

Unit 1 Review

Vocabulary-In note

Math- Calculate expense for monthly goals, after-tax income, etc.

Analyze- Identify Income and Expense Items, know when to make spending adjustments if needed (Tom's Spending Plan)

Money Habits

- Affect your future, so it is important to develop good money habits
- Good habits: Comparison-shopping, paying bills on time
- Bad habits: Spending on unnecessary things frequently

Need vs. Want

- Needs - Things that are essential to your health and security (Food, shelter, etc.)
- Wants - Things you can get by without (Snacks, accessories, etc.)
- Items can be needs if they are essential to you. (ex: Transportation for job)

SMART Goal

- Specific - What needs to be accomplished, who is involved, where, why
- Measurable - How much money.
- Attainable - Is it a reasonable stretch, likely to succeed, attainable resources
- Relevant - Worthwhile, meaningful to self, would it delay/prevent more important goals
- Time-bound - Deadline, Due date

*DECIDE Steps (know the meaning, not the application)

Big ticket or major buying decision

- Define goal
- Establish criteria
- Choose 2-3 good options with must-haves
- Identify pros and cons
- Decide on best option
- Evaluate results

Parts of a Budget

your budget or spending plan is the road map that will guide you to your success. It should detail exactly how you're going to use your money to pay for the things you want and need. An effective spending plan not only multiplies your chances of success.

- Income - The money you receive (paychecks, gift money, allowance, interest.)
- Expenses - What you spend money on (money going out)
 - PYF- Pay yourself first (forces you to save for your goals.)
 - Fixed expenses - Cost the same every time (car/student loans, bills, etc.)
 - Variable expenses - Amount varies each time (food, clothes, etc.)
 - Periodic expenses - Occasional expenses (trips, etc.) ***Convert to fixed or variable**

- Must have balanced budget (Total Income = Total Expenses)

Without a budget

- You have no idea if you're getting have enough money to pay all your bills.
- You make random purchases of things you don't really want or need.
- You end up kicking yourself when you don't have money left for something important.
- You might end up going into debt.
- Harder to save for your goals.

6 Steps to a Winning Spending Plan/ Budgets

1. Decide time frame for tracking income/expenses (Monthly is most common)
2. List all income received or will receive in time frame
3. Use spending log to create categories and predict amounts for each expense
4. Subtract total expenses from total income (should = 0)
5. Implement plan
6. Review and adjust plan as needed to improve

Goal Time Frames

- Short-term: 0-3 months
- Medium-term: 3 months to 1 year.
- Long-term: More than 1 year

Stop, Drop, and Think (Useful Strategy with your are thinking making a purchase)

- Do I need this or want it?
- If I don't need it, why do I want it?
- Exactly when will I use it?
- Can I find it for less somewhere else?
- What will I have to give up or put off by buying this now?