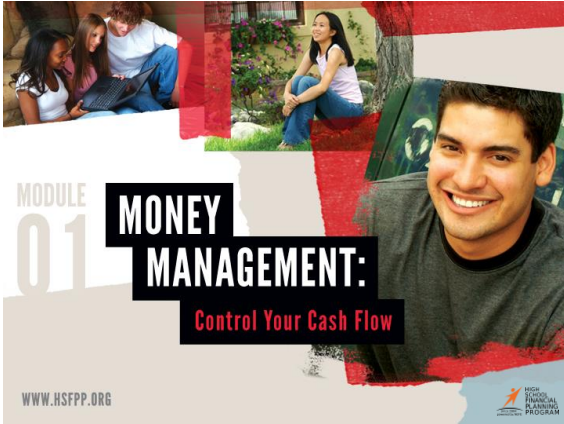
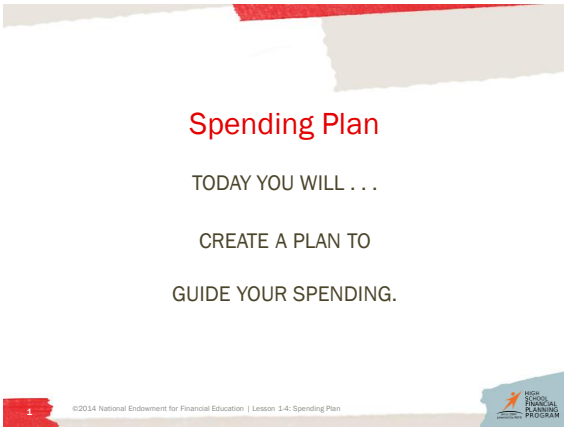
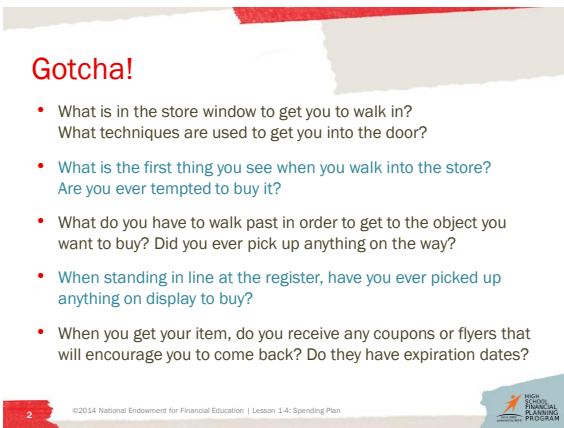


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Preview

Today we will answer these questions:

- How can a spending plan help me better manage my spending habits?
- What is a spending plan?
- How do I use a spending plan?

Use what you learn today to
create a spending plan.

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Whoops!

What does the repair or replacement cost?

1. Break flat-screen TV
2. Break laptop (hardware)
3. Download virus on computer
4. Fender bender
5. Flat tire
6. Fractured/broken bone
7. Lost cell phone
8. Lost iPod
9. Run out of gas
(Unable to walk to a gas station. Need to have auto service company bring gas.)

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Spending Plan = Road Map for Success

*By failing
to prepare,
you are
preparing
to fail.*

Benjamin
Franklin

Establish priorities; plan in advance to:

- Make progress to achieve goals.
- Avoid “traps” and buyer’s remorse.
- Deal with unexpected costly events.
- Have money on hand when you need it.
- Put you in control of how your money is used.

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Can Michael and Selena Cover Expenses?

Monthly Expenses	Michael	Selena
Cellphone	\$45	\$0
Car Insurance	\$70	\$0
Food	\$120	\$60
Gas	\$40	\$0
Clothes	\$30	\$60
Entertainment	\$100	\$40
Personal Care	\$5	\$10
Donations	\$0	\$8
Total Expenses	\$410	\$178
Estimated Income	\$544	\$160
Difference	\$134	\$(18)

Building a Spending Plan

1. What are the goals?
2. How long will the plan be used?
3. How much income is available?
4. What are the anticipated expenses?
5. How does the plan need to be adjusted?

Predict Your Income

Types of Income:

- Pay
- Allowance
- Interest
- Gift money
- Sales

Tips to Predict:

- Use what is known:
 - Pay
 - Regular allowance
 - Average interest earned
- Be conservative:
 - When estimating, aim lower rather than higher
 - Don't count on windfalls

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Estimate Your Expenses

Classify Expenses:

- **Fixed:** Known, regular payments (Internet fee)
- **Variable:** Known but irregular payments (groceries)
- **Periodic:** Known but occasional payments (school fees)

Tips to Estimate:

- Use averages for variable expenses
- Split periodic expenses into chunks
 - Example: Plan to set aside \$100 a month to pay the annual \$1,200 car insurance premium.

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PYF – Pay Yourself First!

Set aside money for “big ticket” items.

Avoid borrowing, which costs you more money.

Very wise to save a little now for later.

Every time you PYF you have more money to spend later on things that are important to you!

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Make Adjustments

Ideal Situation: Spend at or below your means

Income > or = Expenses

If Expenses > Income

- ↓ variable expenses
- ↑ income
- ↓ unnecessary expenses

If Income > Expenses

- ↑ PYF savings funds
- ↓ any loan obligations

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Maya's Spending Plan

Scenario

Maya is a senior in high school who works part time. She is expected to pay her car loan and a few other bills. Help her set up a spending plan to cover her expenses and also allow room to save money for a trip and college tuition.

Answer the following as a guide to complete your task:

- What are Maya's goals?
- How much is her income?
- What are her fixed expenses?
- How should her variable expenses be adjusted?

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Without a Spending Plan

- May come up short on money before the next paycheck or allowance payment
- More likely to not reach long-term spending goals
- Added stress if struggling to keep up with payments
- May need to give up something you planned if money needs to be used for unexpected emergencies
- Give up independence if you need to rely on others for financial help

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Challenge

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Create a **spending plan** so you can pay for the things you need and want.

Choose one of the following situations:

- Big purchase
- Upcoming event
- Monthly expenses

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