

Managing Money

Where does your money go?

If you do not keep track of your expenses, you won't know whether you are spending your money wisely. When you know where your money goes, you feel more in control. Take time to think about your spending. After assessing how you manage your money, you might want to change your spending and saving habits. Being able to better manage your money will help you prepare for the future.

Eight Steps to Better Money Management

As you work toward managing your money more effectively, keep these steps in mind.

1. Plan ahead.

Write down your goals and objectives. It's important to be realistic. Right now when you are in school, will you more likely be able to afford a \$10,000 car or one that costs \$30,000? Review your goals and objectives regularly to see if you are on track.

2. Create a budget.

Create a plan on how you will spend and save money. Update it regularly and evaluate your goals. Think about your financial situation, where you need to be, and determine how you're going to get there.

3. Keep good records.

It's difficult to get your finances under control if you don't understand the basics of good record keeping. Keeping track of your bills, checks and other financial transactions is important. Keep a file box to put all of your records in.

4. Stay insured.

Purchase health insurance to avoid being hard hit by a financial loss due to accident or illness. It is an important part of your financial plan. Depending on your circumstances, look into renter's insurance, car insurance, home owner's insurance, or flood insurance.

5. Stay focused.

You'll need patience and discipline to start your financial plan and to follow it through. Don't be tempted to overspend.

6. Save more.

It's important to save money regularly so you can use it in the future. Begin by faithfully saving a small amount. If you are able to save enough money, you will be able to put some into investments, use it in emergencies or use it to reach your goals.

7. Educate yourself.

No one can protect you from your own bad judgment. Get the information you need to avoid financial trouble and make thoughtful decisions that can improve your financial security.

8. Take time.

Set aside time each month to work on your money management. Pick a time that works for you such as early in the morning when everyone else is asleep or a quiet time during the evening. You will find that it's time well spent.

Setting Goals

Goal setting is an important part of success, whether you are aspiring to reach objectives in school, career, or your personal life. Aim too high and you may get frustrated and give up; aim too low and you might not push yourself to reach your full potential.

Think about your financial goals and how you plan to reach them.

- What do you want your financial picture to look like in one year? Five years? Ten years?
- Do you want to buy a car, buy a house, start a family, or pay off student loans?
- What do you need to change to reach your goals?
- Think about your financial goals and how you plan to reach them.

Creating a Budget

What is a Budget?

A budget is a planning tool that helps you keep track of how you spend your money. It includes an estimate of your expenses and the way you expect to pay for them. A budget is based on your:

- Income - the money you earn and/or receive.
- Expenses - the money you spend for food, utilities, etc.

A Sample Budget

Let's look at how Vanessa creates her budget:

Vanessa's monthly student worker paycheck earnings after taxes is \$412. She also has a part-time waitress job on the weekends and earns \$168 per month after taxes. Her parents supplement her earnings with \$200 a month. She adds that to her monthly paycheck earnings to get a total monthly income of \$780.

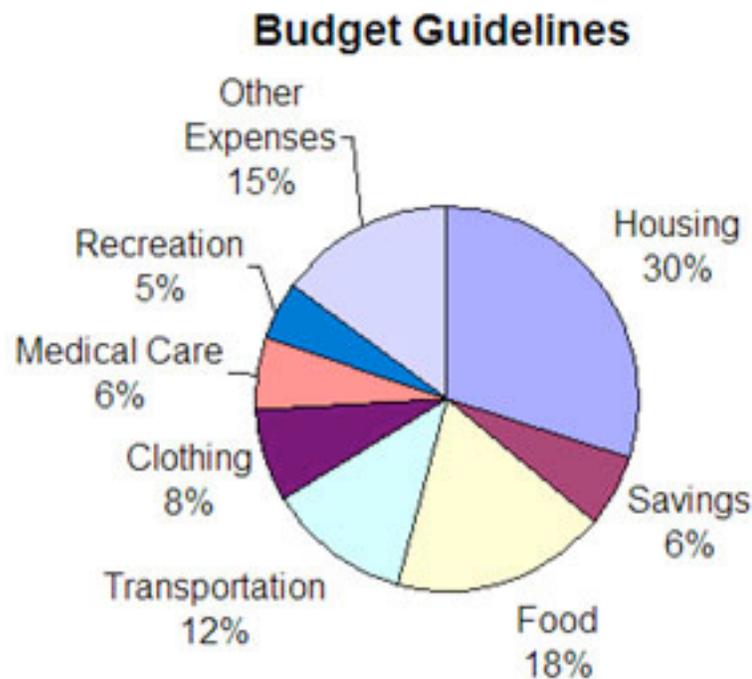
Next, Vanessa adds up her fixed expenses: rent (she shares an apartment with two others and pays 1/3 of the rent) \$200, and she is responsible for her car insurance which is \$128 per month. She has a car that her parents have given her, so she does not have a car note. She is very lucky in that her parents pay her tuition and fees for school each semester. She is also on her parent's health insurance and that takes care of any doctor visits when she gets sick as well as visits to the dentist.

Variable expenses include things like utilities, cell phone, groceries, entertainment, car maintenance etc. Her share of utilities is usually \$100 per month and that includes cable. She spends about \$40 per month on her cell phone calls. Groceries average around \$80 per month, Gasoline is another \$40 per month. And she figures she'll be able to spend \$40 per month on clothing, movies and going out with her friends. She adds all these up and sees that her variable expenses total \$300 per month.

Vanessa subtracts her expenses of \$628 from her income of \$780 to get \$152. Vanessa knows that she will need probably about \$20 per week for snacks, incidental school supplies, etc. That leaves \$72. Since Vanessa will have some money left over after taking care of her expenses, she decides to put at least \$60 per month into savings for unexpected expenses, e.g., repairs to car, additional materials required for class, etc.

Following a Budget

Is Vanessa's spending within the budget guidelines below? After reviewing the sample budget above, compare the budget to the guidelines below.



http://www.selu.edu/acad_research/programs/cse/finance/budget/

Managing a Checking Account

What is a Checking Account?

Having a checking account at a bank or other financial institution allows you to write checks to pay for goods and services or to get cash. A check is a written order instructing your bank to pay money to someone or an entity. In this day and age, most banks offer on-line banking services which allow you to give an electronic order to pay for something rather than writing a paper check.

To use checks or on-line banking and bill pay services, you need to open a checking account and make regular deposits into that account. Banks offer several different types of checking accounts. Here are some of the most common checking options:

- A basic checking account is for someone who primarily wants to use checks to pay bills or everyday expenses. To avoid fees, some banks require a low minimum balance.
- An interest bearing account requires a higher balance and interest is usually paid monthly. A minimum deposit is usually required to open this type of account.
- A joint checking account is for two or more people who are usually in the same household.

Visit banks to learn more about the types of checking accounts they offer and decide which one best fits your needs or the needs of your household. Compare services at different banks before opening a checking account and decide which account best meets your needs. Many local banks offer special checking accounts for college students.

Automated Teller Machine and ATM Card

An ATM card looks like a credit card. Because it is linked to your bank account(s), you can use it to get cash, deposit funds, and check account balances at an ATM (Automated Teller Machine.) ATMs are convenient because they are available 24 hours a day at different locations.

A debit card combines the functions of an ATM card and a check. It can be used like a check. Most banks issue a combination ATM/debit card. Often your ATM/debit card may also be used like a credit card at stores and restaurants but the money comes immediately out of your checking account.

To use an ATM or a debit card, you need a PIN (Personal Identification Number). A bank or financial institution issues this four-digit number to you to protect against anyone else using your card. However, when you use the card as a credit card, you will not need to use a PIN. Many banks recommend that you use your card as a credit card whenever you can; as such transactions are protected by federal law. You will then have limited liability if your credit card number is stolen or lost and someone else charges things with your card.

You must have a login and password to access online banking services. There may be other security measures like special questions to answer. Always safeguard information like a PIN or a password. Thieves are always on the lookout for ways to steal your personal information so that they can get access to your accounts.

What are the Advantages of On-line Banking?

On-line banking has many advantages, the most obvious one being that you have access to information about your accounts 24 hours a day. You don't have to wait for a monthly statement to balance your account, see if there are errors in your account, or check if deposits have been made. Your on-line account may also give you access to information about other accounts you have at that bank, like a car loan, a home loan, or a credit card.

On-line banking services usually also include bill paying services. You enter information into a bill payee screen – like XYZ Water Company, Account # 1234, 5678 Water Drive, Hammond, LA. Then each month when you have to pay your water bill, you simply type in the amount to be paid and the date it is to be paid. The bank electronically transfers the money instead of your having to write a check. It saves time, effort and money (you don't have to pay for stamps and envelopes), and at most banks it's a free service.

Another big advantage of on-line banking is the control it gives you over your money. You can make sure that your bills are always paid on time, thus you will not incur late fees. You can also transfer money between accounts. So if you need to put \$200 into your checking account from your savings account, you can do it from your computer and never have to go to the bank. Many employers will now electronically deposit your pay into a checking or savings account and you can access that money right away through on-line banking. Some banks will

also provide you with overdraft protection for your checking account through an existing savings account or a small line of credit for which you pay a small fee. That kind of protection can prevent you from accidentally overdrawing your account and then having to pay returned check fees.

Keeping Track of Your Account

As you write checks, use your ATM/debit/credit card, or make deposits, keep track of the amount of money remaining in your account. Your bank or financial institution will send you a monthly statement or list of the various withdrawals and deposits made on your account. If you have an ATM card, you can also access this type of information at an ATM. You can also access your account status at any time if you bank on-line.

To keep a current record of your checking account, use your check register. This tool usually comes with your checkbook.

Compare the paper statement or your on-line statement with your check register. Balance or reconcile your account by figuring out the amount of money you deposited, the amount you spent, and the amount you have left. Basic accounting software such as Microsoft Money or Quicken can also help you balance your checkbook.

Avoid Writing Bad Checks

Don't write checks if you don't have enough money in your account because the consequences can be damaging:

- Your bank and the business you wrote the check to may each charge you a fee of about \$25 or more.
- You may be placed on a bad check list and businesses may refuse to accept your checks.
- Your bank may close your account and other banks may be alerted.
- You could face criminal charges if authorities can prove criminal intent

http://www.selu.edu/acad_research/programs/cse/finance/