



Speaker Notes for Money Savvy U ®

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Agenda

- Talk about how to manage your money
- Introduce you to a new money management tool
- Help you get started on your way to financial success
- Answer your questions

In this course we are going to teach you how to manage your money wisely. We will also introduce you to a new money management tool called the **Cash Cache Beginning Personal Finance Organizer** that will help you get your finances organized and to stay organized. The goal of this course is to help you get started on your way to financial success. I'm sure that our discussion will generate many questions so we will attempt to tackle any of your specific questions during the course.

Note: **Cash Cache** (*pronounced cash cash*); *Definition: 1) A hiding place used especially for storing provisions; 2) A place for concealment and safekeeping, as of valuables.*



Lessons

1. Budgeting
2. Power of Compounding
3. Smart Spending
4. Smart Borrowing and Use of Credit Cards
5. Smart Investing
6. Ways To Pay
7. Identity Protection

The lesson material that we will be covering includes these topics:

1. Budgeting
2. The Power of Compounding
3. Smart Spending
4. Smart Borrowing and Use of Credit Cards
5. Smart Investing
6. Ways to Pay
7. Identity Protection

We want these lessons to be extremely useful to you so you should bring real life questions to the class as they occur to you.



Why is it important to learn how to manage your money?

Before we dive into the first lesson, let's start by getting on the same page. Why is it important to learn how to manage money?

[Take suggested answers from the students]

Possible answers include:

- So that your money can work for you rather than the other way around
- So that you can plan for your future
- So that you can achieve your goals
- So that you can stay out of financial trouble



When you know how to manage your money. . .

You know how to make your money work for you!

Because when you know how to manage your money, you know how to make your money work for you?

What do we mean by “making your money work for you” *[Take suggested answers from the students]*

When money is working for you, it means that your money is earning money? How is that possible? *[Take suggested answers from the students]*

Money earns money when you have assets that pay you back cash or when they appreciate in value. An example of an asset that pays you back cash is some shares of stock where the company pays a cash dividend for each share of stock you own. This happens when the company chooses to distribute some of its profits to the stockholders in cash.

An example of an asset the appreciates in value is real estate. . . land or property that is valuable and just keeps getting more valuable as new buildable land becomes more scarce.

Lesson 1: Budgeting



The first lesson that we will tackle is budgeting. Who knows what budgeting means?

[a budget is a spending plan]

Does anyone here have their own budget? If so, what can you tell us about it?

What about your parents, do any of them have budgets?

A budget is a spending plan. What is in that plan? That depends on what your goals are.

Short-Term & Long-Term Goals

Short-term = in the next year



Long-term = ten or more years from now



Opportunity cost = what you have to give up today in order to have something later on

The key to making a financial success of yourself is to consciously link your money to your goals in life. There are different types of goals, of course. Long term and short term goals. Here are some examples of some things that you might want to have in the short term and the long term.

Short term: personal electronics, a bike or scooter, a vacation, sports equipment

Long term: a car, money for college, a down-payment on your first home, money to retire on that private island you've always wanted

Class Exercise:

Each of you needs to think about your Short and Long term goals. Please pull out your goal-setting templates from your Cash Cache organizer, both your Short term template as well as your Long term template. When we speak about short term goals, we think in terms of months, such as saving for gym shoes, a new sweater, a computer, etc. Long term goals are things you save up for years, like a new car, a College Education, or a house.

On your goal-setting sheets write down some of your goals, both short-term and long-term. Take a minute or so.

Would anyone like to share with us some of their goals? *[Take responses from the class]*

In order to save for some of the goals, especially those that are more expensive, you may need to give up other things that you would like. Economists call this the Opportunity Cost. You must be disciplined to give up something today, so that your tomorrow will be easier.

Optional:

[Use the savings goal calculator at <http://www.bankrate.com/calculators/savings/saving-goals-calculator.aspx> to demonstrate how to save for a goal over time using various assumptions.]



But just living is expensive too.

- Shelter
- Food
- Health Care
- Education
- Taxes
- Utilities
- Entertainment
- Etc.

Short term and long term goals are important to have, but most of our money goes toward the day to day business of living, month after month. Basic living expense are considered non-discretionary. You don't have much choice about these non-discretionary expenses as they are necessary for survival. Granted you have some choice over how big or expensive a house you live in, and how many meals a day you eat, but there is a certain minimum below which most people aren't willing to venture.

Can anyone think of any other expenses that they would consider non-discretionary? *[Take suggested answers from students and let the class debate over the suggestions]*



Budgets make the world go 'round.

- A budget is a spending plan
- It is YOUR plan, and you can change it when you want
- You are in charge of decisions
- It helps you keep track of your spending
- It helps you achieve your goals more quickly

Money-savvy people create and manage to a personal budget to help them plan how they want to spend their money. Some people associate a budget with drudgery. A budget is not a chore, nor is it a prohibition against spending. A budget is simply a plan. . . A spending plan.

And it's not a plan set by someone else, it is YOUR spending plan. You make the decisions about how you want to spend your money. It helps you to see in black and white whether you HAVE enough money to spend on all the things you want to spend on in the first place. If it turns out you don't, it is a hand tool to help you figure out how to make room for everything you want.

When saving towards one or more goals is part of your budget, you will achieve those goals more quickly when you follow your spending plan every month.

If you need to deviate from your plan on occasion, it's no big deal. With a budget in place you will be CONSCIOUSLY making one trade off for another. For example, say your friend invites you to go to your favorite band's concert in a neighboring city. He'll pay for the tickets if you will drive and pay the \$50 needed for gasoline. It's not in your original plan, but your budget can show you how to make it work. Your choices are as varied as the line items in your budget. You could give up spending on fast food for the month, delay getting that new sweatshirt, or even delay the deposit to your long term goal saving account. The choice is yours.

What does a budget look like?

Monthly Budget

For _____ Date: _____

EXPENSES		INCOME	
HOUSEHOLD		Take Home Pay \$ _____	
Rent/Mortgage \$ _____		Allowance \$ _____	
Utilities (electric, gas, train, water) \$ _____		Gifts \$ _____	
Cable/Satellite TV and Internet \$ _____		Part-time Jobs and Chores \$ _____	
Telephone and Long Distance \$ _____		Other Sources \$ _____	
Cell Phone \$ _____		TOTAL \$ _____	
Other Household Expenses \$ _____			
TOTAL \$ _____			
FOOD		LOOKING GOOD	
Groceries \$ _____		Clothes and Shoes \$ _____	
Lunches and Snacks \$ _____		Toiletries \$ _____	
Eating Out \$ _____		Laundry and Cleaners \$ _____	
TOTAL \$ _____		Hair Care \$ _____	
		Other Looking Good Expenses \$ _____	
		TOTAL \$ _____	
TRANSPORTATION		JUST FOR FUN	
Car Payment \$ _____		Movies/Games/Concerts \$ _____	
Insurance \$ _____		Dates/Trips \$ _____	
Gasoline \$ _____		Music Purchases \$ _____	
Maintenance and Repairs \$ _____		Books/Magazines/Newspaper \$ _____	
Public Transportation \$ _____		Hobbies \$ _____	
Other (parking, tolls) \$ _____		Other \$ _____	
TOTAL \$ _____		TOTAL \$ _____	
HEALTHCARE		MISCELLANEOUS	
Doctor \$ _____		Credit Card \$ _____	
Dentist \$ _____		Savings and Investments \$ _____	
Prescriptions \$ _____		Education (tuition, books, fees) \$ _____	
Medical Insurance \$ _____		Gifts and Charity \$ _____	
Other Healthcare Expenses \$ _____		Pets \$ _____	
TOTAL \$ _____		TOTAL \$ _____	
		GRAND TOTAL	
		TOTAL ALL INCOME \$ _____	
		Subtract - _____	
		TOTAL ALL EXPENSES \$ _____	
		BOTTOM LINE \$ _____	

• Divide annual income and expenses by 12 to get a monthly figure.
 • Some expenses (like utilities) will change throughout the year, so use a monthly average.

If you've never seen a monthly budget before, this is a good example of one. At the top in the light blue box are the sources of income. That is where you would record how much income of each type you have coming in every month. The large purple box is where you would record all of your expenses. Some categories might apply to you and some might not. And then there might be other categories that apply to you that are not on this example. In the red box below is where you subtract expenses from income to make sure that you are not spending more than you have.

10 Reasons to budget



1. A budget is a guide that tells you whether you're going in the direction you want to be headed in financially.
2. A budget lets you control your money instead of your money controlling you.
3. A budget will tell you if you're living within your means.

I have a list of 10 good reasons that you should budget. These aren't the only reasons, but 10 really good ones. Let's review them.

1. A budget is a guide that tells you whether you're going in the direction you want to be headed in financially. You may have goals and dreams but if you don't set up guidelines for reaching them and you don't measure your progress, you may end up going so far in the wrong direction you can never make it back. Can you imagine the government or a major corporation operating without a budget? No, and neither should you.
2. A budget lets you control your money instead of your money controlling you.
3. A budget will tell you if you're living within your means. Before the widespread use of credit cards, you could tell if you were living within your means because you had money left over after paying all your bills. The use of credit cards has made this much less obvious. Many people don't realize they're living far beyond their means until they're knee deep in debt.

10 Reasons to budget



4. A budget can help you meet your savings goals.
5. Following a realistic budget frees up spare cash.
6. A budget helps you prepare for emergencies.

4. A budget can help you meet your savings goals. It includes a mechanism for setting aside money for savings and investments.

5. Following a realistic budget frees up spare cash so you can use your money on the things that really matter to you instead of frittering it away on things you don't even remember buying.

6. A budget helps you prepare for emergencies, because a budget should include a category of "saving for a rainy day," which is to say saving for the unexpected.

10 Reasons to budget



7. A budget can improve your marriage.
8. A budget reveals areas where you're spending too much money.
9. A budget can *keep* you out of debt.
10. A budget helps you sleep better at night.

7. A budget can improve your marriage. A good budget is not just a spending plan; it's a communication tool. Done right, a budget can bring the two of you closer together as you identify and work towards common goals and reduce arguments about money. That's got to be good for your relationship. In fact, arguments over money are the single biggest reason that people get divorced. Having a budget in place that you can both agree on will likely save your marriage.
8. If you record what you actually spend each month on all items, a budget will help show you where you are spending money that you don't intend to. It can show you where you need to possibly change your budget or your spending habits.
9. A budget can *keep* you out of debt or help you *get* out of debt.
10. A budget helps you sleep better at night because you don't lie awake worrying about how you're going to make ends meet.

Introduction to the Cash Cache

- Handy pockets to keep a calculator, coupons, bank statements and more!
- Sturdy pouches to organize cash for saving, spending, donating and investing
- Templates for goal-setting, establishing priorities, budgeting, and tracking progress towards goals
- 30+ page handbook covering the basics of personal finance, including:
 - Spending, Saving, Donating and Investing
 - The stock market
 - Goal-setting
 - Budgeting
 - Savings and checking accounts
 - Credit Cards
 - Earning money and taxes
 - Glossary of financial terms



Now let's take a look at your Cash Cache Personal Finance Organizer. It was designed to help you get and stay organized and to help you develop a personal financial plan and a sense of delayed gratification. Who knows what delayed gratification means? [Take suggested answers from the students]

Now pick up your Cash Cache and unzip it. As you can see there are neat pockets to hold your pens, pencils, calculator, and other goodies.

There are also zippered pockets with the words Save, Invest, Spend and Donate. This is where you will keep your money, and they are see-through so you can always tell how much cash you have in each.

Then we have the Cash Cache Handbook which teaches you how to use the Cash Cache and how to use your money.

Finally, we have templates.

Short term goal sheet

Long term goal sheet

Spending goal sheet

Donation goal sheet

a Spending wish list sheet

a Sheet which allows you to keep track of your money coming in and going out (Income and Expenses) and there is a Goal Tracking Ledger

Feel free to make copies of these templates, or you can download them from www.msgen.com.

THERE ARE MANY TOPICS COVERED IN THE BOOK and I urge you to read this book completely.



Use the Cash Cache to stay organized

- You earn \$50 for shoveling snow. You put it in your "home base" pocket: SAVE.
- You get \$20 birthday money, which you also put in SAVE.
- You earn \$30 more for babysitting - into SAVE.
- You now have \$100 in SAVE. You decide how to distribute it.
- WHAT ARE YOUR GOALS? WHAT DOES YOUR BUDGET SAY?
- You keep \$30 in SAVE for your short-term goal. You put \$15 in SPEND for that upcoming expense. \$10 goes into DONATE. And \$45 goes into INVEST for your long-term goal.
- These are just illustrations of how you can use the Cash Cache. It's all up to you!

Here we see an example of how you can use the Cash Cache:

You earn \$50 for shoveling snow. You put it in your "home base" pocket: SAVE.

You get \$20 birthday money, which you also put in SAVE.

You earn \$30 more for babysitting - into SAVE.

You now have \$100 in SAVE. You decide how to distribute it. Base your decisions on what your goals are and what your budget says.

For example, let's say that you decide to keep \$30 in SAVE. You put \$15 in SPEND. \$10 goes into DONATE.

\$45 into INVEST.

These are just illustrations of how you can use the Cash Cache. It's all up to you!



Get some practice

- Make a date with your spending diary
- Use the suggested budget template to get some practice

Your Cash Cache Beginning Personal Finance Organizer comes with a spending diary template that can also be used as a monthly budget. Please find this template in your Cash Cache.

Rather than tracking what you did spend during the course of the month, use the template first to record your plan for the month and then track your actual spending against that plan.

Class Exercise:

[Hand out the Budget Template.xls template to the class for discussion. This template is located on the CD in the MSU Worksheets folder.]

Another resource to practice with is the budget template that I have as a handout. This template shows the vast array of possible expense categories that might be used by your parents and other adults. Let's look over this template and see if you have any questions about what some expense categories mean. This template is also available to you as an Excel worksheet if anyone would like me to email it to them.

Optional:

*Use the **Are U Money Savvy Worksheets** as a homework assignment or as an in-class assignment. The worksheets are located on the CD in the MSU Worksheets folder.*

Questions?



Teacher Notes: