

MONEY MANAGEMENT

ACTIVITY 1



Saving vs. Investing

RECOMMENDED TIME

Allow 60-70 minutes. Required time may vary depending on the audience. The budgeting section could make up an additional session.

OBJECTIVES

Participants will:

- Distinguish between the terms “saving” and “investing.”
- Identify the information found on a typical paycheck.
- Learn about the Internet as a tool for money management.
- Understand the value of having a financial plan.
- Recognize guidelines for a successful financial plan.
- Explain why budgets are important.

MATERIALS NEEDED

- Overhead projector and screen*
- Overhead transparencies and handouts for the activity
- Flipchart, blank transparencies, or white board
- Overhead (or other appropriate) marking pens

ADVANCE PREPARATION NOTES

Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

For clarity, use print instead of script when writing on a flipchart, white board, or transparency.

The suggested dialogue in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

To support **Overhead 4** and the discussion on getting assistance with financial plans, visit several local financial, investment, and education institutions. Explain your role. Request sample booklets, flyers, brochures, and other items to demonstrate to participants the variety of available resources, many of which are self-help. Be sure to include local newspaper advertisements. Consider creating a small display for the class session.

This activity uses handouts. Have sufficient copies for all participants; a few extras provide good insurance.

* If an overhead projector isn't available, consider making photocopies of the overhead transparencies for handouts instead.

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ACTIVITY 1 - DELIVERY NOTES



Saving vs. Investing

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where participants can see and refer to it during the session. Some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Activity Overview

Review the topics for discussion in this activity:

- Saving vs. Investing
- The Items on a Paycheck
- Direct Deposits and Internet Banking
- Making a Financial Plan
- Budgeting

Use **“Overhead 1: Saving vs. Investing Tally”** to ask for a show of hands of those individuals who save and then those who invest.

- Record the number of responses.
- Explain that individuals can raise their hands for both categories.
- Save the overhead to use in closing the activity.

Ask a volunteer to define the term “saving.” Accept several responses. Then ask a volunteer to define the term “investing.” Use **“Overhead 2: Saving vs. Investing”** to reinforce the difference between the two financial terms.

Distribute **“Handout 1: Take a Good Look at a Paycheck”** to illustrate the format, information, and codes found on a typical paycheck.

- Point out the payee name.
- Review the deductions for FICA, 401(k), insurance, federal, and other taxes.
- Point out the bank routing number and account number.

Discuss why a paycheck stub is a valuable reference for preparing taxes, making financial decisions, and record keeping.

Emphasize that many employers rely on direct deposits and it is therefore important to establish a bank account into which your paycheck can be deposited. Further, direct deposits offer several benefits:

Visual Aids

Overhead 1

Saving vs. Investing
Tally

Overhead 2

Saving vs. Investing

Handout 1

Take a Good Look at
a Paycheck

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ACTIVITY 1 - DELIVERY NOTES



Visual Aids

- The funds from your paycheck are available at the bank on the date of your paycheck. You do not have to go to a bank or check-cashing business to cash your paycheck.
- Your funds can be withdrawn from an ATM or at the bank, and they can also be used to pay bills over the Internet.

Remind the students that for every opportunity (e.g., the convenience of direct deposit, online bill paying, ATMs), there is a responsibility (e.g., protecting privacy, avoiding fraud, preventing theft). Briefly discuss safety and privacy issues associated with paying bills and managing money on the Internet:

- Most bank websites are secure, but it is still important to protect your passwords. They give you – and anyone who might know them – access to your money.
- Change your passwords often and use different passwords for different accounts.

Discuss how electronic banking and online banking can be used to help track spending and saving. Also, discuss when and how ATMs and the Internet can be misused or promote careless spending.

Introduce the concept of a financial plan. Explain that a financial plan is like a road map. When established and followed, it allows individuals to reach their short- and long-term financial goals. (Short-term goals would cover purchases such as a vacation, a DVD player, sporting equipment, or large clothing purchases like sturdy winter boots and a warm coat. Long-term goals would be set to cover more substantial items, such as a car, a home, or education.)

Ask for a show of hands of those who have a financial plan. Have participants keep their hands up while asking a second, related question: **Of those who have a financial plan, how many have plans in written format?**

Use the following questions to engage the participants in an informal discussion. The goal of the discussion is to build consensus on the critical ingredients of a financial plan. If none of the participants has a financial plan, adjust the questions to reflect this.

Questions for participants who have written plans:

1. How long have you had a written financial plan?
2. Did you have an informal, unwritten financial plan prior to the written plan?
3. What caused you to move from the unwritten to the written format?
4. What are the advantages of having a written financial plan?

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ACTIVITY 1 - DELIVERY NOTES



Questions for all participants:

1. Should family members be included in the discussion about the financial plan? Why? Why not?
2. When should people develop their financial plans?
3. How often should a financial plan be reviewed and possibly revised?
4. Should a financial plan include both short-term (saving) and long-term (investing) strategies?

With these questions, participants should realize that financial plans are not established in one sitting, nor are they permanent. Congratulate participants on their participation in the discussion.

Distribute **“Handout 2: Making a Successful Financial Plan”** as a summary of the previous discussion. Encourage participation about the handout’s seven points.

- Encourage participants to make personal notes on the handout for later review.
- Check to see whether there are there additional points that the participants feel should be added to the list.
- As closure, emphasize that a financial plan is only as good as its active status.
- Stress the value of a working financial plan toward achieving a person’s short- and long-term goals in life.

Suggest to participants that as they start to think about a financial plan, it would be good to collect their thoughts in writing. Distribute **“Handout 3: Setting My Financial Goals”** to each participant.

- Review the handout. Make sure everyone understands what he or she is to do.
- Allow time for participants to complete the handout.
- Move around the room to provide assistance as needed.
- When considering time frame, participants should think about when they will need the money.

As closure for **Handout 3**, ask if anyone is willing to share what he or she has written. If no one volunteers, encourage the participants to continue to work on the handout until they are comfortable with the content. Let them know that their financial plans are “living” plans that can be revised as circumstances change. Additionally, it may be helpful to work through the handout or a similar one with a bank representative or financial planner.

Use **“Overhead 3: Financial Plan Assistance”** to introduce the types of financial planning resources available.

- Reinforce the overhead’s contents by sharing with the participants

Visual Aids

Handout 2
Making a Successful
Financial Plan

Handout 3
Setting My Financial
Goals

Overhead 3
Financial Plan
Assistance

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ACTIVITY 1 - DELIVERY NOTES



Visual Aids

the collection of resources gathered.

- Consider allowing participants to take the materials home for further study.
- Be sure to emphasize the need to always study any financial decision before taking any action (i.e., “Look Before You Leap”). Make sure participants know they should always make sure that a financial planner is certified, just as a stock broker should be licensed to sell investments. Plus, participants want to be sure they’re comfortable with the person they go to for assistance.

Next, share that a critical ingredient to any successful financial plan is a **budget**. To achieve their short-term and long-term goals and objectives, they need to understand their current spending patterns.

Ask the questions:

- **Do you really know where the money from your paycheck goes?**
- **Have you ever wondered what happened to your money when you come up short in paying some bills?**

Ask for a show of hands of those individuals who have a budget.

- Have the participants keep their hands up, and ask them to raise their second hand if they actually use their budget.
- Ask a few who did not raise their second hand why they have a budget but do not use it.

Use the following questions to generate a discussion about budgets.

1. What are some purposes for having a budget? Responses may vary but should include some of the following:

- Helps to organize an individual’s (or family’s) spending.
- Helps a person not to spend more money than he or she has.
- Helps to balance expenses with income.
- Identifies where money is spent.

2. What is a balanced budget? (One that shows that income = expenses + saving)

Distribute “**Handout 4: Building My Monthly Budget**” to each participant.

- Explain that a working budget takes time to establish—more time than is available in the session. However, by reviewing what is involved in establishing a budget, each person will be able to go home, gather the necessary dollar figures, and complete a budget.
- Remind participants that it is okay to use estimates in their first budgets. Only with time and careful tracking of spending patterns can they have an accurate accounting of how they spend their income.

Handout 4
Building My
Monthly Budget
(6 pages)

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ACTIVITY 1 - DELIVERY NOTES



Visual Aids

- Focusing on a monthly budget should help participants visualize their current spending.

Using the handout, walk through the categories and entries.

- Encourage discussion while reviewing the handout.
- Encourage participants to estimate what they spend on each area.

Encourage the participants to take time to develop a budget.

- Encourage those who do not have budgets to set aside time to develop budgets that will allow them to achieve their financial plan.
- Encourage those who do have a budget to review their existing budget and identify ways in which they can improve their budget, in order to achieve their financial plan.

Bring closure to the budget discussion by asking what relationship participants see between a financial plan and a budget.

- Responses may vary but should include that maintaining a budget allows individuals to track their spending. By doing so, individuals (or families) can reduce their expenses to avoid going over budget.
- Maintaining a budget also allows individuals to identify places to cut expenses in order to reach short-term and long-term goals.

Closing

Refer to the **“Tally”** overhead used at the beginning of the session. Ask participants to think about how they responded. Ask whether anyone would consider changing his or her answer and adjust the tally accordingly.

Thank everyone for their participation, and encourage them to return for additional sessions. If such sessions are planned, you might provide a “sneak preview” of any activity to come.

MONEY MANAGEMENT

ACTIVITY 1 - OVERHEAD 1



DO YOU SAVE?

DO YOU INVEST?



SAVING VS. INVESTING

Saving

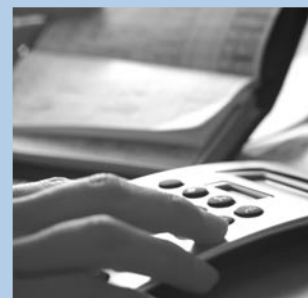
- Short-term.
- Postpones spending.
- Has safety precautions.

Investing

- Long-term.
- Exchanges money for something with the future expectation of receiving a profit.
- Has risk factors.

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 1



TAKE A GOOD LOOK AT A PAYCHECK

1 The number of exemptions determines the amount of taxes withheld.

2 Detail of applicable federal, state, and local income taxes paid

3 401(k) contribution is a pre-tax deduction

4 Flexible Spending Accounts (for healthcare, child or dependent care expenses) are pre-tax deductions

5 By using Direct Deposit you can automatically have money sent to multiple bank accounts

ABC Supplies Corp.
500 Smith Avenue
Anytown, NY 10101

SAMPLE PAYSTUB

Period Ending: 1/21/05
Pay Date: 1/21/05

Social Security Number: 999-99-9999
Taxable Marital Status: Married
Exemptions/Allowances: Federal: 3
State: 2
Local: 2

John Ortiz
101 Main Street
Anytown, NY 12345

Earnings	rate	hours	this period	year to date
Regular	10.00	32.00	320.00	1040.00
Overtime	15.00	1.00	15.00	45.00
Holiday	10.00	8.00	80.00	160.00
Tuition			37.43*	112.29
Gross Pay			\$452.43	1357.29

Other Benefits and Information	total to date
Vac Hrs	72.00
Sick Hrs	16.00

Deductions	statutory	
Federal Income Tax	-37.29	111.87
FICA - Social Security	-24.83	74.49
FICA - Medicare	-5.81	17.43
NY State Income Tax	-8.26	24.78
NYC Income Tax	-5.11	15.33
NY SUI/SDI Tax	-0.60	1.80

Important Notes

EFFECTIVE THIS PAY PERIOD YOUR ADDRESS HAS BEEN CHANGED. PLEASE CHECK FOR ACCURACY.

other		
401(k)	-27.15*	81.45
Life Insurance	-2.00	6.00
Dental	-2.00*	6.00
Medical	-20.00*	60.00
Dep Care FSA	-30.00*	90.00

Net Pay \$289.38

* Excluded from federal taxable wages

Your federal wages this period are \$373.28

ABC Supplies Corp.
500 Smith Avenue
Anytown, NY 10101

Advice Number: 00000000
Pay Date: 1/21/05
Social Security No: 999-99-9999

Deposited to the account of	type	account no.	routing no.	amount
JOHN ORTIZ	checking	23255	2155 5522	\$264.38
JOHN ORTIZ	savings	21123	1111 5522	\$25.00

NON-NEGOTIABLE

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ACTIVITY 1 - HANDOUT 2



MAKING A SUCCESSFUL FINANCIAL PLAN

1. Start as early as possible.

2. Set goals.

- Be realistic.
- Identify what you want, when you want it, and how much it will cost.
- Include both short- and long-term goals.
- Involve family members in the discussion.

3. Include both short- and long-term strategies.

- There should be a strategy to reach each of the desired goals.
- Remember that short-term goals can lead to the achievement of long-term goals.

4. Support the plan with a practical, working budget.

- Commit to putting aside a certain amount of money on a regular basis.
- Consider having automatic transfers or payroll deductions.

5. Review the plan on a regular schedule.

- Review and revise when necessary.
- Be flexible.

6. Do your homework while working on your plan. Give some thought to your options, and be flexible.

7. Put the plan in writing.

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ACTIVITY 1 - HANDOUT 3



SETTING MY FINANCIAL GOALS

Take the first step toward establishing a financial plan. What are your short- and long-term financial goals? How do you plan to achieve those goals? Begin the planning process by thinking about your goals and strategies.

FINANCIAL GOALS		
My short-term financial goals are:		
Purpose	Financial Amount Needed	Time Frame
	\$	
	\$	
	\$	
My long-term financial goals are:		
Purpose	Financial Amount Needed	Time Frame
	\$	
	\$	
	\$	
FINANCIAL STRATEGIES		
I plan to achieve my short-term financial goals by doing the following:		
•		
•		
I plan to achieve my long-term financial goals by doing the following:		
•		
•		

MONEY MANAGEMENT
ACTIVITY 1 - OVERHEAD 3



FINANCIAL PLAN ASSISTANCE

- Bankers
- Certified Financial Planners
- Schools and Courses
- Peer Groups and Investment Clubs
- The Media
- The Internet

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 4 - PG. 1



BUILDING MY MONTHLY BUDGET

Directions

1. In Column 1, enter appropriate dollar amounts.
2. At the end of each month, enter the actual amounts in Column 2.
3. Subtract Column 2 from Column 1 to calculate the surplus (+) or shortage (-) in each category. Record these numbers in Column 3.

For Month: _____	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
CATEGORY			
SAVINGS & INVESTMENTS			
Savings	\$	\$	
Investments	\$	\$	
SAVINGS & INVESTMENTS SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	
FIXED EXPENSES			
Housing			
Rent or Mortgage	\$	\$	
2nd Mortgage/Equity Loan	\$	\$	
Other (explain)	\$	\$	
Transportation			
Vehicle Loan Payment (car, truck, etc.)	\$	\$	
Auto Insurance	\$	\$	
Other (explain)	\$	\$	
Taxes			
Income tax, federal	\$	\$	
Income tax, state and/or city	\$	\$	
Sales taxes	\$	\$	
Other	\$	\$	
Insurance			
Health	\$	\$	
Life	\$	\$	
Disability/Long-Term Care	\$	\$	
Other (explain)	\$	\$	

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ACTIVITY 1 - HANDOUT 4 - PG. 2



CATEGORY	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
Child Care			
Child Care/Babysitters	\$	\$	
Child Support/Alimony	\$	\$	
Other (explain)	\$	\$	
FIXED EXPENSES SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	
PERIODIC FIXED EXPENSES (Expenses usually occurring annually. To determine the monthly expense, divide the total expense by 12.)			
Housing			
Property Tax/Real Estate Taxes (if not a part of mortgage payment)	\$	\$	
Insurance (homeowner, rental)	\$	\$	
Other (explain)	\$	\$	
Transportation			
Primary Vehicle			
License Plate	\$	\$	
Driver's License	\$	\$	
Registration	\$	\$	
Insurance	\$	\$	
Secondary Vehicle(s) (include all additional means of transportation - cars, trucks, motorcycles, etc.)			
License Plate	\$	\$	
Registration	\$	\$	
Insurance	\$	\$	
Gas/Public Transportation/Taxi/Parking	\$	\$	
Other (explain)	\$	\$	
PERIODIC FIXED EXPENSES SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 4 - PG. 3



CATEGORY	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
VARIABLE EXPENSES			
(Expenses that occur on a regular basis but in varying dollar amounts. To determine the amount to enter, divide the annual dollar amount by 12.)			
Housing			
Utilities			
Heat	\$	\$	
Electricity	\$	\$	
Water	\$	\$	
Trash	\$	\$	
Recycling	\$	\$	
Telephone			
Basic Service	\$	\$	
Long Distance Charges	\$	\$	
Cell Phone(s)	\$	\$	
Other (explain)	\$	\$	
Food			
General Food & Groceries	\$	\$	
Coffee	\$	\$	
Work Lunches	\$	\$	
School Lunches	\$	\$	
Meals at Restaurants	\$	\$	
Other (explain)	\$	\$	
Medical (Include expenses not covered by insurance.)			
Doctor	\$	\$	
Dentist	\$	\$	
Prescriptions	\$	\$	
Glasses	\$	\$	
Medical Bills for Above and Beyond Type Expenses (surgery, etc.)	\$	\$	
Other (explain)	\$	\$	

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 4 - PG. 4



CATEGORY	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
Clothing			
New Purchases	\$	\$	
Cleaning (laundry, dry cleaning)	\$	\$	
Repairs/Alterations	\$	\$	
Other (explain)	\$	\$	
Education			
Tuition, Registration Fees, Training Classes	\$	\$	
Supporting Books, Magazines, Newspapers, Supplies, etc.	\$	\$	
Other (explain)	\$	\$	
Donations			
Religious	\$	\$	
Charities	\$	\$	
Other (explain)	\$	\$	
Personal			
Hairdresser	\$	\$	
Children's Allowance	\$	\$	
Gifts/Flowers (birthdays, anniversaries, etc.)	\$	\$	
Tobacco	\$	\$	
Alcohol (beer, wine, etc.)	\$	\$	
Other (explain)	\$	\$	
Entertainment			
Movies, Concerts, Sporting Events, etc.	\$	\$	
Cable/Satellite Service	\$	\$	
Internet Service	\$	\$	
Gambling/Lottery	\$	\$	
Health Clubs/Gyms	\$	\$	
Vacations/Trips	\$	\$	
Recreation/Sports/Hobbies	\$	\$	
Other (explain)	\$	\$	

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 4 - PG. 5



CATEGORY	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
Miscellaneous			
Pet Care/Supplies	\$	\$	
Landscaping	\$	\$	
Mailing/Postage	\$	\$	
Fees for Checking Accounts, Checks, Money Orders, etc.	\$	\$	
Money Orders, etc.	\$	\$	
Other (explain)	\$	\$	
VARIABLE EXPENSES SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	
DEBTS (not included elsewhere)			
Education Loans	\$	\$	
Personal Loans	\$	\$	
Credit Card #1	\$	\$	
Credit Card #2	\$	\$	
Credit Card #3	\$	\$	
Other (explain)	\$	\$	
DEBTS SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	

MONEY MANAGEMENT

ACTIVITY 1 - HANDOUT 4 - PG. 6



BUDGET SUMMARY

Directions

- Transfer the dollar amounts from each of the subtotals on the previous budget pages to this summary chart.
- Add lines 1-5 to determine a monthly figure.
- Review Column 3 carefully. Are there places where expenses should be reduced? Are there places where a surplus can be identified for an additional savings opportunity?

MONTHLY INCOME: \$ _____	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
CATEGORY			
Savings & Investments	\$ _____	\$ _____	
Fixed Expenses	\$ _____	\$ _____	
Periodic Fixed Expenses	\$ _____	\$ _____	
Variable Expenses	\$ _____	\$ _____	
Debts	\$ _____	\$ _____	
TOTAL MONTHLY ACCOUNTING	\$ _____	\$ _____	

MONTHLY INCOME - TOTAL MONTHLY ACCOUNTING
= \$ _____ For Saving or Discretionary Spending