

Money Management Curriculum

Module 6: Personal Finances

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Money Management Module 6: Personal Finances

Teaching Notes:

This module is meant to be an in-class review of the long-term cash flow and budgeting assignment. Lead a discussion on how they developed their cash flows. Did they run into any obstacles? Couldn't figure out where to put an odd expenditure? Having problems incorporating savings into their budget? Is their budget accurate? This module helps your students understand that they can still reach their goals while meeting their financial needs. Trade-offs are an important part of meeting goals while staying within a budget. Trade-offs include cooking meals at home instead of eating out, renting a movie instead of going to the theater, reducing expenditures, or increasing income. Trade-offs don't have to be all or nothing; changing your spending patterns by just a little can lead to big financial changes in the long run. Help the students identify their wants vs. needs and adjust their budgets to fit. It is important to stress the need for savings, as unexpected expenses can occur at any time and you don't want that to derail your whole budget. Make sure students are staying on track and current with their budgets and financial goals.

Educational Objectives:

- Review your cash-flow statements and identify trade-offs
- Identify trade-offs: understanding wants vs. needs, spending less or making more, accuracy is key
- Understand what to do with unexpected expenses

Discussions:

- What progress has been made on their cash-flow/budgeting assignment?
- Have you noticed areas where spending is higher than expected?
- What is a trade-off?
- What trade-offs have you made?
- How do you make decisions on where to spend your money? What is changing about how you make those decisions?
- How to reduce your spending?

Resources:

- **Worksheets:**
 - None
- **Other:**
 - None

Outline:

1. Key Concepts
2. Students' Cash Flow

Money Management Module 6: Personal Finances

- a. Review Their Cash Flows
- b. Develop Cash-Flow Statement
 - i. Were there any surprises?
 - ii. What adjustment are needed?
- 3. Trade-Offs
 - a. Understanding Financial Trade-Offs
 - b. Examples
 - c. Exercise
- 4. Wants vs. Needs
 - a. Wants Examples
 - b. Needs Examples
- 5. Unexpected Expenses
 - a. Buffer Funds and Emergency Funds
 - b. Careful on Which Fund You Pull From
- 6. Hold Yourself Accountable
 - a. Focus on Savings
 - b. Keep a Current Cash Flow
- 7. Adjust Your Expenditures

Managing Money Curriculum

Module 6: Personal Finances

Next Step with Cash Flow: Filling in the Blanks



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Key Concepts

- Review cash flow
- Examining trade-offs: Making choices
 - Spending less or making more
 - Wants vs needs
 - The unexpected: Where do the funds come from?
- Being accountable



Slide 3: There is less new material here, but a lot more discussion of where they are at and what they have learned from keeping track of their income and expenses, doing their budgets, and their goals.

This is where we will bring everything together and then further refine it in module 7.

Your Cash Flow

While developing your cash flow:

- Were there any surprises?
 - Categories higher than expected?
 - Odd expenditures that do not fit in with other categories ?
 - Missing income?
 - Other?
- What adjustments did you make?
 - Reduced the high expense category?
 - Determined what the odd expense was and will it occur again?
 - Did you include your savings plan in the cash flow?



Slide 4: By now they will have kept track of expenses for over a month, and they will have developed a budget.

This is a good time to reflect on what they have learned from that and what changed they are already making or planning to make.

They might at this stage have found that they cannot include the savings for every goal they had in their budget. This is a great starting place for the discussion on trade-offs in the next slides.

Trade-Offs

- Reaching your goals while meeting needs
- Understanding financial trade-offs
 - Going out vs staying in
 - Paying bills on time vs paying late with fees and interest charges
 - Keeping a positive balance in checking vs paying overdraft fees
 - Reducing expenditures vs increasing income



Slide 5: There are times where we are making trade-offs and do not realize it. For example, if you are spending money on something today, you are choosing to do that instead of having more money for something else in the future. Saving to reach our goals is a trade-off. We must spend less today (or make more money today) in order to do what we want in the future.

If you pay \$20 per month in bank fees, you are choosing not to have \$720 in 3 years to use for a financial goal. Which would you rather do?

If we don't consciously look at our budget and where we spend money, we may not be making the best trade-offs for our situation.

Trade-Offs: Examples

- Is there a frequent purchase on which you can spend less or cut?
 - Lunch - \$10 each day equals \$200 per month . Taking leftovers costs only \$2 per day, saving \$160 per month.
 - Soda, Coffee, and Energy Drinks – Even if you only buy one per day for \$2, this is \$60 per month or \$720 per year. Take a drink from home instead of buying one.
 - Overdraft fees can add up - Some banks charge \$10 per overdraft; just two overdrafts per month \$20 per month would be \$240 per year.
 - ATM fees: Non-bank ATM fees can be \$5.00 per transaction (\$2.00 from machine /\$3.00 from bank); one transaction per week would be \$20 per month or \$240 per year.



Ask why we might spend more today, rather than saving to reach a goal? What causes us to not be able to stick to our plan. Sometimes it might require planning. For example, instead of buying my lunch at work, I might make extra the night before and take left overs. The time to make the decision is the night before, or even when buying groceries rather than just before I am ready to eat lunch.

Really thinking about what you give up when paying late fees and overdrafts can help motivate you to avoid them.

Slide 6: Ask the participants what ways they have found to spend less. What trade-offs do they find themselves making?

Trade-Offs: Exercise

Go to your cash flow and target one or two items that you could adjust to improve your cash flow

Slide 7: It might be good to let them encourage each other. Nothing is more motivating than someone saying, I was able to save \$100 per month just by

This is also a place to say how important to you are various things. For example, how important to you is it to not have to cook diner vs. ...

Slide 8: We need to have our needs covered. We do not need to have wants covered in the budget. However, even with needs there may be different ways that we can cover them by spending less.

Understanding Wants vs. Needs

- Wants: Are your current possessions working well and serving a purpose? Must you have...
 - New car ?
 - Latest phone ?
 - Subscriptions to on-line music, books, game clubs, etc. ?
- Needs: Essential to maintaining health, family and job.
 - Food
 - Clothing
 - Income
 - Medicines
 - Utilities

It is important to truly understand what is a want and what is a need. Often we can only afford part of our wants. So we must make choices. Some of the choices today can add up to a lot over many years. This would be a place you could review some examples using the MyFi App like we did in Module 2 and Module 5.

For example, when we put in hours worked and found loan payments, we ended up trading off working more hours each week in order to buy the truck. Was this a want or a need? You need transportation, but does this mean we need a \$30,000 truck? What are other options? What does this mean for hours worked? The less spent on the truck the more available for other things.

Often our wants are for things that wear out and are gone. They are not for things that last and increase in value. So spending more on wants results in less wealth.

Unexpected Expenses:

- Unexpected expenses do occur and are difficult to plan for, but be careful which funds are used to cover the expense.
- Buffer funds or emergency funds:
 - Buffer Funds: having enough in checking to cover all of your expenses (including savings goals) and unexpected funds
 - Air conditioner failure
 - Car breakdown
 - Emergency Funds: used for covering major unforeseen events.
 - Loss of job
 - Lawsuit
 - Health issues beyond insurance coverage

Slide 9: This is a good review and check on how they are doing their budget and using these funds. What is an emergency? When should they use emergency funds?

Holding Yourself Accountable

- Focus on your savings and financial goals
 - Keep a current cash flow
 - If you are having difficulty putting money in savings, consider auto transfer or deposit, short term CDs (watch fees)
- Sticking to the cash flow
 - Adjusting expenditures
 - Keep options open for earning extra income: overtime, part-time, odds and ends

Slide 10: This can be the hardest part. By having ways to measure progress, you can keep motivated by realizing what you are accomplishing.

Find ways to overcome issues that keep you from following the plan. This may be planning in advance, avoiding places where you would spend money (don't go to the store every day, go to the store with a list and budget, etc.)

What are ways the participants are using to keep themselves accountable? What are they doing to measure their progress? What keeps them motivated?

Even if they slip keep trying. Some progress is better than no progress.

Money Management Review

- **Module 1 Record Keeping:**
 - Keep track of your cash flows
 - A good set of financial records will help you build a budget and make better financial choices
- **Module 2 Loans and Credit Cards:**
 - Use the MyFi app to become more savvy about credit card usage
 - Build a budget that will help you become independent from credit cards
- **Module 3 5 C's of Borrowing:**
 - Know what a lender looks for in a borrower
 - Knowing the factors for loan approval will give you an advantage for a loan with a good rate
- **Module 4 Credit Scores:**
 - Understand what determines a FICO score
 - Understand how to access a credit report
 - Know how to rebuild bad credit

Money Management Review

- **Money Management Module 5: Savings and Budgeting**
 - Determine your long-term and short-term goals
 - How much do you have to save: put it in your budget
 - Where will you save your money?
- **Money Management Module 6: Personal Finance**
 - Make a cash-flow statement from your tracked expenses
 - Understanding trade-offs: Wants vs. Needs
 - How to cover unexpected expenses
 - Keep your budgets up-to-date when life events happen

Next Module:

- **Money Management Module 7: Creating Your Financial Plan**

- Fill out the financial self-assessment again: see if you have made progress
- Work your goals into your financial plan
- Understand the importance of monitoring and modifying

Questions?

Thank you!