



Financial Education
Budgeting & Saving Workshop

January 2022



- Learn the importance of using a budget
- The impact of financial stress
- What is a budget & how to create it
- Budget examples
- Tips to achieving future savings goals

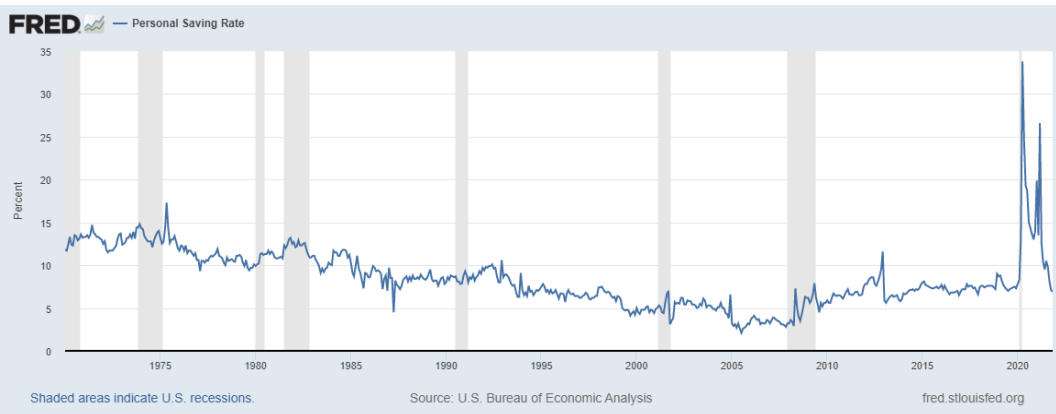
IMPORTANCE OF USING A BUDGET >

The personal savings rate

November 2021 – 6.9%

November 2011 – 6.6%

November 1975 – 12.7%



68% of Americans do not use a budget!

Money worries are the #1 cause of stress in our lives:

- 65% of Americans are losing sleep over their financial situation¹
- Three quarters (78%) of all Americans live paycheck-to-paycheck²
- 52% have cried at some point because they don't have enough money³
- Almost half of Americans (44%) have no money set aside in case of financial setback⁴
- About a quarter (23%) do not expect to be able to pay all of their current month's bills in full⁵



Sources: 1 Time.com/money, April 2017. 2 Press.careerbuilder.com, November 2017.
3 Financial Brand, September 2018. 4 & 5 Federalreserve.gov, May 2017.

WHAT IS A BUDGET, ANYWAY?

- It's an estimate of income and expenses for a set period of time with designated categories
- A tool for managing your finances
- Budgeting helps us to focus on our needs first, then our wants
- When we live within our means, we have balanced our budget (income = expenses)

**Think of a budget as a
blueprint for spending...**



We have to “face the music”

- Budgeting takes time, effort and discipline
- Facing our financial situation also takes courage and requires honesty
- If we keep putting it off by saying “I’ll get started budgeting tomorrow”, tomorrow never comes



WHY BOTHER?

1. Take back control of our finances
2. Reduce financial stress
3. Strengthen family relationships
4. Get more of what we want out of life
5. Feel more confident about achieving goals



Tremendous benefits to budgeting that make us feel great!



Create your own Personal Action Plan

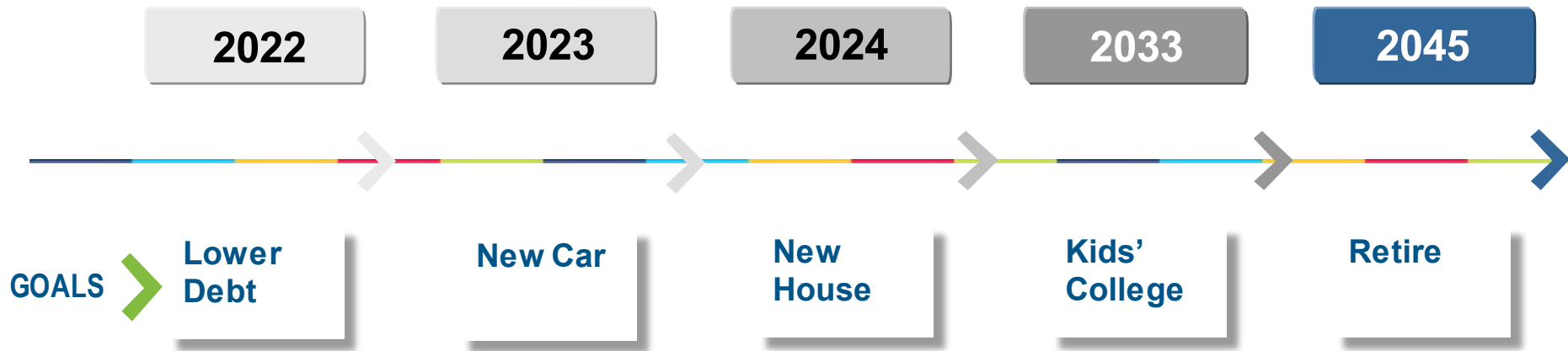


ACTION STEP	WHEN	DONE
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This is a great 1st step to budgeting!

1. ESTABLISH AND PRIORITIZE GOALS >

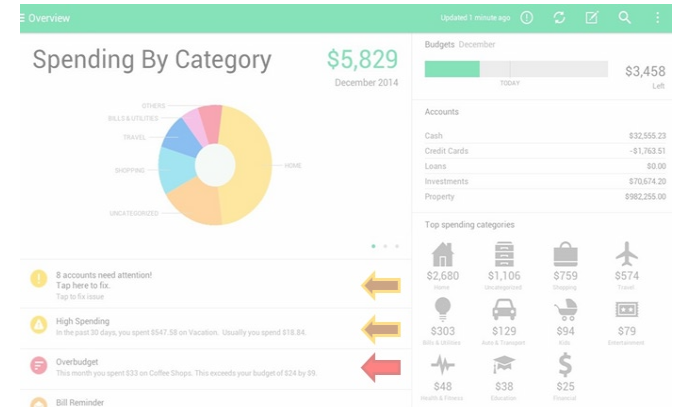
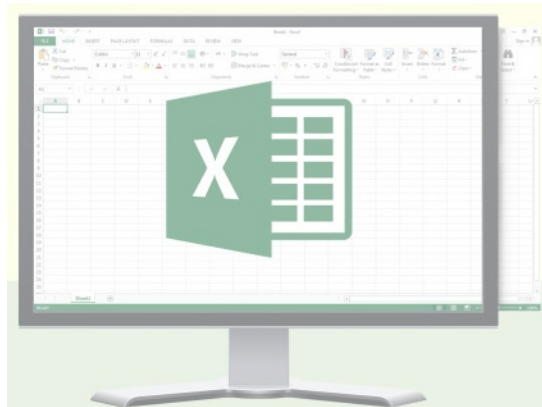
- Decide what our goals are
- Categorize them as short-, medium- or long- range
- Prioritize them
- Doing this helps you start to plan for the long term



2. CHOOSE A TOOL

Choose whichever method works best for you:

- Pencil and paper
- Electronic spreadsheet program
- Personal finance software or app



3. GET A HANDLE ON YOUR CURRENT INCOME AND SPENDING >

Track income and spending for 3 to 6 months:

- Keep a notebook to track our spending
- Electronic spreadsheets and personal finance software can simplify tracking
- This will help you get to know your own spending habits



Build savings into our budget!



- Automate the process (for example: Split a direct deposit of your paycheck into both checking and savings)
- Having just \$20 per week go into your savings account will create over \$1,000 of savings each year

4. BUILD OUR BUDGET >

Place previously tracked figures into categories:

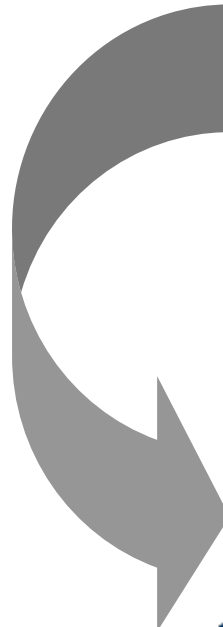
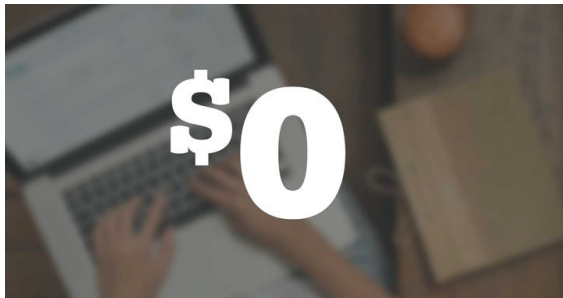
- For each category, calculate a monthly and annual average
- Plan future spending in each expense category to reflect our needs, values and goals
- Remember to account for irregular income and expenses
- Some spending is seasonal such as buying presents in December or recreational expenses in the summer so tracking a whole year will help you determine accurate monthly averages.



'ZERO-BASED' BUDGET >

NET MONTHLY INCOME	
PAY	\$2,900
OTHER INCOME	\$100
TOTAL MONTHLY INCOME	\$3,000

MONTHLY EXPENSES	
HOUSING	\$1,500
INSURANCE	\$125
TRANSPORTATION	\$100
UTILITIES	\$150
FOOD	\$300
SAVINGS	\$100



CLOTHING	\$100
DEBT REPAYMENTS	\$325
ENTERTAINMENT	\$100
RETIREMENT SAVINGS	\$100
MISCELLANEOUS	\$50
GIFTS / CHARITY	\$50

TOTAL MONTHLY EXPENSES	\$3,000
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'BUCKET' BUDGETING >

BUCKET	TOTAL AMOUNT DEPOSITED DURING THE MONTH	TOTAL AMOUNT WITHDRAWN DURING THE MONTH	WHAT'S LEFT
HOUSING	\$1,800	\$1,800	0
INSURANCE	\$200	\$200	0
TRANSPORTATION	\$150	\$200	(\$50)
UTILITIES	\$300	\$300	0
GIFTS / CHARITY	\$50	0	\$50
SAVINGS	\$100	0	\$100

FOOD	\$500	\$400	\$100
CLOTHING	\$100	\$150	(\$50)
DEBT REPAYMENTS	\$250	\$250	\$0
ENTERTAINMENT / TRAVEL	\$150	\$175	(\$25)
RETIREMENT SAVINGS	\$200	\$200	\$0
PERSONAL CARE	\$50	\$100	(\$50)
MISCELLANEOUS	\$50	\$0	\$50

'Bucket' budgeting allows you to compare your estimates to your actual spending in each category →



Budget 50% towards NEEDS:

- food, shelter, utilities, and transportation

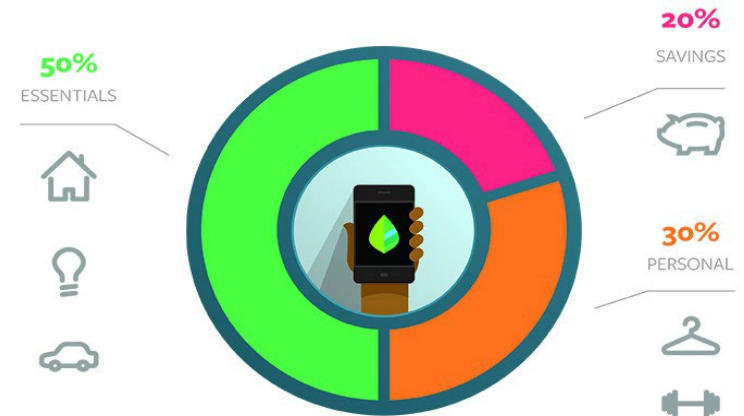
Budget 30% towards WANTS:

- dining out, clothes shopping, Starbucks, cable or cell phone plan, travel or leisure expenses, gift spending or gym membership

Budget 20% towards SAVINGS:

- rainy day

the
50 / 20 / 30
budget



Update our budget to reflect:

- Goal changes
- Changes in income
- Changes in expenses
- Life events



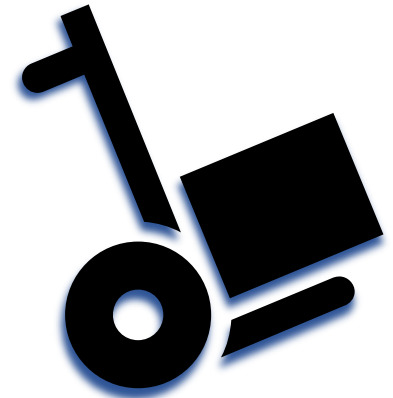
DOUBLE A PENNY A DAY



\$5,368,709.12

Saving money with the power of compounding:

	~ TIME	NICKEL	DIME	QUARTER	DOLLAR
save	DAY 1	\$0.05	\$0.10	\$0.25	\$1.00
	DAY 2	\$0.10	\$0.20	\$0.50	\$2.00
	DAY 3	\$0.15	\$0.30	\$0.75	\$3.00
	DAY 4	\$0.20	\$0.40	\$1.00	\$4.00
	DAY 5	\$0.25	\$0.50	\$1.25	\$5.00
	DAY 6	\$0.30	\$0.60	\$1.50	\$6.00
earn	MONTH 1	\$23.25	\$46.50	\$116.25	\$465.00
	MONTH 3	\$204.75	\$409.50	\$1,023.75	\$4,095.00
	MONTH 6	\$814.50	\$1,629.00	\$4,072.50	\$16,290.00
	MONTH 9	\$1,829.25	\$3,658.50	\$9,146.25	\$36,585.00
	YEAR 1	\$3,339.75	\$6,679.50	\$16,698.75	\$66,795.00



Increase the minimum monthly payment on Credit Cards.

Example: With a card balance of \$9,514 at 29% APR

If you make no additional charges and each month you pay...	You will pay off the balance in...	And you will end up paying an estimated total of...
The minimum payment = \$257	8 years	\$24, 265
\$300	5 years	\$18,285
Difference = \$43 more/month	Get out of debt 3 years earlier	Savings = \$5,980

Increasing your monthly payment by \$43 will save you about \$6,000 in interest charges and will get you out of debt 3 years earlier.

A small increase in monthly payment reduces the interest you pay by a huge amount!

For those of you with a mortgage, make more frequent payments:

Mortgage Terms	Monthly (12 annual payments)	Bi-Weekly (13 annual payments)
Amount of Mortgage	\$280,000	\$280,000
Interest Rate	4.00%	4.00%
Payment Amount	\$1,337	\$724
Actual Amortization Period	30 Years	23 Years
INTEREST PAID (over the amortization period)	\$201,236	\$145,532
INTEREST SAVED		\$55,704

For new mortgages, select a shorter amortization period:

- This table shows how much interest you would pay on a \$400,000 mortgage depending on the amortization period selected...

Amortization Period	Interest Rate	Monthly Payment (principal & interest)	Total Interest Paid (life of mortgage)	Value of Loan*
15 years	3.125%	\$2,786	\$101,558	\$601,558
20 years	3.50%	\$2,320	\$156,761	\$656,761
30 years	3.75%	\$1,852	\$266,887	\$766,887

- In the 30-year example, shortening the amortization period to 20 years and increasing your monthly payment by \$468 (~25%) will save you \$110,126 (~41%) in interest over the period of the loan

The amortization period is the number of years you repay, also called the 'term' of the loan. If you choose a shorter term, make sure the larger payment fits within your monthly budget.

*\$100,000 (20%) down payment included

For student loans, refinance debt at lower interest rate:

- Reduce expense and pay off student loans sooner
- Best Student Loan Refinance of 2022 | [ConsumersAdvocate.org](https://www.consumersadvocate.org)

1 	4 	7 
2 	5 	8 
3 	6 	9 

Student Loan Calculators - Student Loan Hero

My current loan balance is... ?

\$ 35,000

My interest rate is... ?

3.99 %

My monthly payment is... ?

\$ 354


1 yr 4 mos
 Time Saved

Your loan could be paid off this far ahead of schedule.


\$1,079
 Money Saved

You could keep this much more of your hard earned cash.

Then select an option

Add to your payment by ?

\$ 46

	TIME	INTEREST	LOAN TOTAL
Original loan	10yr	\$7,508	\$42,508
With Increased Payments	- 8yr 8mo	-\$6,430	-\$1,079
	1yr 4mo Time Saved	\$1,079 Interest Saved	\$41,429 New Loan Total

PERSONAL ACTION PLAN >

ACTION STEP	WHEN	DONE
Meet with or arrange an appointment with a banker	Today	<input type="checkbox"/>
Establish future savings goals	Saturday	<input type="checkbox"/>
Begin tracking your monthly income and spending	Sunday	<input type="checkbox"/>
Develop and start following your new monthly budget	After 3-6 months of tracking your spending	<input type="checkbox"/>





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THANK YOU!

