

BUDGETS ARE COOL TO LEARN ABOUT IN SCHOOL



A free publication provided by
Consolidated Counseling Services, Inc.
A nonprofit educational credit counseling
and debt management organization.

Consolidated Counseling Services, Inc.
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www.ConsolidatedCredit.org



Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.

Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to www.ConsolidatedCredit.org you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a "Best of the Web" debt calculator, a personalized budgeting tool, and much more.

We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburden by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling 1-800-210-3481 for free professional advice. We also have partnership programs available where groups, businesses, and communities can hold financial workshops and receive free money management guides and workbooks like the one you are reading now. Please call 1-800-210-3481 if you would like to discuss pursuing a personal financial literacy program.

Sincerely,



Gary Herman
President
Consolidated Credit Counseling Services, Inc.

Managing Your Money: Why it is important to start young.

This booklet is designed to help you understand the importance of saving money and how to spend your money responsibly. Remember—it's never too soon to learn about money!

It seems people don't save money these days. Personal savings rates are at an all time low, and many people nearing retirement don't have enough money set aside to support themselves.

Did you know that:

- Over 30% of students use credit cards?
- Debt problems can cause depression in students, and that affects study habits and academic performance?
- Students strapped with high credit card debt have a more difficult time repaying student loans and have an increased probability of default?
- This year, many families will pay about the same amount in interest on credit cards as they spend for food?

It's pretty obvious that many people just aren't good at managing their money. That's why it's so important for you to learn how to save and spend wisely right now. By developing good money management skills, you can make your own future secure and get everything you want out of life.

In this booklet, you will learn how to establish guidelines for saving and spending, how to budget your money, and how to handle credit wisely.

Goal-Setting Guidelines

It is a good idea to write down your goals for saving money. That helps you keep in mind what you want to achieve—and how to get there.

Your goals should be:

- Realistic (For example, a student working part-time is not likely to be able to afford a new car without help.)
- Specific (“I need to save \$1,000 for a down-payment on a car.”)
- Limited in time (“I want to pay back my mom within the next 3 months.”)
- Actionable (“I will start an automatic deposit savings account with monthly withdrawals from my checking account.”)

Tracking Your Spending Habits

Make a list of all the money you spend in a month. Examine your list, and then answer the questions below:

1. What patterns do you observe in your spending habits? Do you buy a soda every day? Do you get food from the vending machine on a daily basis?
2. How do you decide what to purchase? Do you buy on impulse or do you plan out what you buy?
3. What factors influence your purchasing decisions? Availability? Price?

The Budgeting Process

1. Assess your personal and financial situation, including your needs, values, and stage of life.
2. Set personal and financial goals.
3. Create a budget for mandatory, flexible, and optional expenses based on your projected income. Mandatory expenses are the same each month, such as rent, loan payments, insurance premiums, car payments, etc. Flexible expenses differ each month, based on how you choose to spend your money. Examples are grocery bills, restaurant expenses, entertainment, clothing purchases, etc. Optional expenses are items that are not necessary for survival. If you are spending more money than you earn, you need to eliminate items from this category to cut back on expenses.
4. Monitor your current spending patterns.
5. Compare your budget of how you wanted to spend your money to what you have actually spent.
6. Review your financial progress and revise your budgeted amounts.

Setting Up Your Budget

Use the forms on the following two pages to create your personal budget. After you've completed these forms, try to stick to your budget for one month. At the end of the month, write down your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

Income Worksheet

Income	
Your Wages	\$
Allowance	\$
Other Income	\$
Grand Total of Expenses	\$

Mandatory Expenses

Expense	Budgeted	Actual	Difference
Car Payment	\$	\$	\$
Car Insurance	\$	\$	\$
Bus Fare	\$	\$	\$
Credit Card	\$	\$	\$
Other	\$	\$	\$
Total	\$	\$	\$

Flexible Expenses

Expense	Budgeted	Actual	Difference
Gas/Fuel	\$	\$	\$
Car Repairs Maintenance	\$	\$	\$
Telephone/ Cell Phone Bill	\$	\$	\$
Food	\$	\$	\$
School Supplies	\$	\$	\$
Clothes	\$	\$	\$
Savings	\$	\$	\$
Total	\$	\$	\$

Optional Expenses

Expense	Budgeted	Actual	Difference
Recreation/ Hobbies	\$	\$	\$
Movies/ Plays	\$	\$	\$
Sporting Events	\$	\$	\$
Magazine/ Newspaper	\$	\$	\$
Barber/ Beauty Salon	\$	\$	\$
Other	\$	\$	\$
Total	\$	\$	\$

An Example Of How To Rework Your Budget

Let's say Joe works part-time at a grocery store while he attends high school. Joe ends up taking home about \$600 each month from his paycheck.

Joe's mandatory expenses each month are \$175 car payment and \$98 for car insurance. His flexible expenses are \$50 for college savings, \$30 for his cell phone, \$100 for food, \$40 for gas and oil. Joe's optional expenses are \$40 for clothes, \$20 for the movies, \$30 on recreation. In a typical month, Joe is left with \$17 after expenses.

Adjusting Joe's Budget

Let's say this month Joe picks up \$45 in overtime (additional income) and his expenses change. His car insurance goes up to \$118.

Joe spent only \$90 on food, but paid \$25 at the movies and for pizza with his friends. He spent \$30 for a birthday present for his mom (an unbudgeted expense).

How did Joe do this month? His extra income allowed him to spend more money, but he still didn't spend more than he earned. Good going, Joe!

Why Credit Card Companies Want Teens

You've probably received lots of mail from credit card companies. More and more teenagers are being offered credit these days—despite the fact that most full-time students don't have regular income.

Teens and young adults are also solicited by credit card issuers because:

- College students spend a lot of money on things like tuition, books, late night pizzas, and t-shirts. Often, these expenses are charged to credit cards.
- College students generally have high future earning potential, as well as high spending potential.
- Several studies have found most people hold onto their first credit cards for up to 15 years.
- Aggressive marketing techniques have paid off for the credit card companies. An estimated 80% of today's college students have credit cards.

10 Tips for You To Handle Credit Wisely



With so many young people having credit cards these days, the risk of getting into debt trouble is greater than ever.

Don't be tempted to get in over your head.

Here are some tips for handling your credit wisely:

1. Remember that credit is a loan that you must repay. Before you apply for your first credit card, decide what you will use it for and more importantly, how you will pay the bill.
2. Take your time. Start with one card with a low credit limit, and use it responsibly before you even consider getting another.
3. Shop around for the best deal. Check out www.BankRate.com for some great advice on credit card deals.
4. Study your card agreement closely; always read the fine print on the inserts enclosed with your bill. Credit card offers differ substantially, and issuers can often change the terms at will, with 15 days notice.
5. Try to pay off your balance each month. Sure, you can just pay the minimum, but you'll be surprised at how quickly those finance charges add up. If you owe \$1,000 on an 18% card, for example, and you pay only the minimum each month, it will take you over 12 years to repay the balance.

6. Pay your bills on time. Even one late payment can put a black mark on your credit record—and might cause your issuer to raise your interest rate to the maximum allowed under your agreement.
7. Set a budget—and follow it. A good rule of thumb is to keep your debt payments less than 10 percent of your after-tax income. If you take home \$750 per month, for example, you should spend no more than \$75 a month on credit card payments.
8. If you move, notify your credit card company immediately of your new address.
9. If you know you are going to be late on a payment, call your issuer immediately—before the payment is late. In most cases, the issuer will work with you to make payment arrangements that won't affect your credit rating.
10. At the first sign of credit card overuse, such as using one card to pay off another, make your credit cards harder to use. Stop your spending by cutting up your cards or giving them to your parents for safekeeping.



Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, the *CBS Evening News*, and *CNN*. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of Bankcard Holders of America, as well as a policy director for the National Council of Individual Investors. She has also served on the Board of Directors for the National Coalition for Consumer Education as well as Experian's Consumer Advisory Council.



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