Budgeting Co-op Income to Meet Your Financial Goals

Christa B. Downey, 2010

SPEND IT OR SAVE IT?
So You Don’t End Up Like This
Or This
Or This

Making just the minimum 2.5% monthly payment on a $1,000 outstanding balance with 19% interest, it would take seven years to repay and cost $730 in interest.
IT'S ALL ABOUT PRIORITIES

HUNDREDS OF YEARS FROM NOW, IT WILL NOT MATTER WHAT MY BANK ACCOUNT WAS, THE SORT OF HOUSE I LIVED IN, OR THE KIND OF CAR I DROVE... BUT THE WORLD MAY BE DIFFERENT BECAUSE I DID SOMETHING SO BAFFLINGLY CRAZY THAT MY RUINS BECOME A TOURIST ATTRACTION.
Does Your Spending Match Your Priorities?
FUNCTIONS OF A BUDGET
Now, where are we going?
...AND THAT IS WHY WE LIFT ON THREE...
DETERMINE NET INCOME
DETERMINING EXPENSES

Concept borrowed from Your Money or Your Life
TRACK YOUR SPENDING
UPFRONT COSTS & IRREGULAR EXPENSES
BUDGETING: A VISUAL OVERVIEW
SETTING A BUDGET

- Time frame? Usually Monthly
- Fixed Expenses
  - Rent
  - Car payment
  - Prescriptions
- Variable Expenses
  - Food
  - Entertainment
  - Travel
  - Clothing
  - Gas, utilities
PAY YOURSELF FIRST!
Savings 15%
## Sample Monthly Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (USD)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Income</strong></td>
<td>$3,360</td>
<td>$21/hr = about $3,360/month</td>
</tr>
<tr>
<td>Taxes</td>
<td>$1,070</td>
<td>estimate – varies by city &amp; state; Most Co-ops will pay 25% fed tax</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$2,290</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$1,000</td>
<td>this could be 25-50% of your net income</td>
</tr>
<tr>
<td>Utilities</td>
<td>$60</td>
<td></td>
</tr>
<tr>
<td>Phone/Internet/Cable</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Car Payment/Transportation</td>
<td></td>
<td>varies widely</td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td>varies widely</td>
</tr>
<tr>
<td>Gas</td>
<td>$80</td>
<td>carpool with a friend!</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Dining Out</td>
<td>$75</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Travel (home, visiting friends)</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Saving for College (or retirement!)</td>
<td>$510</td>
<td>Save 15%</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses Subtotal</strong></td>
<td>$2,275</td>
<td></td>
</tr>
</tbody>
</table>
REEEVALUATE REGULARLY

- will not spend more than I earn.
- will not spend more than I earn.
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- will not spend more than I earn.
- will not spend more than I earn.
- will not spend more than I earn.
FUN MONEY

- Have a discretionary fund

Live it up!
USE CASH

- When it’s gone, it’s gone
AVOID CREDIT CARDS:

- Carrying an average balance of $500/yr. with 20% interest is $100 wasted
At regular intervals, ask:
- Am I sticking to my budget?
- What is most important to me?
- What can be adjusted?
  - $5 on coffee & a muffin every day before work adds up to $100 a month
  - Buy work clothes at a thrift store
  - Use the library rather than buying books
  - Cook meals with friends
IMPORTANT TIPS

- Pay yourself first – Save 15%
- Use cash
- Be kind to yourself – set aside $ for play
- Shop when you need something – not for entertainment
- Be honest with yourself – adjust budget when needed
- Get a credit report
- Save receipts for Financial Aid
SETTING A BUDGET: SUMMARY

1. Determine goals
2. Determine income
3. Project expenditures (based on previous expenditures)
4. Integrate a savings plan
5. Reduce debt
6. Save for emergencies (and unexpected fun)
7. Set limits
8. Stick to the limits!
9. Reassess
10. (Save receipts for Financial Aid)
RESOURCES

- General financial advice: CNNMoney.com™
- Aligning finances with values & simplifying spending:
- Automatic budget tracking tool: mint
- Student Resources:
READY TO START INVESTING?

Interview potential financial advisors!

Ask to see their portfolios!
AFTER BUDGETING: