

WorkLife4You

Budgeting Basics



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Objectives

- Determine your financial goals
- Understand the basics of budgeting
- Learn strategies and tips for cutting expenses
- Develop saving strategies
- Discover ways to stay out of debt
- Learn about resources that can help if you're in debt



Determining Your Financial Goals

- Determine short-, mid- and long-term financial goals
- Write down your goals
- Review your goals periodically



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Overview: Elements of a Budget

- Keep track of your daily expenses
- Total up your income
- Compare your expenses to your income



Determining Your Expenses

- Keep track of expenses
 - Keep a spending diary for a month
- Organize expenses into categories
 - Fixed expenses
 - Remember to include non-monthly expenses!
 - Variable expenses
 - Include amounts saved regularly as expenses
- Total up the categories



Determining Your Monthly Income

- Salary or wages
- Income from self-employment
- Income from other sources
 - sales commissions
 - bonus pay
 - dividends and interest
 - alimony or child support
 - pension or retirement income
 - public assistance



Comparing Expenses to Income

- If income and expenses match—your budget is balanced
- If income is higher—you can save more, or spend more
- If expenses are higher—you need to cut your spending or increase your income



Create a Budget

Putting your goals to work:

- Create a budget for expenses that allows you to save towards your goals
- Be realistic
- Check periodically to see how you're doing
- Make changes if necessary



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Strategies for Cutting Expenses

- Don't buy it
 - Can I do without it?
 - Can I put off buying it?
 - Is there something similar that is less expensive?
 - Can I find a better price?
 - Can I make it myself?
 - Can I borrow it?
- Economize
- Conserve
- Switch
- Barter



\$ome tips for cutting expenses

Credit Cards & Loans

Travel

Groceries

Medication

Household

- ✓ Pay your entire credit card bill each month
- ✓ Move your credit card balance to a card with a lower interest rate
- ✓ Get rid of all but a few cards and avoid late-payment and over-the-credit limit fees
- ✓ Make a large down payment or even pay for your new car in cash
- ✓ Comparison shop for the cheapest car loan
- ✓ Shop for the lowest-rate mortgage with the fewest points

\$ome tips for cutting expenses

Credit Cards & Loans

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- ✓ Include a Saturday stay over, and purchase airline tickets in advance
- ✓ Consider low fare carriers or alternative airports and watch for fare wars
- ✓ If you rent a car, comparison shop rates and check before you take insurance and waiver options so you don't duplicate coverage



\$ome tips for cutting expenses

Credit Cards & Loans

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Household

- ✓ Eat before you go shopping
- ✓ Make a shopping list and stick to it
- ✓ Use coupons only for items you normally purchase
- ✓ Comparison shop among brands
- ✓ Buy generic or house brands

- ✓ Shop at a discount food warehouse and buy in bulk
- ✓ Buy in quantity and freeze meats, bread, and butter
- ✓ Stock up on sale items and plan meals items on sale
- ✓ Avoid expensive, pre-packaged convenience foods



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- ✓ Ask your physician if a generic drug might be an appropriate substitute
- ✓ Comparison shop among pharmacies for medications
- ✓ Investigate using a mail-order pharmacy for long-term prescriptions



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- ✓ Eliminate optional phone services that you don't need
- ✓ Make certain that new appliances are energy-efficient
- ✓ Insulate to save money on heating bills
- ✓ Have a home energy audit
- ✓ Install low flow faucets and shower heads



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Finding Money in Unexpected Places

- Save one dollar and all pocket change everyday
- Look for ways to have fun without spending money
- If you get a raise or bonus, continue to live on the same amount of money as before and invest or save the rest
- Have weekly family meetings to discuss ways to reach family financial goals
- Be cautious about adding non-food items to the grocery list
- Make only one trip to the grocery store each week
- Collect all receipts for cash items and account for all cash spent each day
- Eliminate small, repeated purchases for —waste” items
- Avoid store credit cards which usually have higher interest rates.
- Avoid excessive use of ATMs and don't ask for —cashback” when paying by check or debit card



Saving strategies

- Make small changes
- Pay off debt
- Pay yourself first
- Invest in your employer's 401(k) plan
- Consider other tax-deferred savings vehicles



Tax Advantages to 401(k)s

Contributing to 401(k)

\$30,000	Salary
-6%	Contribution (\$1,800)
<u>=\$28,200</u>	Taxable Income
\$ 7,050	Taxes Owed

NOT Contributing to 401(k)

\$30,000	Salary
-0%	Contribution
<u>=\$30,000</u>	Taxable Income
\$ 7,500	Taxes Owed

\$7,500 (Taxes Owed 0% Contribution)

-7,050 (Taxes Owed 6% Contribution)

=\$450 (Current tax savings)



Staying Out of Debt

- Develop a budget and stick to it
- Save for the unexpected
- Limit yourself to a weekly cash allowance
- Don't buy it
- Limit credit card use and pay off balances monthly
- Avoid taking out loans and if you must, educate yourself and comparison shop
- Limit financed purchases



If you're in debt

- Develop a budget
- Contact your creditors
- Credit counseling
- Debt consolidation
- Bankruptcy
- Debt collectors



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How Can You Use WorkLife4You to Take Charge of Your Finances?

WorkLife4You offers discounts on products and services such as:

- Consolidated Credit Counseling Services
- The Money Source
- TurboTax
- Wells Fargo Home Mortgage

And more.....



Resources

Organizations

- Consumer Credit Counseling Service (CCCS)
- The National Foundation for Credit Counseling (NFCC)



WorkLife4You Resources

WorkLife4You web site www.WorkLife4You.com

- **Finance Web Service**
 - Credit & Debt Library
 - Personal Finance Library
- **Interactive Calculators**
Savings Amount, Amount Saved, Savings Rate, Spending Rate, How Much Can I Borrow?
- **HTML Articles**
- **Related Web Sites**
- **Audio Tips and Podcasts**
Budgeting Basics, Money Management: Goals and Action Plans
- **On Demand Webinars**
Save \$5000 This Year, Make Money Not Excuses, How to Improve Your Credit Score
- **WorkLife4You Guides**
Personal Budgeting Worksheet, 66 Ways to Save Money, Knee Deep in Debt



Let WorkLife4You Make Your Life a Little Easier!

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