

Budgeting Basics for Savings

Understanding Your Cash Flow

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| Calculate Income: Determine your net income (after taxes) from all sources. |
| Track Expenses: Monitor where your money goes for at least a month. Use budgeting apps, spreadsheets, or notebooks. |
| Identify Spending Leaks: Pinpoint areas where you're overspending or wasting money. |

Creating a Budget

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| 50/30/20 Rule | Allocate 50% of your income to needs, 30% to wants, and 20% to savings and debt repayment. |
| Zero-Based Budget | Assign every dollar a purpose, ensuring your income minus expenses equals zero. Start every month with \$0. |
| Envelope System | Use physical envelopes for different spending categories and only spend what's in the envelope. |

Budgeting Tools

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| Spreadsheets (Excel, Google Sheets) |
| Budgeting Apps (Mint, YNAB, Personal Capital) |
| Traditional Notebooks |

Setting Financial Goals

Defining Your Goals

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| SMART Goals: Specific, Measurable, Achievable, Relevant, Time-bound |
| <i>Example:</i> Save \$3,000 for a vacation within 12 months. |

Types of Savings Goals

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| Emergency Fund | 3-6 months of living expenses in a liquid, accessible account. |
| Short-Term Goals | Down payment on a car, vacation, holiday shopping (typically < 3 years). |
| Mid-Term Goals | Down payment on a house, wedding, major home renovations (3-10 years). |
| Long-Term Goals | Retirement, children's education, long-term care (10+ years). |

Prioritizing Goals

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| Rank goals based on importance and urgency. |
| Focus on high-priority goals first (e.g., emergency fund, debt repayment). |
| Adjust your budget to allocate more funds to prioritized goals. |

Automating Your Savings

Setting Up Automatic Transfers

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| Schedule recurring transfers from your checking account to your savings account. |
| Set up transfers to coincide with your paydays. |
| Gradually increase the transfer amount over time. |

Utilizing Employer-Sponsored Retirement Plans

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| 401(k) / 403(b) | Contribute enough to maximize employer matching contributions (free money!). |
| Health Savings Account (HSA) | Contribute to an HSA if eligible; offers tax advantages and can be used for future healthcare expenses. |

Automated Round-Ups

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| Link your debit card to a round-up savings app (e.g., Acorns, Chime). |
| The app rounds up each purchase to the nearest dollar and invests the spare change. |

Maximizing Savings Through Investing

Understanding Investment Basics

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| Diversification: Spread your investments across different asset classes (stocks, bonds, real estate) to reduce risk. |
| Risk Tolerance: Assess your comfort level with investment risk and choose investments accordingly. |
| Time Horizon: Consider the length of time you have before you need to use the money; longer time horizons allow for more risk. |

Investment Options

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| Stocks | Ownership shares in companies; higher potential returns but also higher risk. |
| Bonds | Loans to governments or corporations; lower risk and lower returns than stocks. |
| Mutual Funds | Pools of money invested in a variety of stocks, bonds, or other assets; managed by professionals. |
| Exchange-Traded Funds (ETFs) | Similar to mutual funds but traded like stocks; often have lower fees. |
| Real Estate | Investing in physical properties such as residential or commercial real estate. |

Tax-Advantaged Investment Accounts

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| Roth IRA: Contributions are made after-tax, but earnings and withdrawals in retirement are tax-free. |
| Traditional IRA: Contributions may be tax-deductible, and earnings grow tax-deferred until retirement. |
| Taxable Brokerage Account: Offers flexibility but does not have the same tax advantages as retirement accounts. |