

Smart Spending



Smart spenders focus on the things they need and spend their money wisely. Of course, lots of people spend more than they can afford, often buying things on impulse. These people typically have a hard time paying all of their bills each month and often find themselves in debt.

Being in debt and feeling like you can't get ahead financially can be very stressful.

How to Get Ahead Financially

Here are some ways that you can get ahead financially.

- ▶ Don't spend money on things you can't afford.
- ▶ Learn as much as you can about money and finances so that you can make smart financial decisions and manage your money effectively.
- ▶ Keep track of your spending. You can use pencil and paper, a spreadsheet, or a budgeting app like Monefy, YNAB, or Goodbudget.
- ▶ Save your money. Whenever you get a paycheck or money as a gift, put some of it in a savings account. Pay yourself first!
- ▶ Learn about investing. Wealthy people seldom get rich overnight. They work hard, spend less than they earn, and grow their money through investments. When you have money invested, your investments can make money for you while you sleep. *For information on how to grow your money, watch this video.*

Set a long-term goal that will help you get ahead financially.

Credit vs. Debit Cards

While adults generally use a debit or credit card to pay for their purchases, most young people use a debit card.

Debit Card. If you have a checking account, you can get a debit card. When you use a debit card to make a purchase or get cash from an ATM, the money is automatically deducted from your checking account. Debit cards have some definite advantages—there are no interest charges, no end-of-the-month bill to pay, and they are relatively easy to get.

Credit Card. A credit card allows you to borrow money from a bank or business to make purchases. If you do not pay the loan within the designated time period (usually a month), you're charged interest (a fee) on the unpaid amount. Paying your credit card balance in full and on time will help you build a good credit record—which can be very helpful.

Credit and debit cards look the same and are similar in many ways, but as you can see here, there are some differences.

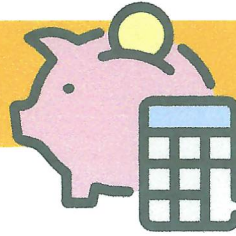
	Debit Card	Credit Card
Can get cash out of ATMs	yes	yes
Can use for purchases	yes	yes
Charges interest	no	yes
Affects credit rating	no	yes
Connected to bank account	yes	no

Test Your Knowledge

Write **C** if you think the statement is true for credit cards, **D** if it's true for debit cards, or **B** if it's true for both.

- _____ 1. can be used anywhere cards are accepted
- _____ 2. charges interest
- _____ 3. deducts money from your checking account
- _____ 4. most popular payment method of young people
- _____ 5. affects your credit record

Saving



There are lots of reasons to get in the habit of saving money!

Reasons to Save

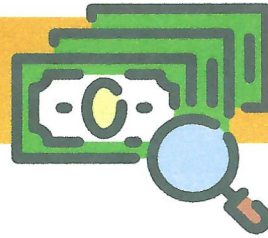
When you regularly save some of the money you receive, you will have:

- ▶ money for something you need or want, like a new phone, shoes, video game system, or spring trip.
- ▶ funds for something important, like college tuition—so that you don't have to take out a large loan.
- ▶ money for a down payment. (When you take out a loan on something expensive, like a car or house, your loan payments are lower when you're able to put money toward a down payment.)
- ▶ an emergency fund in case you face an unexpected expense, such as a car repair.
- ▶ money to invest.

Think About It

Think about your current spending and savings habits and about how financially responsible you are. What can you do to be smarter with your money and more financially responsible?

It All Adds Up!



When you track your spending, you quickly notice that small purchases can really add up—and this can mess up the most carefully planned budget! This is why it's so important to be a smart spender.

Making Choices

Suppose you're the head of the planning committee for a school dance. The committee's fundraiser brought in \$500 that you can spend on the dance. The committee came up with a list of things they'd like to use the money on, but it adds up to more than \$500. As head of the planning committee, it's up to you to make a final decision on what to buy.

Consider the following items and circle the ones you're going to spend the money on. Tally the total you will spend.

Pizza and snacks - \$200
Snacks only - \$50
Plates, cups, and napkins - \$25
Black light - \$30
DJ (includes speakers) - \$200
Photo booth rental - \$150

Pizza only - \$150
Soda - \$50
Balloons & Streamers - \$14
Speaker rental - \$100
Photographer - \$200
TOTAL: _____

\$500 can seem like a lot of money, but as you can see, it doesn't go a long way when the items you want cost more than the money you have.

Because we very seldom have the money for everything we need and want, we must make good choices and spend our money wisely.

What kinds of choices have you had to make with your money? _____

Creating a Budget



When you're paying your own bills, tracking your spending and having a budget are more important than ever.

To create a budget, you need to track your income (money coming in) and your expenses (money you spend). Some people organize their budget by the month; others prefer to create a weekly budget. Choose the time period that works best for you.

Tracking Your Spending

When you record and review all of your purchases, it's easier to get a good sense of how much money you have and of how much you spend. When you write down every cup of coffee and snack you buy, you can see how these little purchases add up! Being aware of how much you spend on things will also make building a budget much easier.

Check out this example of someone tracking their spending.

Date	Description	Payment	Deposit	Balance
1-7-22	Paycheck		350.00	490.62
1-7-22	Starbucks	5.99		484.63
1-9-22	Phone bill	99.50		385.13
1-9-22	McDonald's	8.53		376.60
1-10-22	Birthday money		50.00	426.60
1-11-22	Car payment			
1-12-22	Car insurance	160.00		56.60

Many people think that with the popularity of online banking, tracking your spending is no longer necessary. Not so! Even though most banks have apps that allow you to track your purchases in real time, some retailers take longer than others to withdraw money from your account. This can give you an inaccurate idea about how much money you have.

Your Budget

Try putting your information into this sample worksheet. Remember, the steps for creating a budget are as follows:

- ▶ Determine a time period.
- ▶ Enter your expected income for that time period.
- ▶ Write in your fixed expense categories.
- ▶ Write in your flexible expense categories.
- ▶ Budget a dollar amount for each category.

Keep a record of what you spend in each category during that time period.

At the end of the time period, enter the total amount you spent for each category. Then balance your budget.

Time period: _____ Income for time period: _____		
Expenses	Budgeted	Spent
Fixed Expenses		
Flexible Expenses		
Balance _____		

There's an app for that!

Pen and paper sound like a hassle? There are many apps out there that make budgeting simple, such as Goodbudget and YNAB.

Budgeting in Action



Let's take a look at two student budgets and see what you can learn from them.

Cassie's Budget

Cassie lives in an apartment, works 18 hours a week, and shares expenses with her three roommates. Below is a copy of her monthly budget.

Fixed Expenses	Monthly income: \$1200		
	Expenses	Budgeted	Spent
	Rent	\$250	\$250
	Utilities	\$60	\$60
	Car insurance	\$150	\$150
	Car payment	\$220	\$220
	Internet/cable	\$25	\$25
	Cell phone	\$80	\$80
Flexible Expenses	Gas	\$65	\$80
	Groceries	\$100	\$130
	Entertainment	\$50	\$90
	Clothes	\$50	\$150
	Misc.	\$115	\$90
	Total Expenses	\$1165	\$1325
Balance			-\$160

As you can see, Cassie had a negative balance at the end of the month. She spent \$160 more than she brought in. Cassie will either need to use her savings or go into debt in order to cover her expenses. *What changes do you think Cassie should make to her spending next month?* _____

Josh's Budget

Josh lives with a roommate and has a part-time job at a grocery store.

In the "Spent" column below, enter the following figures showing what Josh spent this month in each category.

Fixed Expenses: Rent-\$700 / Utilities-\$90 / Auto insurance-\$95
Car payment -\$250 / Cell phone-\$65

Flexible Expenses: School supplies-\$35 / Gas-\$40 / Food-\$190
Entertainment \$165 / Clothes \$96 / Misc \$72

Add up what Josh spent to get a "Total Expenses" figure.

To get a balance, subtract the total Josh spent from his monthly income.

Fixed Expenses	Monthly income: \$1700		
	Expenses	Budgeted	Spent
	Rent	\$700	\$700
	Utilities	\$90	
	Auto insurance	\$95	
	Car payment	\$250	
	Cell phone	\$65	
Flexible Expenses	School supplies	\$40	
	Gas	\$45	
	Food	\$200	
	Entertainment	\$100	
	Groceries	\$50	
	Misc.	\$75	
	Total Expenses	\$1710	
Balance			

1. What was the amount Josh budgeted for expenses this month? _____
2. How much did Josh spend this month? _____ Is he under or over budget this month? _____
3. In what two areas did he not stay on budget? _____