

BUDGETING:

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A budget is a spending plan based on income and expenses. In other words, it's an estimate of how much money you'll make and spend over a certain period of time, such as a month or year.

Gross pay Vs. Net Pay

Gross Pay : Amount of wages an employees earns before any tax deductions or other amounts have been takes out of it

Net Pay: Amount of money your employees get after taxes and deductions have been taken out. (Actual money people get on their pay day)

Needs Vs. Wants

Needs: Items you need to function your life.

Ex. Winter Coat, Used Laptop, Glasses

Wants: Items you want but don't need to function your life.

Ex. Concert Ticket, Upgrade Smart Phone, Gym Membership

Budgeting

6 Top Budgeting Apps

1. Mint or Mint Mobile (Free)
2. YNAB
3. Goodbudget
4. Personal Capital (Free)
5. Honeydew (Free)
6. Fudget (Free but can choose one time fee of 3.99)
7. Nerd Waller (Free)

Budgeting Basics

1. Work with present dollars. NOT with an imagined future.
2. Size of your army is your current account balance. Meaning you only have what you own.

Not your debts

3. Print out your bank's three statements to see patterns.
4. 5 main points
 - Essentials - Something you need to live

- Rent
- Utilities
- Gas (don't need if you have e-car)
- Car Payments
- Health Insurance
 - Security - Securing your money
 - Building Financial Security, Emergency Funds, Paying debts.
 - Goals- Putting money away to achieve big goals.
- Buying a House
- Big Vacation
- Buying a Car
 - Lifestyle - These are expenses that help you navigate your social world.
- Apparel
- Gift
- Memberships
- Charity
- Grooming
- Pet Needs
 - Discretionary - Treating yourself
 - Going out to dinner, Subscriptions (Disney Plus, Amazon Prime, Netflix)
 - Battle Plan (Most Important to Least Important)
 - Essentials
 - Security
 - Goals
 - Lifestyle
 - Discretionary

5. You made your first paycheck. Now what do you do?

- a. Write it down
- b. Update it
- c. Use advanced tech

6. Different types of expenses

- a. Fixed Expense: They are standard expenses that happen every month, on a certain day, and for a certain amount.
 - i. Ex. Your mortgage, cell phone bill, car payment, gym membership, utilities, and Netflix
- b. Recurring Expense: We sometimes refer to recurring expenses as day-to-day expenses.

- i. Groceries, gasoline, eating out
- c. Non-Recurring Expense: These expenses may only happen once or a couple of times a year.
 - i. Car registration fees, or your Amazon Prime membership.
- d. Whammy: Whammies are the most frustrating kind of expenses.
 - i. Your car gets totaled. Your roof starts leaking, and you find out you need to reshingle the whole thing.

7. Tips

- a. Pay Yourself First
 - i. The First Bill You pAY Every Month Is Into Your Saving Account.
- b. Zero - Based Budget
 - i. Every Single Dollar OF Your Income IS Assigned To A Specific Expense.
- c. Envelope Budget
 - i. You Put Specific Amount Of Money Into Envelopes (Physically Or Online) Representing Different Budget Categories.
 - ii. IF you have Some Cash left Over...
 - 1. Roll over the remaining funds into the same envelope the next month
 - 2. Transfer the remaining funds for a different envelope
 - 3. Put the remaining funds into savings for a later date

8. Fees Before The Lease

- a. Application Fee
 - i. Intended to cover the cost of running a credit and background check on you, the prospective tenant. It's not refundable. You'll submit this payment with the rest of your rental application.
- b. Administrative Fee
 - i. often charged in conjunction with an application fee when you apply to rent an apartment. Both are non-refundable. Administrative fees are usually attached to larger complexes where a property management company runs the show. Individual landlords who manage their own properties don't usually charge these kinds of fees.
- c. Application Deposit
 - i. This is also known as a "good faith deposit" or a "holding deposit." If you're interested in renting a particular apartment, the landlord or broker may ask you to put down an application deposit of several hundred dollars. This reserves the unit for you until you're ready to pay the security deposit and sign the lease. Once you do sign the lease, this money should go towards paying your security deposit or first month's rent.
- d. Broker Fee

- i. paid by tenants. Most fees are equivalent to 12-15% of the annual rent, although less desirable units might have fees equal to one month's rent. You'll pay this fee when you sign the lease.

e. Pet Fees

- i. If you have a roommate of the animal variety, expect to pay extra when you sign your lease. The three most common costs associated with animals in rentals are pet fees, pet deposits, and pet rent. Although they sound pretty similar, it's helpful to understand the distinctions. A pet fee is a one-time, nonrefundable fee, usually between \$200-600. A pet deposit is similar, except that it is refundable—unless your furry friend damages the apartment, in which case the landlord can keep the money to make repairs. Finally, pet rent is a monthly charge of \$10-50 that's tacked onto your regular rent.

f. Security Deposit

- i. sum of money you pay to your landlord or property management company when you sign a new lease, usually equal to one to two months' rent. Think of it as insurance for the apartment owners. They can keep some or all of the money if you skip out on your rent or severely damage the apartment. But if you leave the unit as you found it—minus normal wear and tear—your landlord should refund your entire security deposit when your lease is up.

g. Move - IN Fee

- i. A move-in fee is nonrefundable and paid when you sign a lease. Sometimes it's used to offset the cost of a new tenant—updating mailboxes, changing directories, repairing damage to the hallway paint caused by movers—but other times it could just be a way to make extra money.

9. Should You Buy A House

a. House

- i. A place to live
- ii. A long term Investment
- iii. Every time your Mortgage Payment Or your Home Value Increases You're saving money for your future

b. Younger generation is in more debt than older generations because of student loans.

c. Pension - Paid By Employer

d. Social Security - PAid By The government

e. Retirement Savings - Paid By You

f. When buying a house here are some questions to ask yourself...

- i. Can I Get Good Mortgage Terms

1. Interest Rate

- a. Consistent, provable source of income
- b. Credit score of 760 or higher
- c. Down payment ~ 20% of the home price

- ii. Will I have Emergency Funds Left Over
 - 1. Liquidity - The degree to which money can be easily accessed.
 - 2. Have At Least 3x your monthly expenses saved for emergency funds
- iii. Can i stick around for at least 5 years
 - 1. If you buy a house and sell it soon after you buy it, Sellers can expect to pay 5% to 10% of home price in extra fees

10. How Cars Keep You Poor

- a. Depreciation - when something has high value but will lose value over the years of you keeping this item
- b. Car's are not an investment at all
- c. How to save money with cars
 - i. Buy a car that is at least 5 years old
 - 1. Right away you save more than half depreciation value
 - ii. Save up to buy a car in cash
 - 1. Avoid spending more than your budget
 - iii. Save and equal amount of your car payment
 - 1. If your not saving \$300 per month, then don't take up a car payment for \$300 per month

11. How to Save Money At the Supermarket

- a. Don;t buy chopped up vegetables as they are more costly.
- b. MOst expensive items are on eye level however more healthier and less costly items are high or below.
- c. Don;t get free samples if you don;t know whether to buy it or not.
- d. 10 for \$10 bargain however the fine print may say 1 for \$1. Same price. They just want you to spend more money.
- e. Don't buy stuff from checkout lines
- f. Stuff to remember when going to supermarket
 - i. Make A Llist
 - ii. Use Smaller Carts but nor hand baskets
 - iii. Bring headphones and listen to upbeat music
 - iv. Don't shop hungry
 - v. Bring Cash

12. Unit Pricing Helps You save

- i. Unit Price is Your Friend at the Supermarket

- ii. However unit pricing is not universal
- iii. A sliced bag of cheese cost three times more than an unsliced bag of cheese
- iv. They may try to trick you by making the font small or they may put it in different units.
- v. A good tag has
 - a. Unit Price
 - b. Retail Price
 - c. New Low Price

13. How much should i budget for eating out

- a. To answer this question, turn a critical eye to your motivation. The restaurant gets your dollars, but what's the best part of the trade *for you*? If it's not the food, then maybe it's:
 - A treat to get you through your commute or workday afternoon (a break/distraction)
 - Quality time with coworkers and friends at happy hour (closer bonds/time to socialize)
 - Outsourced meal-planning (less to do/automation)
 - The game to save even more money with restaurant offers and discounts (the thrill of getting the deal)
 - A helpful option when you need the convenience

In these examples, the food is secondary, and there might be a less expensive way to get the thing you truly want

- b. Try A budget Friendly Option
- c. If you need coffee to boost your energy then try waking up early, make your own coffee and put in a thermos before going to work. If you go out to eat because you need a break from work try replacing it with a walk.
- d. If you want to hang out with your co-workers, host a potluck in your house or find a table at the cafeteria at your work and call them over.
- e. You can always stick to themes such as Mozzarella cheese sandwich Mondays and taco Tuesdays.
- f. You could always cook a big meal on sundays to last you for a few nights
- g. You could also compare the cost of meal planning serviced
- h. Prioritize your dining
 - i. Ex
 - 1. Time with friends

2. Work Lunches
 3. Fast Food
 4. Date night
 5. Convenience
 6. Coffee Break
- i. Try to follow these steps

14. Inflation explained in one minute

- a. Let's assume your monthly income somehow doubled, then you would be able to buy double the amount of items right. However what if everyone's monthly income doubled. Then this would not be possible because there would be two times more money chasing the same goods.
- b. Let's suppose your income doubled however everyone else's income tripled. Then you would actually become poor. Since making two times more money is not enough to keep up with everyone else
- c. 50% inflation = less purchasing power
- d. 0% inflation = same purchasing power
- e. -50% inflation (Deflation) = More purchasing power

15. What is Gig economy

- a. Short term jobs a.k.a GIGS
 - i. Freelancing
 - ii. Temp jobs
 - iii. Jobs in the Share Auto Economy
- b. More popular since the internet can connect people from different parts of the world

16. How to Budget

- a. Fixed vs. Variable expenses
 - i. Fixed expenses - Cost that stay the same month to month
 1. \$1,200 as rent
 2. \$ 300 for car
 3. \$ 400 for collage
 4. \$ 100 dollars for phone
 5. \$100 for internet
 - ii. Variable expenses - Expenses that change month to month
 1. \$200 on food
 2. \$250 on health care

3. \$150 on clothes
4. \$200 for entertainment
- iii. ALWAYS ADD \$100 TO YOUR RETIREMENT SAVING ACCOUNT
- iv. So now we spend \$2,100 for fixed, \$800 on variables and \$100 for retirement. \$3000 monthly income has been accounted for. But you haven't saved any money for a vacation during the summer.
- v. What to do now?
 1. Warm more
 - a. Take a part time job
 - b. Work more hours
 2. Spend Less
 - a. COuld you cut back on your entertainment and Clothing expenses for a few months

b. Understand your goals and the money you have to achieve them

c. Budget goals can be..

- i. short term - two months or less
 1. Saving for holiday gifts
 2. Buying a Tv
- ii. medium term - 2 months to 3 years.
 1. Planning for a vacations
 2. Starting a business
 3. Picking up a new hobby
- iii. Long term goal - # or more years to achieve
 1. Saving For collage
 2. Buying a home
 3. Preparing for retirement

17. How to budget as a gig worker .

1. Figure out your average expenses and income.

- a. The first step when creating any type of budget is determining what you're earning and what you're spending each month. When your income fluctuates, this step can be challenging. Start by tracking your expenses and income for three to six months. To ensure you're paying down debt and setting aside money for savings each month, treat these goals as expenses as well.

2. Pay yourself a monthly salary.

- a. Whatever budgeting method you choose, it's important that your budget balances at the end of each month. In other words, your expenses don't exceed your income and your budget balances to zero. One way to deal with fluctuating income is to create three bank accounts: one for your income, one for your expenses, and one account that will be your savings buffer. Deposit all your sources of income into your income account. Your 'salary' will be equal to your average monthly expenses calculated in the example above. Each month transfer your 'salary' from the income account to your expenses account.

3. Avoid relying on debt.

- a. To avoid feeling like you're always falling behind, stick to your budget and avoid turning to debt. When work opportunities are abundant and your income is higher, consider putting more towards your debt repayment if you can. Freeing yourself from costly credit card debt or vehicle loans will eventually allow you to focus on short and long-term savings goals instead. If debt payments are making it harder to make ends meet, use our debt options calculator to compare debt solutions or speak to a Licensed Insolvency Trustee.

4. Save for the lack of benefits and vacation days.

- a. Along with the perks of gig work, like flexible schedules and high earning potential, are also some drawbacks. While freelancing or contract working, you will miss out on benefit plans and paid vacation leave provided by most companies to their full-time salary workers. It is wise to establish how much your annual health care needs will be and how much to save for when you want to go away for a week. You must incorporate how much these expenses will cost on an annual basis into your budget and continuously set aside a portion of your savings specifically for these items.

5. Don't splurge on the good months.

- a. As a gig worker, your income will likely fluctuate month by month. Some months you may struggle to make ends meet while other months you make significantly more than a typical 9-5 job. As difficult as it may be, it's important to remember during those good months to not overspend your recent earnings. Instead, invest that extra money into something that will be beneficial in the long term. You could reinvest that money into growing your client base, learn a new skill to add to your repertoire or, as mentioned earlier, pay off some debt.

6. Plan for hidden costs.

- a. When negotiating your gig work jobs it is important to determine who is responsible for every cost. Time, equipment and shipping are just a few costs that can easily bring your hourly earnings down from

\$20 to \$5. The best way to mitigate the risk of a hidden cost is to have clearly written proof of the working contract. There will be times when hidden costs still arise though. To prepare, it is important to have an emergency savings fund for this type of expense. It is wise to keep a substantial amount set aside as the hidden costs can range from small to large.

18. Difference between a freelancer, a contractor, and an employee

a. Who is a Freelancer?

Freelancers are individuals who are self-employed, pay their own taxes (not their client), and usually have more than one employer for whom they work.

Their scope of work can vary:

- Setting up a newsletter template for a single small client;
- Supervising a project from start to finish;
- Doing a logo design for a startup, etc.

a. Who is a Contractor?

Contractors operate much like freelancers: they are self-employed, pay their own taxes, and can be involved with several clients at a time. However, there are some key differences.

1. Contractors can work solo, or through an agency;
2. They can be hired as a temporary replacement to a full-time worker;
3. They can work on the employer's premises and use their equipment;
4. More likely to work full-time and for a longer period of time for a single employer;
5. Clients/Employers also aren't obligated to pay health insurance or benefits.

c. Who is an Employee?

Employees are individuals working full time for an employer who pays their taxes, health insurance, pension (optionally), and regulates their sick leave and holidays. The differences between employees and contractors and freelancers are much bigger.

1. They work exclusively on the work premises;
2. They use company-provided tools, materials, and space;

3. Employee work hours are regulated and managed by the employer;
4. Their salaries are usually fixed, paid out on a monthly basis;
5. The work they do is more guided, there's less autonomy.