

Budgeting for the Holidays

Managing and improving your personal finance
during the holiday season.

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LIBERTY BAY
CREDIT UNION

OUR EXPERT



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AGENDA

- 1 Five-step plan to create and manage a budget
- 2 Understanding different kinds of expenses: needs vs. wants
- 3 How to set spending and savings goals
- 4 Strategies to improve savings and manage debt
- 5 Strategies to improve and maintain your financial health

Budget Overview

What is a budget?

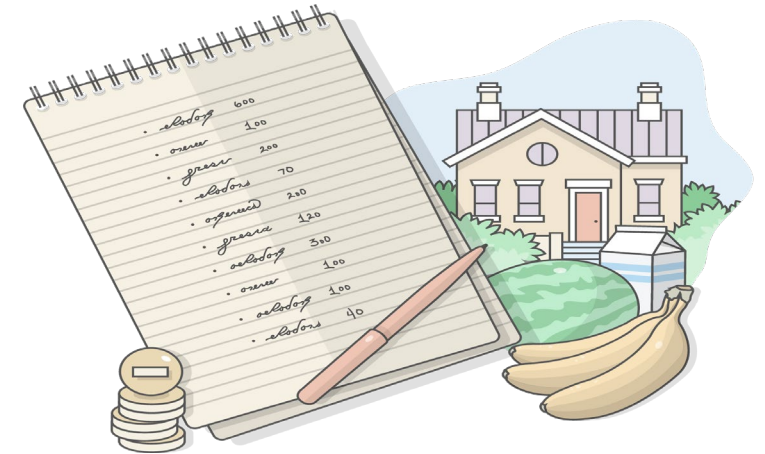
It can be an estimate of income and expenses for a set period of time, a road map, or a financial plan.

Why use a budget?

It can help you understand your spending habits, create a savings plan, or help you to pay off debts.

When can you use a budget?

Budgets can be used regularly to help you maintain good financial practices, or they can be used to help you achieve a specific goal.



How to Build a Budget

Step 1

GET ORGANIZED

Locate and organize financial documents (income & expenses).

Step 2

LIST INCOME

How much money is earned each month after taxes from your paycheck, Social Security, or other source?

Step 3

LIST EXPENSES

How much money is spent each month, and on what?

Step 4

LIST SAVINGS

How much money is set aside for savings and retirement?

Step 5

LIST DEBT

How much money is owed to creditors?



Marta's Story

- Marta is a 40-year-old woman who works two jobs, one at a grocery store and another as a hostess at a restaurant.
- Marta often feels overwhelmed by her debt. She has also paid bills late in the past. One reason is that her personal finances are not very organized.
- Let's see how this five-step plan can help her better understand her options, behaviors, and solutions.



Marta's Required Documents

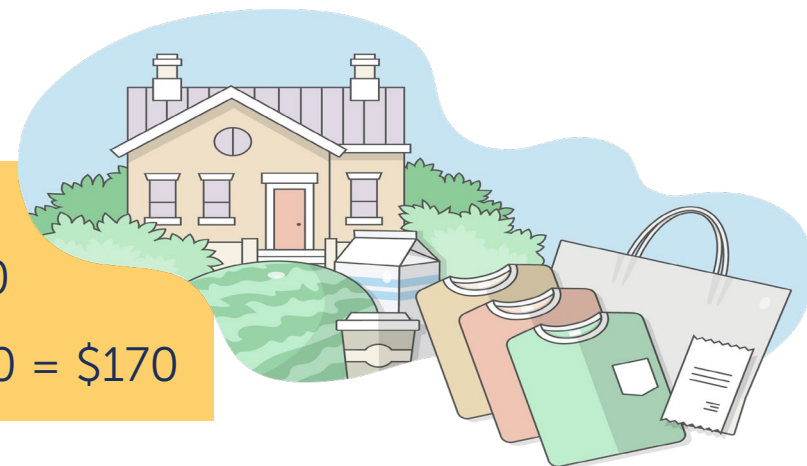
- Loan statements
- Receipts
- Bills
- Credit card statements
- Bank statements
- Pay stubs
- Social Benefits Receipts



Marta's Current Spending

Marta's Monthly Income: \$2,000

Total Expenses: Needs + Wants = \$1430
Disposable Income: Income – Needs = \$780 - \$210 = \$570
Balance = \$570 - \$100 - \$300 = \$170



Needs

Rent	\$600
Groceries	\$200
Utilities	\$100
Car Payment	\$200
Car Insurance	\$120
Total	\$1,220

Wants

Coffee	\$20
Restaurants	\$50
Entertainment	\$40
Clothing	\$100
Total	\$210

Debt

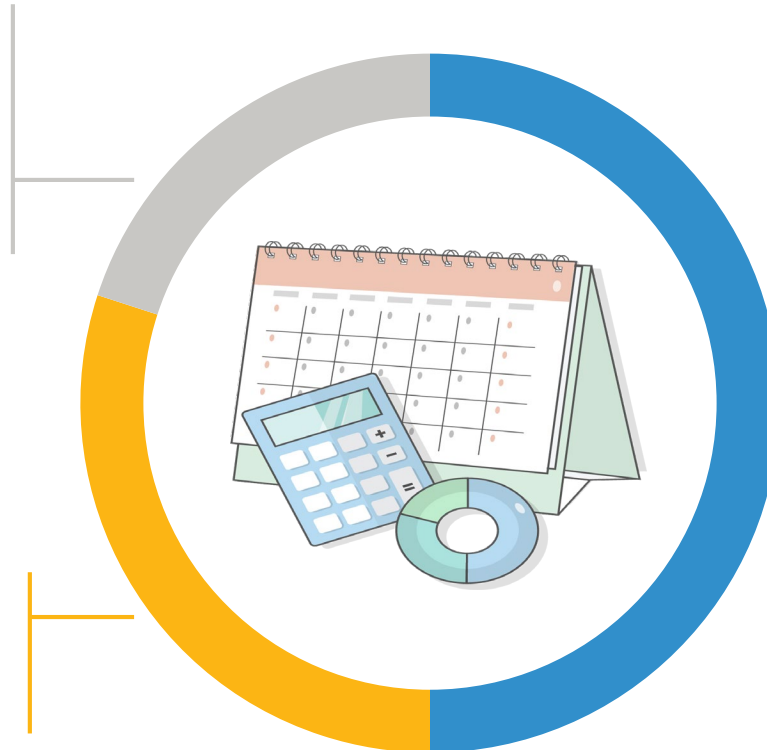
Credit card	\$200
Student loans	\$100
Total	\$300
Savings Contribution	\$100

50-30-20 Rule

Marta's Income = \$2000

At least 20%
of income on savings
and/or debt repayment
\$400

No more than 30% of
income on wants
\$600

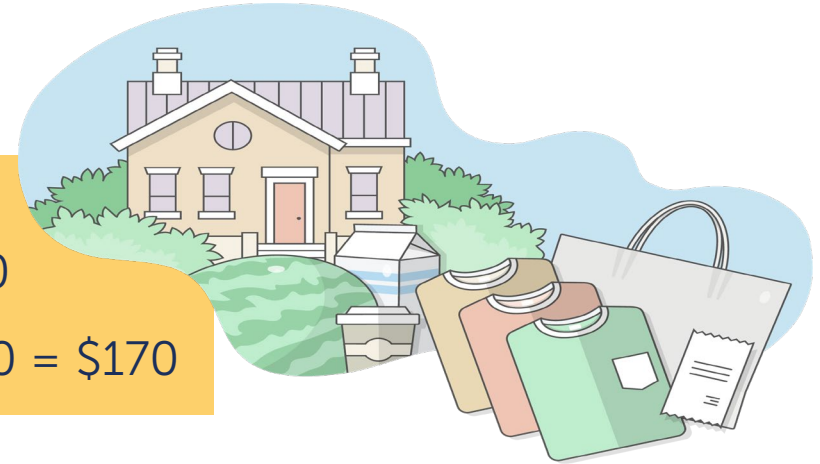


No more than 50% of
income on needs
\$1000

Marta's 50-30-20 Check In

Marta's Monthly Income: \$2,000

Total Expenses: Needs + Wants = \$1430
Disposable Income: Income – Needs = \$780 - \$210 = \$570
Balance = \$570 - \$100 - \$300 = \$170



Needs

Rent	\$600
Groceries	\$200
Utilities	\$100
Car Payment	\$200
Car Insurance	\$120
Total	\$1,220

Wants

Coffee	\$20
Restaurants	\$50
Entertainment	\$40
Clothing	\$100
Total	\$210

Debt

Credit card	\$200
Student loans	\$100
Total	\$300
Savings Contribution	\$100

Categories Method

The Categories Method is a more detailed breakdown of percentages and categories:

30% for housing

10% for utilities and other housing expenditures, including renter's insurance

10% for groceries

10% for transportation, including car loan

10% for debt repayment (student loans and credit cards)

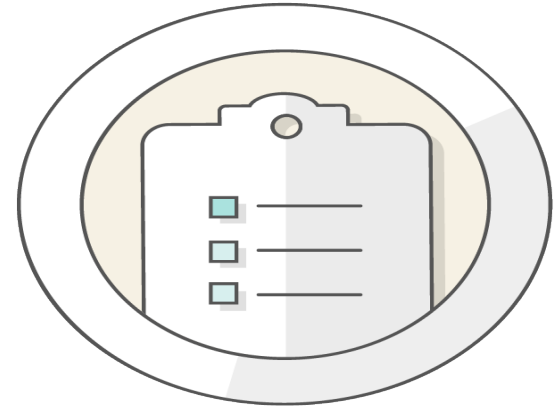
10% for savings

5% for dining out

5% for car insurance and miscellaneous auto expenses

5% for clothing

5% for entertainment



Marta's Categories Check In

Marta's Monthly Income: \$2,000

Needs

Rent	\$600	30% for housing is \$600
Groceries	\$200	10% for groceries is \$200
Utilities	\$100	10% for utilities is \$200
Car Payment	\$200	10% for transportation is \$200
Car Insurance	\$120	5% for car insurance is \$100
Total	\$1,220	

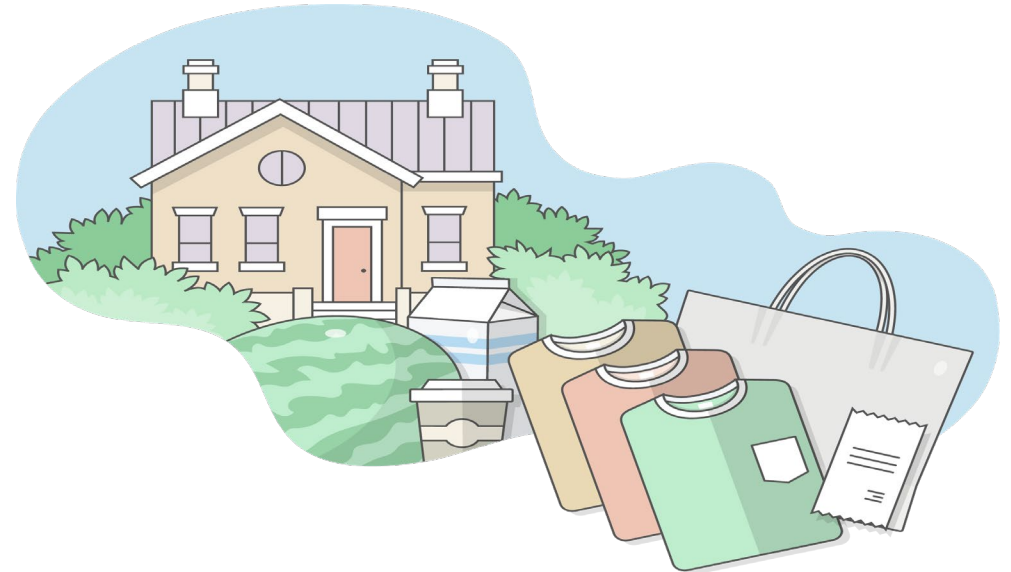
Wants

Coffee	\$20	5% for dining out is \$100
Restaurants	\$50	
Entertainment	\$40	5% for entertainment is \$100
Clothing	\$100	5% for clothing is \$100
Total	\$210	

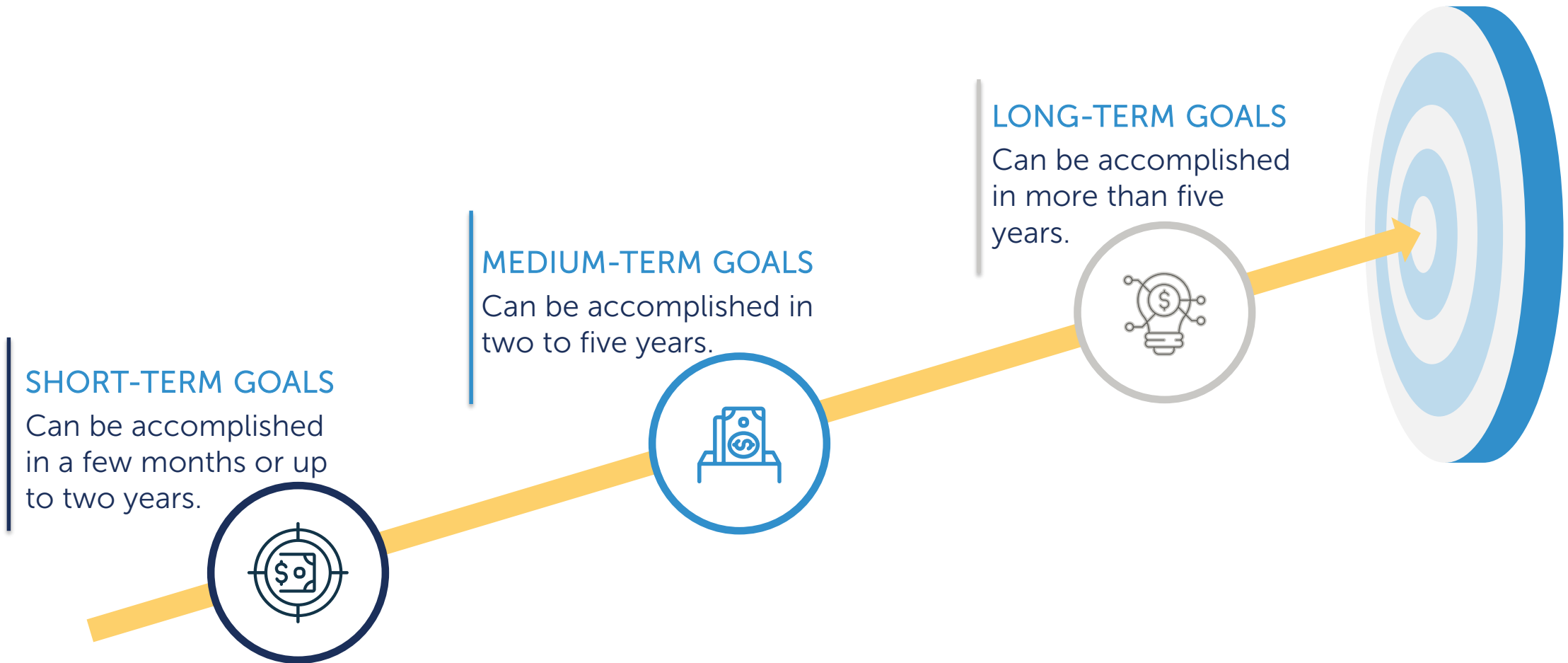
Debt

Credit card	\$200	10% for debt repayment is \$200
Student loans	\$100	
Total	\$300	

Savings Contribution	\$100	10% for savings is \$200
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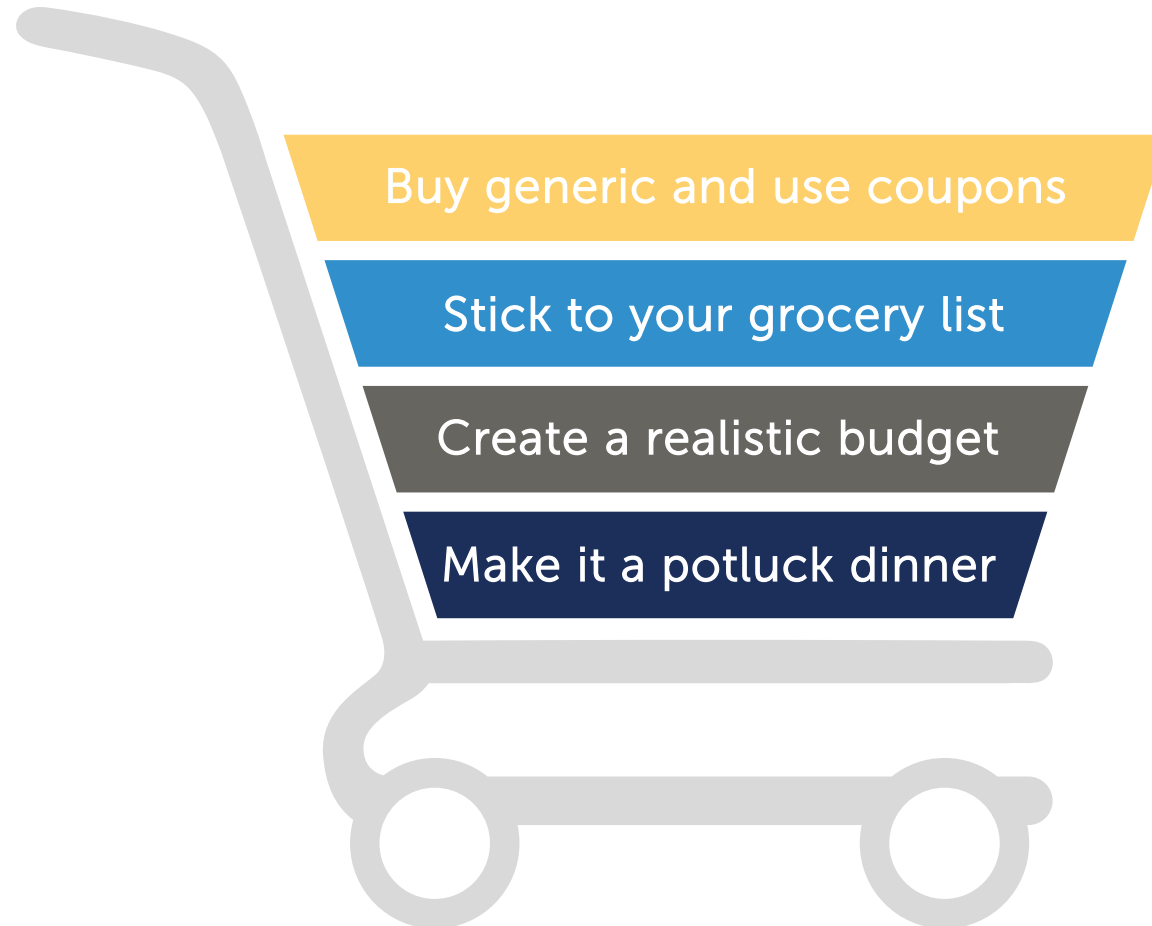


Setting Goals



Goal: Trim Thanksgiving Costs

Americans spend an average of \$334 to host Thanksgiving.



Goal: Less Stressful Holiday Shopping

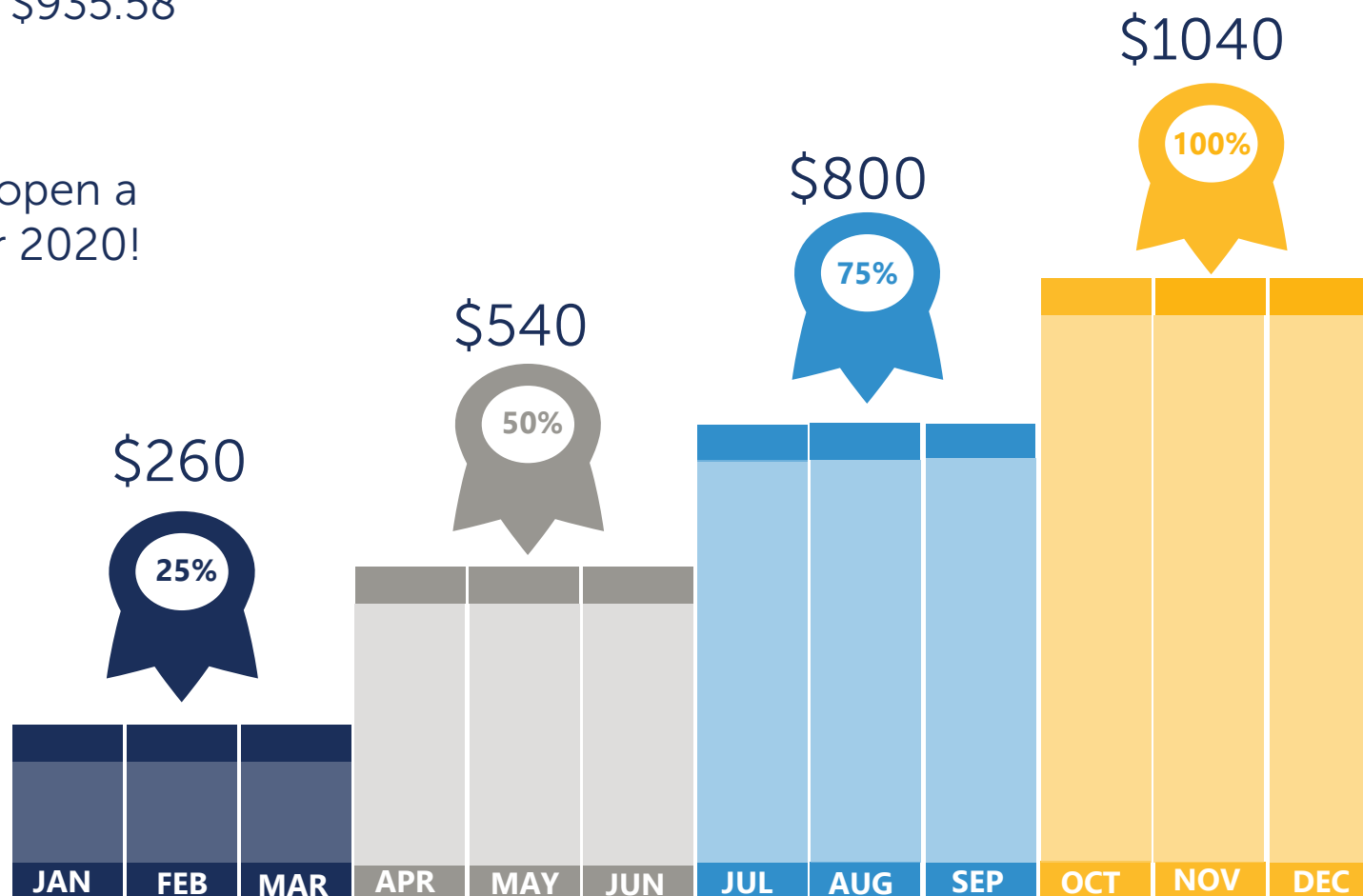
- 1 Make a list
- 2 Give yourself a spending limit
- 3 Be sure you have saved enough to pay cash
- 4 Start early
- 5 Avoid promotional credit card offers
- 6 Take advantage of free shipping/in store pick up
- 7 Keep track of what you spend!
- 8 Buy discounted gift cards & use those to shop
- 9 Take advantage of debit card rewards
- 10 Plan now for next year!



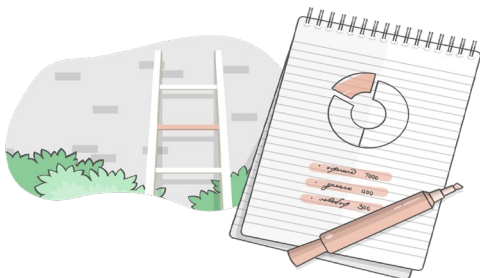
Goal: Saving for Next Year

The average American spends \$935.58 on holiday shopping.

Avoid credit card interest and open a Holiday Club Account *now* for 2020!



Strategies for Paying Off Debt



Ladder Method

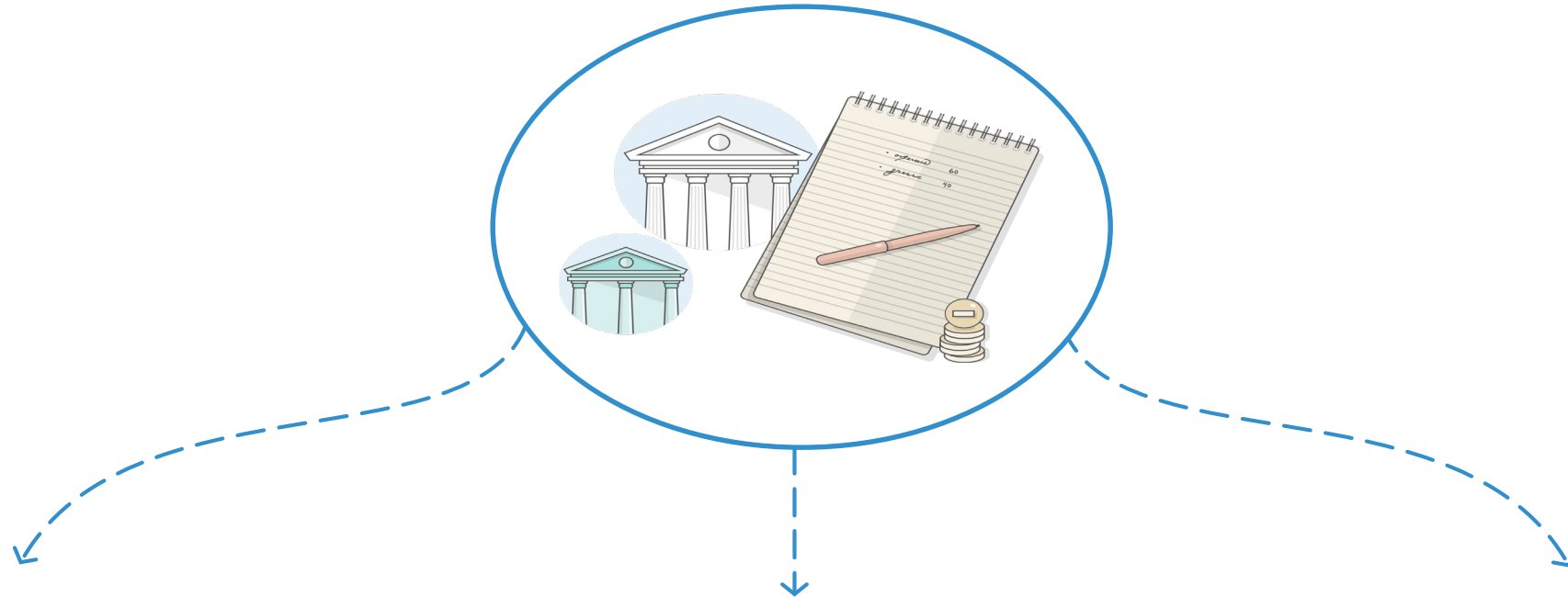
- List all of your debts from highest to lowest interest rate.
- Depending on your budget method (50-30-20 Rule or Categories Method), determine how much you have allotted for debt reduction.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the highest interest rate loan to pay off first.



Snowball Method

- List all of your debts from smallest to largest balance.
- Depending on your budget method (50-30-20 Rule or Categories Method), determine how much you have allotted for debt reduction.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the loan with the smallest balance to pay off first.

Maintaining Financial Strength



Have daily, weekly, and monthly check-ins

Meet with a Credit Union representative

Create a custom plan with a financial planner

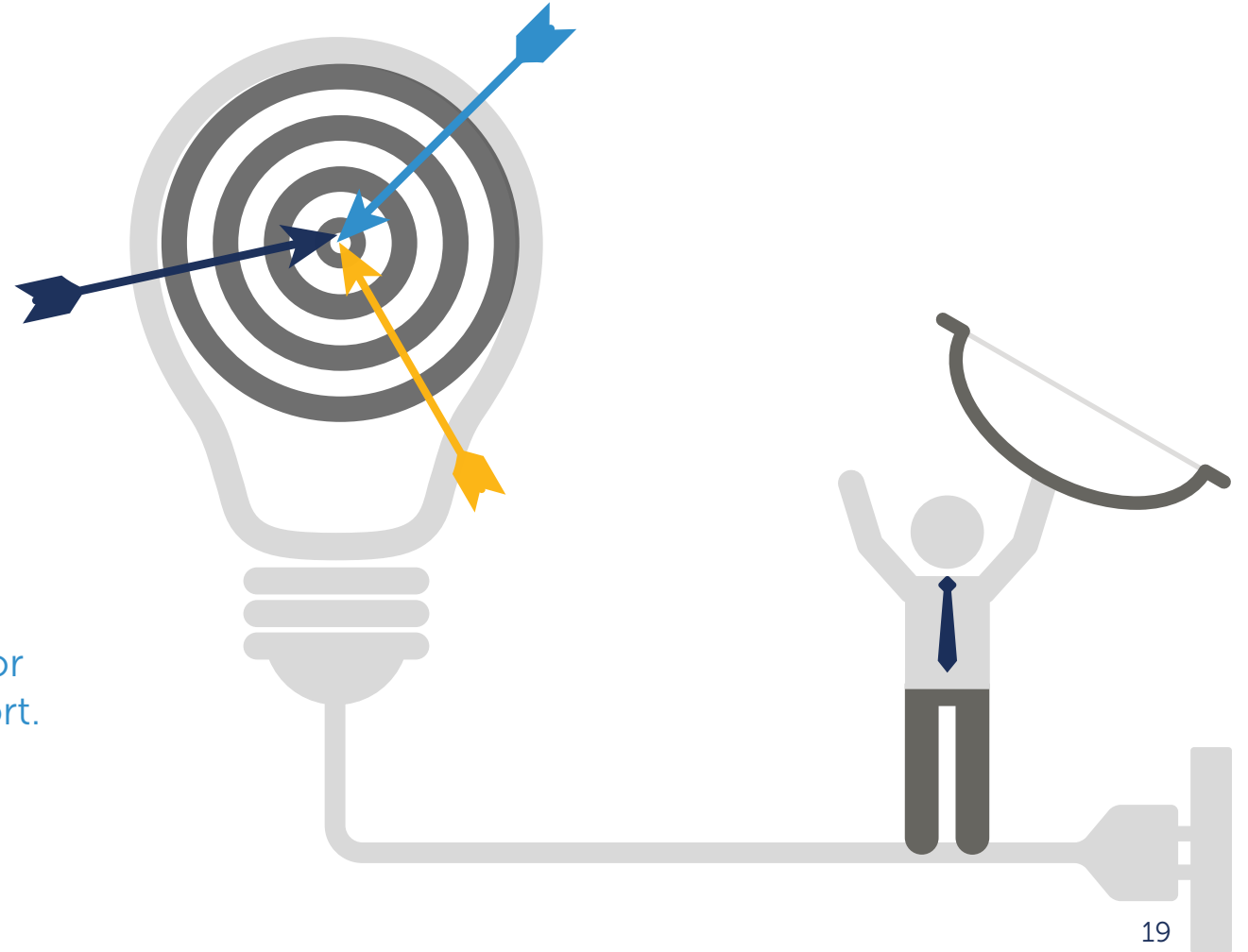
Summary

Remember...

There are lots of strategies for budgeting, but the best one is the one that works for YOU!

When approaching your debt repayment, consider strategies like The Ladder Method or The Snowball Method to help you.

Speak to someone you trust, like family, a friend, or a Credit Union representative for additional support.



Q & A



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