Budgeting your MOOLA
Presenters

- Courtney Hatch Blauvelt – Assistant Director of Financial Aid
- Todd Hoffmann – Budget Director
Agenda

- Review Basic Budgeting
- Discuss Important Budgeting Concepts
- Brief Budget Tool Review
- A Sample College Budget…
- Some post-College budgets
- Discussion/Wrap - Up
Why Is Budgeting Important?...

A Budget Definition...

- The amount of money that is available, for, required for, or assigned to a particular purpose *(Merriam Webster)*
  - E.g. an annual budget, a summer budget, a vacation budget, etc.

- In other words, it is usually a financial forecast for a particular need for a defined period of time
Why Is Budgeting Important?...

- Develop solid financial discipline/habits/awareness
- Can provide a roadmap of future financial goals (short-term & long-term)
- It will help you monitor both revenues and expenditures
- Over time, it will help you identify trends, areas for improvement, answer various questions that will occur throughout your life
Budgeting is...

Managing your income & expenses in the short & long term to fulfill your personal goals

1. Know where you’re at:
   - Understand your income & expenses
   - Record daily/weekly/monthly spending (VERY IMPORTANT)

2. Know where you want to be:
   - What are your personal goals? How will you reach them?

3. Follow a plan to reach your goals
   - Use a budget tracker to record progress
   - Adjust spending accordingly
Expense Tracker
Write your major spending categories across the top.
Record each daily spend throughout the month.

<table>
<thead>
<tr>
<th>Day</th>
<th>Food</th>
<th>Personal Care</th>
<th>Bus/gas</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>10 - pizza</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>30 - haircut</td>
<td></td>
<td>30 - parents</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>6 - laundry</td>
<td>12 - mall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>8 - Subway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Month: January

Download full spreadsheet from [this website](#).
Budget Tool Review

Electronic/App

- Online Banking
  - See copies of checks
  - Simple if you have one account

Electronic/Phone App

- Mint.com
- Personal Capital
  - Automates all accounts
  - “Big picture” tools & graphs
  - Collects account info for you
A SAMPLE COLLEGE BUDGET

- Develop weekly/monthly income and expense estimates
  
  **Student Budget Planner Download**

- Create your “ideal” monthly budget to compare it to
  - Sample monthly budget from “Money Under 30”
  - Sample monthly budget from CashCourse
Know your after-tax income:
- Summer Stipend ($3,800 example)
  - Less: Social Security (6.2%)
  - Less: Medicare Tax (1.45%)
  - Less: MA State Tax and Federal withholding (based on W4 election)

After Tax = $3,800 (internship) - $291 (SS/FICA) = $3,509

Then begin to think about significant expenses:
- Financial Aid Award commitments
- Food (Summer Meal Plan Cost)
- Summer Travel (home, vacation, friends)
- Incidentals (pizza, movies, etc)
- Savings (Yes, savings is an expense)
- Post-graduation expenses (one month’s rent, etc.)

Revenues minus Expenses should equal 0
Know your after-tax income:
- Campus Job ($350/month)
  - FICA (Federal Insurance Contributions Act: SS & Medicare) is not taken out
  - MA State Tax and Federal withholding (based W4 election)

$350 (campus job)

Then think about expenses:
- Financial Aid/Williams bill commitments
  - Do you owe anything on your bill that a family member is not paying?
- Eph points, bus tickets, fines/fees
- Incidentals (pizza, movies, etc)
- Personal (laundry, grooming)
- Savings
Mind Games....Things to look for

- Be aware of your habitual spending

You Must Be Kidding!

1 Starbucks® drink @ $3.50
$3.50 x 7 days = $24.50
$3.50 x 365 days = $1,227.50

1 Sonic® burger @ $4.25
$4.25 x 7 days = 29.75
$4.25 x 365 days = $1,551.25

- How do you trick yourself into spending less?
Zero-based budgeting
- Every-line is built separately and evaluated

50/30/20 rule
- 50% “needs”, 30% “wants”, 20% debt/savings

Envelope System
- Ease of credit vs. real cash
Personal Tips

- Keep in mind “Big Stuff” vs. “Small Stuff”
  - Houses & cars vs. the “latte“ factor

- Identify Fixed vs. Variable expenses
  - Fixed = Mortgage/Rent, Insurance, Utilities
  - Variable = Restaurants, Travel, Fuel

- Develop a contingency line
  - Unanticipated expenses will arise!
Know your Net Worth:

- Assets (What you Own) – Liabilities (What you Owe)
  - Ideally, this number should increase, annually
- Mint or Personal Capital automatically calculate this for you
- Or you can track yourself
  - Sample net worth spreadsheet from “Money Under 30”
- It is important to track this number over longer periods of time (multiple years)

Begin to think about measurements for tracking over-time

- Savings / Total Expenses
- Fixed Expenses / Total Expenses
- Variable Expenses / Total Expenses
- Debt / Total Expenses
- Debt (Principal & Interest) / Assets

PERSONAL FINANCE IS PERSONAL!

- Your budget should reflect your priorities
Starting Salary Averages Class of 2016

<table>
<thead>
<tr>
<th>Broad Category</th>
<th>2016 Average Salary</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>$64,891</td>
<td>499</td>
</tr>
<tr>
<td>Computer Science</td>
<td>$61,321</td>
<td>205</td>
</tr>
<tr>
<td>Math &amp; Sciences</td>
<td>$55,087</td>
<td>83</td>
</tr>
<tr>
<td>Business</td>
<td>$52,236</td>
<td>619</td>
</tr>
<tr>
<td>Agriculture &amp; Natural Resources</td>
<td>$48,729</td>
<td>24</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$48,712</td>
<td>11</td>
</tr>
<tr>
<td>Communications</td>
<td>$47,047</td>
<td>76</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>$46,585</td>
<td>69</td>
</tr>
<tr>
<td>Humanities</td>
<td>$46,065</td>
<td>46</td>
</tr>
<tr>
<td>Education</td>
<td>$34,891</td>
<td>13</td>
</tr>
</tbody>
</table>

Overall Average = $50,500
Calculate your take-home (net) pay

• PaycheckCity.com

$50,500 per year

• Less FICA & taxes
  • (assuming single, MA, withholding = 1)

= $3,132.50 per month

• Before health insurance!
## How Will I Spend My Salary?

<table>
<thead>
<tr>
<th>Housing</th>
<th>$1200</th>
<th>$600</th>
<th>$425</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>My own apartment</td>
<td>Share a 2-bedroom</td>
<td>Share a 3-bedroom</td>
</tr>
<tr>
<td>Utilities</td>
<td>$125</td>
<td>$75</td>
<td>$50</td>
</tr>
<tr>
<td>(heat, electric, water)</td>
<td>I can’t stand to be too cold or too hot</td>
<td>I don’t need to adjust the thermostat all the time</td>
<td>I almost never turn on the heat or use A/C</td>
</tr>
<tr>
<td>Food</td>
<td>$350</td>
<td>$250</td>
<td>$150</td>
</tr>
<tr>
<td></td>
<td>I want takeout/fast food almost all the time</td>
<td>I cook some and eat out some</td>
<td>I shop carefully and cook almost all meals</td>
</tr>
<tr>
<td>Phone</td>
<td>$125</td>
<td>$75</td>
<td>$30</td>
</tr>
<tr>
<td></td>
<td>I want the coolest phone with the best plan</td>
<td>I’d like a decent phone with a reasonable plan</td>
<td>Pay-as-you-go with a basic phone that I won’t use much</td>
</tr>
<tr>
<td>Clothing</td>
<td>$200</td>
<td>$100</td>
<td>$25</td>
</tr>
<tr>
<td></td>
<td>I LOVE CLOTHES</td>
<td>I need a quality wardrobe for my job and life but can bargain shop</td>
<td>My wardrobe doesn’t matter to me OR my job – thrift store it is!</td>
</tr>
<tr>
<td>Cable</td>
<td>$65</td>
<td>$40</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>I want all channels, DVR, On Demand, etc.</td>
<td>I’d like most channels</td>
<td>I don’t watch TV</td>
</tr>
<tr>
<td>Internet</td>
<td>$45</td>
<td>$25</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>I need the best high speed internet</td>
<td>I’ll use basic internet service</td>
<td>I’ll use the internet at the library</td>
</tr>
<tr>
<td>Transportation</td>
<td>$350</td>
<td>$225</td>
<td>$100</td>
</tr>
<tr>
<td></td>
<td>I want my own nice car (includes insurance, gas, etc)</td>
<td>I’ll use a combination of car &amp; public transpo</td>
<td>Bus/Train almost all the time &amp; rent car occasionally</td>
</tr>
</tbody>
</table>
Special Thanks....

- Collin College – “Personal Budgeting 101”, Clark, Mark
- Tufts University – “Budgeting & Having Fun While Living on Less”, Martin, Kara
- Williams College - “Budgeting In and After College” Hatch Blauvelt, Courtney