MONEY AND DEBT MANAGEMENT
“It has long been said that credit unions have two balance sheets—one financial and one social. Education, of course, is a part of this calculus as it’s one of the missions of the credit union. An educated member benefits by getting the best loan or investment deal and the organization gains and maintains financial strength through an informed membership.”
Bank v. Credit Union

- Credit Unions are not for profit
- Perform “Banking” Functions
- Member Owned
- Savings passed on to Members
- Part of Shared Branch network of Credit Unions
Seminar Overview

Money Management:
• Setting Financial Goals
• Budget Setting
• Develop Personal Action Plan

Debt Management:
• Types of Debt
• Benefits and Costs of Debt
• Tackling Debt
Benefits of Managing Your Money

- Frees up time to do more of the things you enjoy
- Health benefits with less stress
- Achieve your financial goals
- Greater financial control and peace of mind
Names to know….

• Clark Howard

• Jean Chatzky

• Steve.overcash@gucu.org
Set Financial Goals

- Short-term
- Intermediate-term
- Long-term
A Budget Helps You...

• Stay on track financially
• Decide where your money goes
• Make informed choices
• Determine whether you’re living within your means
• Control your financial future

Two key components:
- Income
- Expenses
## Spending Plan

*type in monthly amounts, the rest will calculate for you*

<table>
<thead>
<tr>
<th></th>
<th>Annual Amount</th>
<th>Monthly Average</th>
<th>Percent of Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income (After Taxes)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Other Income</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Transportation</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Clothing</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Personal Care</td>
<td>$0</td>
<td>$0</td>
<td>#DIV/0!</td>
</tr>
</tbody>
</table>
# Make a realistic Budget

## Spending Plan

type in monthly amounts, the rest will calculate for you

<table>
<thead>
<tr>
<th>Income (After Taxes)</th>
<th>Annual Amount</th>
<th>Monthly Average</th>
<th>Percent of Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$38,200</td>
<td>$3,183</td>
<td>51.4%</td>
</tr>
<tr>
<td>Other Income</td>
<td>$36,000</td>
<td>$3,000</td>
<td>48.6%</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$74,200</strong></td>
<td><strong>$6,183</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursements</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing (&lt;28% of gross)</td>
<td>$14,400</td>
<td>$1,200</td>
<td>19.4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$6,000</td>
<td>$500</td>
<td>8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$3,000</td>
<td>$250</td>
<td>4%</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>$6,000</td>
<td>$500</td>
<td>8%</td>
</tr>
<tr>
<td>Clothing</td>
<td>$600</td>
<td>$50</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>
## Set Your Budget

**Annual Income: $50,000**

<table>
<thead>
<tr>
<th>Expense</th>
<th>% of Income (Net Pay)</th>
<th>Annual Budgeted Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>25 – 30%</td>
<td>$12,500-$15,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>5 – 15%</td>
<td>$2,500-$7,500</td>
</tr>
<tr>
<td>Food (groceries &amp; dining)</td>
<td>10 – 15%</td>
<td>$5,000-$7,500</td>
</tr>
<tr>
<td>Personal Care</td>
<td>5 – 10%</td>
<td>$2,500-$5,000</td>
</tr>
<tr>
<td>Health Care</td>
<td>10 – 15%</td>
<td>$5,000-$7,500</td>
</tr>
<tr>
<td>Loan repayment</td>
<td>7 – 15%</td>
<td>$3,500-$7,500</td>
</tr>
<tr>
<td>Utilities</td>
<td>4 – 7%</td>
<td>$2,000-$3,500</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1 – 5%</td>
<td>$500-$2,500</td>
</tr>
<tr>
<td>Savings</td>
<td>10%</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

Source: Forbes.com
Methods to Track Spending

• Receipt method
• Envelope method
• Checkbook ledger
• Computer program
• Online banking
Methods to Track Spending

- **Mobile Apps**
  - Manilla
  - Expensify
  - Mint
  - Credit karma

- **Computer Programs**
  - Quicken
  - Mint
  - Credit karma
Example: Online Tools: Mint.com

- Connect to all online accounts
- Spending automatically tracked & categorized
- Build budget & set trackable goals
- Savings offers & advice
- Credit score monitoring option
- Free service
Spending leaks

• Identify tempting “triggers”
• Do you really need it?
• Say “no” if low priority
• Stick to spending limits
• Reduce waste to save money
Top spending leaks

1. Paying Too Much on Housing (35% rule)
2. Spending Too Much on Car Costs
3. Grocery Shopping Without a List (snacks!)
4. Buying Coffee ($1,100 yr.)
5. Carrying Credit Card Debt
6. Paying for Cable
7. Buying Brand-Name Products
8. Eating out
9. Using Out-of-Network ATMs
10. Requesting Faster Shipping
11. Paying Unnecessary Bank Fees
12. Collecting Stuff You Don't Need
13. Shopping impulsively (30day rule)
14. Buying "New" Instead of "Used"
15. Paying Too Much for Auto Insurance
Debt Management

- Types of Debt
- How do we get into Debt
- Tackling Debt
How is Debt Created? Credit

• Definition
  Credit is loan that lets you *buy now, pay back later*.

• Types
  • Installment vs. revolving
  • Secured vs. unsecured

• Benefits
  • Convenient (buy now, pay later)
  • Cash-less
  • Widely accepted
  • Rewards programs
  • ID and personal data not required
  • Monthly statement, record of purchases
  • Interest-free loan (if paid in full monthly by the end of the promo term)
Warning Signs you have Too Much Debt

- Pay bills late
- Only make minimum payments
- At or near limit on credit cards
- Don’t know how much you owe
- Use cash advances to pay other bills
- Denied credit or credit purchase
- Get calls from collection agencies
- Lie to spouse or family about debt
- More of total income going towards debts
9 Steps to Tackle Your Debt

1. Know what you owe!
2. Track your spending...all of it!
3. Change spending habits
4. Establish spending plan
5. Find extra cash to pay off debt faster
6. Consolidate some debt
7. Choose method to pay down debt
8. Call your creditors
9. Get help
Impact of Debt on your credit score

- Payment history (35% of Score)
  Do you pay bills on time?
- Amounts owed to creditors (30% of score)
  How much money do you owe?
- Length of credit history (15% of score)
  How long you have had credit?
- New credit (10% of score)
  Are you increasing your debt obligations?
- Types of credit currently in use (10% of Score)
  Do you have a “healthy mix”?  

FICO® Score
The score lenders use.

- Payment History (35%)
- Amount of Debt (30%)
- Length of Credit History (15%)
- New Credit (10%)
- Credit Mix (10%)
Tip to avoid “tempting” offers

Get off mailing lists
888-5opt-out
(888-567-8688)

OptOutPrescreen.com
Paying down debt

(1) Avalanche Method: 
Pay more on highest-interest rate debt 
(minimum payments on others)

(2) Snowball Method: 
Pay off smallest debt first,  
then next smallest,  
and so on

EXAMPLE: Georgia United Debt Reduction Plan

gcu.org
Things to consider

• Retirement
• Holidays
• Vacations
• Repair bills
• Auto maintenance/accidents
• An emergency fund

Zero out balance annually
Questions?