobbies, personal care, tobacco, etc)							\$	-
Debt Payments (credit cards, student loans, loans, etc)							\$	-
Savings							\$	-
other							\$	-
Total Expenses							\$	-
3. Your Bottom Line								
Income minus Expenses							\$	-

Budgets are also an effective way to determine needs vs wants. NEEDS are things that you must have to survive, like food or water, shelter and health resources. Although we want to have certain things like steak or the high end cable package, WANTS are things that you don't need.

Look at your budget is there any money left at the end of each month? Go back through it and put an N by those items that are NEEDS and a W by those that are WANTS.

Your list should look something like this:

Needs	Wants
Housing	Cell Phone
Car, Insurance, Gas	Cable
Groceries	Subscriptions
Utilities	Dining Out
Medical/Dental	Entertainment
Savings	Travel
	Other spending

Total up the Needs on your Budget \$_____

Total up the Wants on your Budget \$_____

Review Want items and see if perhaps you can make a compromise. Needs cannot be substituted but there are option or choices for wants. Instead of having the full cable package can you save money each month by only having the basic cable package. Can you reduce your grocery bill by buying in bulk or using tap water instead of bottled water? Is there a cell phone plan that will lower your rate? Is it possible to get a roommate and save on your housing costs? How about bartering, do you have a skill or ability that you can trade for someone for services or products they have?

Make a list of items you can lower the costs of to have more money at the end of each month:

Most people usually have more month than money before payday and stretching a dollar is hard to do. There are several ways to address this and the envelope system is an easy method of budgeting that works well for most people.

Take envelopes and label them for each item on your budget, put the cash for that item in the envelope marked for that item, for instance, if your electricity bill is \$50 per month, mark an envelope Electrical Bill and when you get paid, put that amount in the envelope. Label the envelopes that pay for your

NEEDS first and then your WANTS second. For each envelope starting with the NEEDS, place the amount of money needed to pay for that item into the marked envelope. Make sure you put some money into a Savings envelope. After your NEEDS are done, label envelopes for your WANTS and fill them with the amount of money needed for that WANT. If you run out of money before filling all of the WANT envelopes, then you cannot afford to purchase that item or do that activity. If there is money left, this is the money that you can spend on anything you want.

If you have an envelope for electricity and have \$50 in it, but your friends want to go out. The entertainment envelope only has \$10, what should you do?

PAYDAY LENDING

By putting money into your savings envelope or bank account and letting it accumulate you save yourself from spending even more money when you have an emergency. Often people don't save and end up in an emergency situation where they take money for needs and spend them on the emergency. When people get into money troubles, they start looking for a quick fix until they get more money. There are lenders who offer quick money for a short term loan at high interest rates. These loans are called predatory loans because they are expecting you to keep borrowing from them. The predatory lenders refinance loans and collect fees without any real financial solution to help you.

Types of loans to avoid (predatory loans)

1. Payday loan
2. Title loan

Payday Loans are exactly what the name suggests, loans that last until your next payday. The average loan is \$350 and the term on these loans are typically 14 days, paydays are usually every two weeks. The supposed purpose is quick cash to take care of life's emergency situations. You borrow a few hundred bucks, pay a standard fee, and then repay the loan, right? Let's take a closer look behind the scenes and understand how these loans really work.

Example 1 Your car breaks down and it will cost \$100 to fix, you need your car fixed ASAP because you have to get to work. You have no savings and cannot get a loan from friends or family, and a bank will deny you because of credit history. Predatory Payday loans is across the street and promises a loan without a credit check in less than 30 minutes! The money will be deposited in your account tomorrow, your car will be fixed and everything is great.....right?

Payday loan fees are often expressed in \$100s, let's use \$10 for every \$100 borrowed. A two week payday loan for \$100 cost you \$10 in fees. This means that you owe them \$110 at the end of the loan (payday).

$$\$10/14 \text{ days} = \$0.71 \text{ per day}$$

$$\$0.71 \text{ per day for 365 days} = \$261$$

This equates to a 261% Annual Percentage Rate (APR)

What happens if you cannot pay the loan off at the end of the two weeks? The borrower will refinance the loan by paying the fee again extending the loan to another payday. Now you owe Predatory Payday Loans \$120 on the next payday. There are limits to how many times that you can rollover the loan. Once this limit is reached, then your account will go to collections. Once in collections, you may wind up having your wages garnished.

A payday loan report found that:

- 14% of borrowers can't afford to repay the loan.
- 76% of payday loans are renewals
- Average borrower is debt for 5 months
- 41% of borrowers need a cash infusion to pay off a payday loan

That brings us to Car Title Loans. These loans are usually for a longer period of time and for larger amounts. The average loan is \$950 and for a term of 30 days. These loans are backed by the value of the car that the borrower owns. Some car title lenders do not require a credit check or proof of employment. Just like payday loans, these loans include fees and are usually renewed several times.

Let's take a look at an example using a 25% interest rate.

Loan – \$950

Interest - $\$950 \times 25\% = \238

Renewed 8 times = $\$238 \times 8 = \1904

Total interest on loan = $\$238 + \$1904 = \$2142$

Total paid back = $\$950 + \$2142 = \$3092$

What happens if you cannot keep up with the payments? If you cannot pay the loan back the lender has the title to your car. They will repossess the car and sell it to settle your debt.

Although it is hard to make ends meet when you are in a low income bracket, paying close attention to your finances and saving money no matter how difficult it is will help you from paying even more money in the long term by not using quick cash alternatives.