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Beginner's Guide to Saving Money

About the Money Basics Guide Series

Welcome to the *Money Basics Guide to Budgeting and Savings*. The *Money Basics Guides* are a series of learning tools developed to assist financial educators, credit unions, and other financial institutions in their efforts to promote financial literacy in the communities they serve. These guides are also for everyday people who want to build their financial knowledge with practical skills they can use to manage their money.

Future guides will cover the basics of common financial topics, as well as emerging issues of consumer finance.

The *Money Basics Guide to Budgeting and Savings* is a great resource for group and individual learning. Whether you're a financial educator who is building workshops for those you serve or you're an individual focused on building your own financial knowledge and capability, these lessons and activities are for you.

Icon Key

Throughout the *Money Basics Guide to Budgeting and Savings*, you will find icons to help you identify important information. Keep an eye out for the following:



Tip

Tips provide you with additional need to know information about a topic and may offer suggestions for next steps.



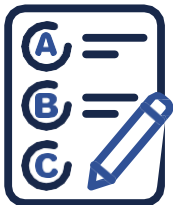
Fact

Facts highlight valuable data and research to help you understand the impact of a topic on consumers.



Definition

Definitions help you to learn key and important financial language.



Test Your knowledge Activity



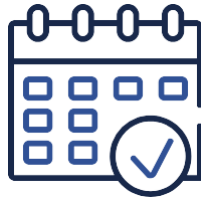
Activity

Activity icons signal that there is an action you can take individually or in a group to build your comprehension on a section topic.

Throughout the *Money Basics Guides* you will find the following icons which tell you what skills you will acquire:



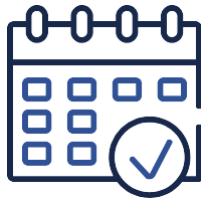
**Building
Knowledge**



**Building
New Habits**



**Building for
the Future**



Section I:

Why having a budget is essential

Developing a budget can feel scary for many consumers. It requires you to be proactive about your financial situation, and for many people, it can be hard to face. But having a budget is crucial to managing your money, staying out of debt, and ultimately building wealth.

More than anything, budgeting helps you keep track of what money is coming in and what is going out of your pocket—also known as your income and expenses.

Income versus Expenses

Income

Salary →
Investments →
Retirement
Benefits →



Expenses

→ Rent
→ Groceries
→ Gas



Income: Your income is the money you receive on a regular basis. This typically comes from your employer but it can also be from investments, retirement benefits like a pension, social security or disability, among other sources.



Expenses: Expenses are the costs required for the items and services you use and depend on. For example, your rent, groceries, and gas are all expenses you must pay for.

Having a budget allows you to have a clear view of your income and expenses all in one place. And it helps you to be less likely to:

1. Be surprised by the costs of living
2. Overspend and live beyond your means
3. Get

behind on bills

And you're

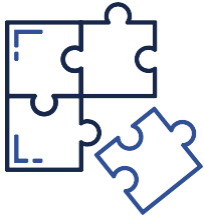
more likely to:

1. Live within your income
2. Be able to save
3. Plan and build for future goals

Section II:

Developing your budget

This first step to developing a budget is gathering all your financial information.



Activity: Find your most recent pay stubs, bills, monthly credit union or bank account statements, and a highlighter or marker. Consider whether you have any of the following:



Tip: If your income is consistent, you only need one, but if it fluctuates, use 2-4 pay stubs and calculate your average take-home pay.

To calculate your average, add your income from each pay stub and divide it by the number of pay stubs you used. For example, You made INR500, INR400, INR300, and INR450 on your last four paychecks, which equals INR1650. Now divide INR1650 by 4, which equals INR412.50.

Income

- | | |
|---|--|
| <input type="checkbox"/> Employment | <input type="checkbox"/> Retirement benefits |
| <input type="checkbox"/> Freelance jobs | <input type="checkbox"/> Disability payments |



Tip: You may notice two types of income on your paystubs and wonder why one doesn't add up to your salary. That's because you have a gross and net income.

Gross income represents your earnings before taxes and other deductions.

Net income is your take-home pay after taxes and deductions. Always calculate your budget based on your net income.

Expenses

- | | |
|---|---|
| <input type="checkbox"/> Rent or mortgage | <input type="checkbox"/> Entertainment (Going out to eat, movies, concerts) |
| <input type="checkbox"/> Insurance | <input type="checkbox"/> Self-care and maintenance (Hair salons, nails, etc.) |
| <input type="checkbox"/> Electricity | <input type="checkbox"/> Debts (Student loans, taxes, etc.) |
| <input type="checkbox"/> Gas (Home) | <input type="checkbox"/> Family expenses (Day care, tuition, child support, alimony, etc.) |
| <input type="checkbox"/> Water | <input type="checkbox"/> Donations |
| <input type="checkbox"/> HOA | <input type="checkbox"/> Miscellaneous (These expenses come up occasionally, like buying detergent, paying for tickets, etc.) |
| <input type="checkbox"/> Car payment or public transportation costs | <input type="checkbox"/> Savings |
| <input type="checkbox"/> Gas (Car) | <input type="checkbox"/> Anything else? |
| <input type="checkbox"/> Parking | |
| <input type="checkbox"/> Cable | |
| <input type="checkbox"/> Internet | |
| <input type="checkbox"/> Cell Phone | |
| <input type="checkbox"/> Groceries | |

Now that you have all your monthly income and expenses let's calculate them into your budget. Use this budgeting chart to get started.



Tip: Add up your monthly net income, which will likely be from two paychecks.

Monthly Income

Paychecks (salary after taxes, benefits, and check cashing fees)	INR
Other income (after taxes for example: child support)	INR
Total monthly income	INR

Monthly Expenses

Mortgage or rent	INR
Insurance	INR
Phone	INR
Electricity	INR

Monthly Expenses	
Gas	INR
Water and sewer	INR
Cable	INR
Internet	INR
Waste removal	INR
Maintenance or repairs	INR
Vehicle payment	INR
Gas for vehicle	INR
Bus/taxi fare	INR
Insurance	INR
Licensing	INR
Maintenance	INR
Groceries	INR
Dining out	INR
Medical expenses	INR
Hair/nails	INR
Clothing	INR
Dry cleaning	INR
Health club	INR
Social or professional organization dues or fees	INR
Credit card debt	INR
Legal fees	INR
Alimony	INR
Retirement account	INR
Investment account	INR

Monthly Expenses	
Tuition or student loans	INR
Pet Food	INR
Pet Medical	INR
Pet Grooming	INR
Miscellaneous	INR
Total monthly expenses	INR

After completing your budget, did you have money left over each month? Or did you find that you are coming up short? Maybe you discovered you could keep up with all your expenses, but there isn't much left over for miscellaneous costs or emergencies.

Needs vs. Wants

If you've found that your income isn't going as far as you would like, it may be time to reconsider the items in your budget that are eating away at your money. Consider what items in your budget are needs and wants. Needs will be things like paying for rent or a mortgage because you need a roof over your head. But things like dining out are wants, and they can add up.



Activity: List 3–5 items in your budget that are wants. How might you eliminate these wants or cut down on them to increase the money you hold on to each month?



Tip: This could be a great opportunity to engage in a group discussion amongst students and other participants.