

YALI ENTREPRENEURS

Money

Management

Workbook



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YALI ENTREPRENEURS MONEY MANAGEMENT WORKBOOK:

At every stage of life, important financial decisions must be made, from how much to spend at the market to whether you should pursue advanced education, apply for a credit card or spend money on the latest mobile phone. How well you navigate these decisions depends on your ability to manage your financial resources effectively. With each section of this workbook, you'll learn more about budgeting, saving, and goal setting to better manage your money today and for years to come.

SECTION ONE: BUDGETING BASICS

To build your financial literacy skills, start by creating a budget. A budget is a system used to monitor how much money you save and spend over a given period of time. Budgets help you stay within your spending limits and accomplish your financial goals.

1 - Create Your Budgeting Worksheet

Every budget is unique, but it is helpful to use a budgeting template like the one included at the end of this section to keep track of how much money you are spending and saving. You can create a similar worksheet in Microsoft Excel, Google Sheets or another online spreadsheet to track your income and monthly expenses. There are also a variety of budgeting apps to simplify the process from your phone or desktop, such as Monefy, Mint, Whallet, Spendee or MoneyWise.

2 - List Your Income and Expenses

Start by calculating your monthly income. Income is money that an individual or business receives in exchange for providing labor, producing a good or service, or investing money. Individuals most often earn income through wages or salary. Businesses earn income from selling goods or services above their cost of production. Whether your income is fluctuating, steady, or a combination of both, you should be able to calculate a monthly average based on your past earnings.

Next, add up your expenses over the past month. Expenses typically fall into one of two spending categories, which should be listed separately in your budget:

- **Fixed expenses** : Bills that stay the same each month, such as housing costs.
- **Variable or discretionary expenses** : Bills such as utilities, groceries, clothing or entertainment that change from month to month.

3 - Adjust Your Spending To Meet Your Goals

Keep in mind that there is no one-size-fits-all solution to budgeting. For instance, you might aim for a zero-dollar budget, in which you account for every single dollar of income and have no money left over at the end of the month.

Alternatively, you could apply the 50/20/30 rule and spend 50 percent of your income on essentials, 20 percent on priorities like debt and savings, and 30 percent on lifestyle expenses such as vacations and entertainment.

Whichever budgeting approach you select, you will need to reduce your spending in one or more categories if you have spent more than you have earned. Here are some options to consider to keep your expenses in check:

Fixed expenses

- If you have one, consider trading in your newer vehicle, motorcycle or bicycle for a used model.
- If you are purchasing a car, avoid doing so on credit; either save up for the purchase or do not make it at all.
- Cut down on your rent by cost-sharing with a housemate or living in a cheaper part of town.

Variable or discretionary expenses

- Buy household items in bulk to save on transportation costs.
- Shop around when considering a new purchase. Maybe the first store you visit is not the most affordable.
- Carry a packed lunch to work instead of buying lunch.
- Host friends at home for dinner instead of going out.
- With every purchase, you should verbally ask yourself, "Do I need this or do I just want it?" If you do not need an item and it is over your budget, do not purchase it.

Emergency Funds

It's important to set money aside for unexpected expenses such as medical bills, car repairs, rent if you are laid off, or other unforeseen costs. An ideal safety net is about three to six months worth of your living expenses. A good rule of thumb is to save 20 percent of your paycheck each month.

It's Your Turn!

Using the information you learned in this section, try to fill out the Budgeting Worksheet on the next page to see how your income and expenses stack up. Be sure to be as specific as possible when entering what you save and spend each month.

Glossary

- **Fixed Expenses:** Bills that stay the same each month, such as rent, mortgage and debt payments.
- **Variable or Discretionary Expenses:** Utilities, groceries, clothing, entertainment and other obligations that change from month to month.
- **Zero-Dollar Budget:** A budget that accounts for every single dollar of income and results in no money left over at the end of the month.
- **50/20/30 Rule:** Rule advising individuals to spend 50 percent of their income on essentials, 20 percent on priorities like debt and savings, and 30 percent on lifestyle expenses such as vacations and entertainment

Saving in Your Community

Remember that saving differs from place to place, so be sure to study the financial landscape in your community to understand what savings method is right for you. For example, depending on where you live, you should research if your money is better in a savings account or invested in a business venture. It can vary from country to country, so you have to do the proper amount of research. Keeping this in mind will help you to save wisely and with your future in mind.

BUDGETING TEMPLATE

Income

INCOME TYPE	AMOUNT
Full-time job	
Part-time job	
Other income	
Total	

Expenses

EXPENSE TYPE	AMOUNT
<i>Fixed Expenses</i>	
Housing	
Cable/Internet	
Insurance (Car, House)	
Child Care	
Other Fixed Expenses	
<i>Variable and discretionary expenses</i>	
Utilities	
Food	
Transportation/Gas	
Miscellaneous	
Total Expenses	

Once you've filled out the Budgeting Worksheet above, continue on to the next page to complete the activity.

Budgeting Worksheet Exercise

Look back at your budgeting worksheet and subtract the "Total Expenses" line from your "Total Income" line. What was the result?

Result: _____

If the resulting number was positive, it means you earned more than you spent over the month. Congratulations!

If it is negative, it means you spent more than you earned and will need to consider changing your spending habits and saving more in the future to better manage your financial resources.

What would you like to work on saving your money for? Future education expenses? A bike? A car? Building or buying a house? List three things you are saving your money for.

1. _____

2. _____

3. _____

What are three ways you can change your spending habits to increase your monthly savings?

1. _____

2. _____

3. _____

As you recall, an ideal safety net is about three to six months' worth of your living expenses. Given the expenses you just compiled, how much would you need to save for an unforeseen emergency?

SECTION TWO: UNDERSTANDING SAVINGS AND SCAMS

Once you have a better grasp of your own personal finances, it is important to understand how to grow your wealth. In this section, you will learn more about borrowing, saving, and wealth creation.

Borrowing Money

Whenever an individual or financial institution lends money, there is a possibility that the borrower will not repay the sum. To compensate lenders for that risk, there must be a reward: interest. An interest rate is the percentage of a loan that the lender charges to those borrowing money.

Saving Money

When you deposit your money in certain financial institutions, it can earn interest. When interest rates fall, chances are you will earn less interest on your savings, but also pay less interest on any debt you take on. When interest rates increase, your payments on loans and credit cards may be higher, but your savings will also earn more money.

Where to Save?

It is important to be informed about all of your options when saving your money. Understanding the financial landscape in your country, the security of the institutions within it, and the costs associated with saving can help you to determine the best way to grow your money. There are risks and rewards for each place, so make sure to weigh each before deciding what is best for you. Take a look at the chart on the next page for more information.

LOCATION	BENEFITS	RISKS
Home	<ul style="list-style-type: none"> -No costs to maintain -Convenient -Easy to access 	<ul style="list-style-type: none"> -Can be lost, stolen or destroyed in a fire or natural disaster -Might put you at risk of a home invasion
Family member or friend	<ul style="list-style-type: none"> -No costs to maintain 	<ul style="list-style-type: none"> -Can be lost, stolen or destroyed in a fire or natural disaster -Might put your friend or family member at risk of a home invasion -May put your money at risk if your friend or family member betrays your trust
Account at a financial institution	<ul style="list-style-type: none"> -Your money is protected if the institution is insured -If fraud occurs, you can retrieve your money more easily -Your money cannot be lost, stolen or destroyed in a fire or disaster 	<ul style="list-style-type: none"> -You may be charged fees, such as overdraft fees, if you do not maintain a minimum balance -Potential limitations on flexibility of transactions

Risk and Reward

While the traditional rule of thumb is “the higher the risk, the higher the reward,” a more accurate statement is, “the higher the risk, the higher the reward, and the less likely it will achieve the higher reward.”

To better understand this relationship, you must know what your risk tolerance is and be able to assess the relative risk of a particular investment correctly. When you choose to put your money into riskier investments, you run a higher risk of not seeing a return on your investment.

Common Pitfalls

Sometimes people do not have the money to repay a loan and the interest it has accumulated when due. This can happen with short-term loans that have to be paid back in just one payment or a couple of payments. In this situation, some people take out another loan to pay off the first one.

It can be difficult to escape the cycle of borrowing to cover the loan payment and still be able to pay for other expenses like food, rent and transportation. If you are considering a short-term loan to meet an immediate need, it is important to think about how you will pay off the loan.

If you are short on cash, consider the following alternatives to borrowing small amounts of money for a short period of time:

- Negotiate for more time to pay off your original loan rather than taking out another.
- Think about what you are borrowing the money for. Is it a need, an obligation, or a want? If it is a want, consider whether it is possible to spend less money for it, not purchase it, or wait until you have the money for it.
- Use your own emergency savings.
- Discuss the situation with a credit counselor or financial coach.

Fraud

Financial scams come in many forms. One of the most common is an email, text message or other communication requesting that you wire funds to an individual or organization. Most of us have seen or heard of offers to receive millions of dollars from a foreign prince, jobs that say you can earn \$80/hour while working from home, or prize announcements from a lottery you did not enter. Unfortunately, if the opportunity appears too good to be true, it probably is!

Tips to Avoid Being Scammed:

- Never send money to a stranger.
- Do not give out your financial information to anyone you do not know.
- Never open hyperlinks in emails from strangers.

Now that you've learned a bit more about borrowing, saving and common financial scams, take a minute to answer the following questions.

What is one thing you learned in this section about borrowing or saving money?

What are some of the financial scams you've come across? How did you identify them?

What is one change that you can make today in the way that you invest your money?

SECTION THREE : SETTING SMART MONEY GOALS

A lot of people are afraid to discuss their finances, but it is important to have an understanding of when, where, and how to save and spend your money. Before beginning this section, take a minute to think about your own finances. What does money mean to you? Do you shy away from financial conversations? Why?

Your Relationship with Money

It can be hard to talk about your finances. Many people feel uncomfortable talking about their money with their family and friends. It is important to bring up these conversations with your family early to encourage a healthy relationship with money, which will help all of you to make more informed and positive decisions on the way to your financial goals.

How much do you think your emotions about finances inform your decision-making?

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How did your family handle finances when you were growing up? How might that impact your comfort level discussing finances with your friends, your family or a financial adviser?

Money and Family

Whether you have a joint account with your friend, are sending money back to your family in a different country, or are opening a business with a family member, walking the line between personal and communal finances can be tricky.

It's important to set clear boundaries with your family members and to communicate clearly and often so that you can establish trust early on. Remember that you can also say "No" if you are uncomfortable about any financial arrangements that your family members impose on you. You have the power to make your own financial decisions.

Money management can be influenced by your emotions and past experiences. Understanding these influences can impact some of your financial choices as an adult and can help you better understand your unique strengths and challenges when dealing with your money.

Setting Your Money Goals

Which values are most important to you? Circle your selections below.

- | | | | |
|---------------|---------------|---------------|----------------|
| - Family | - Health | - Reputation | - Spirituality |
| - Friends | - Freedom | - Status | - Stability |
| - Other _____ | - Other _____ | - Other _____ | - Other _____ |

What are your hopes, wants and dreams?

With your values in mind, write a list of the things you would like to change and dreams you have. They can be short term (less than six months to achieve) or long term (more than six months to achieve).

Planning For Your Future

Recognizing the goals you have set for yourself and your family will help you to prioritize your financial future. Identifying estimated expenses for important life events and large purchases can put you on the right track to achieve your goals.

Fill out the following table using the instructions below and reflecting on the goals you have for the future as well as the costs associated with those aims.

- **Purchases:** List your future expenses.
- **Time frame:** Note when they are likely to happen.
- **Cost:** Estimate the cost of these expenses.
- **Savings:** Identify potential ways to pay for these expenses.

Examples of life events and large purchases to help you brainstorm:



Advanced Education



Marriage



Buying a House



Starting a Family



Buying a Car



Starting a Business

