



Main Street Baptist Church Financial Literacy Workshop

APPLYING BIBLICAL PRINCIPLES TO YOUR FINANCIAL PUZZLE

Series 2: SESSION I - Virtual (via Zoom)

“Creating Spending Plan Towards Financial Empowerment”

January 9, 2021

Poll....

1. Which of these are not expenses?

- a. Wages
- b. Gifts
- c. Things we need
- d. Things we want

2.. What can help you buy your future wants and needs?

- a. Impulse buying
- b. Expenses
- c. Overspending
- d. Savings

3. A budget helps you to

- a. buy everything you want
- b. balance your income with your expenses
- c. overspend
- d. earn more money

4. Which of these is not a reason to budget?

- a. To put you in control of your money
- b. To determine how much money you have to spend
- c. To increase your income
- d. To decrease your impulse spending

5. A budget can be made by:

- a. keeping a diary of your expenses
- b. copying your friend's budget
- c. deciding what to buy when you go to the store
- d. checking how much money is in your pocket

6. An example of a fixed expense is:

- a. clothing
- b. car insurance
- c. food
- d. educational expenses

7. An example of a flexible expense is:

- a. rent
- b. car payment
- c. home insurance
- d. entertainment

DISCLAIMER

Elizabeth Warren's Budget Formula

It's open to debate whether U.S. Senator Elizabeth Warren thought up the 50-20-30 rule, but she popularized it in "All Your Worth: The Ultimate Lifetime Money Plan," the book she wrote with her daughter, Amelia Warren Tyagi.

Biblical Principles... Accept Wisdom and take Action based on it.

▶ Proverbs 19:20

- ▶ Listen to counsel and accept discipline,
That you may be wise ^[a]the rest of your days.

▶ Proverbs 18:15

- ▶ An intelligent heart acquires knowledge, and the ear of the wise seeks knowledge.

▶ Proverbs 19:20

- ▶ Listen to advice and accept instruction, that you may gain wisdom in the future.

▶ Proverbs 16:16

- ▶ How much better to get wisdom than gold! To get understanding is to be chosen rather than silver.

**Moving From
Financial literacy
to Financial
Stability; and our
final goal of
Financial
Empowerment**



Series 1 - Financial Literacy -
2020



Series 2 - Financial Stability -
2021

Series 1 - Financial Literacy - What is it and Why is it Important

It's understanding how to manage your money and financial resources; the ability to make informed decisions in managing your personal finances, understanding and analyzing financial products and services in order to make **smart decisions** about what to do with your money effectively.

The financial knowledge and skills you learn gives you the awareness and power to make good financial decisions.

- ▶ You must not FEAR your finance...but FACE them with a Plan
- ▶ It's always evolving... Must stay current and keep learning!!

Series 2 - What is Financial Stability?



Not worrying about paying your bills because you know you will have the funds.



Having and implementing a plan to become debt free.



Having money saved for your future goals and emergencies.

What is Required for Financial Stability?

Having an Action Plan and commitment to application and accountability

Series 2 - Action Plan:

- ▶ Discuss a new financial stability tool each month
- ▶ Discuss the benefits of using the tool
- ▶ Discuss the consequences of not applying the tool
- ▶ Demonstration of how to apply the tool
- ▶ Applying the tool and feedback

To Ensure Your Financial Stability you Need a Budget or Spending Plan to ---

Budget/Spending Plan...

accomplish a number of short, and long-term financial objectives

- ▶ Forces you to track your income and expenses...to see where your money is going
- ▶ Look at your current spending and set controls
- ▶ Reduce unnecessary financial stress
- ▶ Help you focus on what is important to you: housing, college, travel, etc.
- ▶ Organize your cash flow for a defined period....generally monthly
- ▶ Have a dedicated amount set aside for the future: savings, retirement, investing, etc.
- ▶ Prepare you for emergencies
- ▶ Identify bad spending habits
- ▶ Develop new money behaviors

Why is Budgeting so Important?

- ▶ A budget outlines your spending plan, so you know exactly how much money goes toward each expense. Budgets are also extremely helpful when trying to decide how much you have available to save and how much money you can put toward paying off your debt.
- ▶ It's extremely hard to become financially stable if you live without a budget.
- ▶ It gives you the power to manage and grow your money!
- ▶ You **define** where every money goes

What's the Consequences of NOT Having a Budget/Spending Plan

Late payments/Likelihood of going into debt

Negative credit

Guilty when you spend money

Lack of savings for emergencies and goals

Unnecessary financial disputes

Unnecessary stress and health concerns

Reasons Why People Do Not Budget


- ▶ It Takes Too Long - finding a good budgeting system that works for them
- ▶ Feel they do not have enough money to budget - too broke to budget
- ▶ Don't like the hassle of tracking their spending and seeing how much they have left
- ▶ Their spouse is not on Board - it can be difficult to start budgeting if your significant other is not on board.
- ▶ Budgeting makes them feel bad - Budgeting can elicit feelings of deprivation and not getting what they want, which can be tough.

TOOL...
**Creating and
Implementing a
Monthly
Budget/Spending
Plan**

Commit to completing and updating a budget or spending plan monthly



MUST schedule at least one hour of uninterrupted time per month to reconcile your budget.... Were your projections correct compared to what you spent? Make the adjustments for the next month.



Complete a new budget

Budgeting/Spending Plan... There are multiple budget formats to consider



A spiral bound notebook or notebook paper



Envelope system



50/30/20 budget worksheet



Computer ...Google, Excel



A mobile app

Steps to create an Envelope Budget System

Envelope budgeting is a manual budgeting system that uses envelopes to store budgeted amounts of cash. Every budget category has an envelope.

1. Make a budget of everything thing you need to pay for the month.
2. Label envelopes for each major budget category.
3. On payday, put the budgeted amount in each envelope.
4. Take the money out of the envelopes to spend as needed.
5. On next payday, deposit surplus funds in a savings account, carry over into the next pay period, or transfer to another envelope.
6. Start over at step 3.

When an envelope becomes empty, you'll have to stop spending in that particular category.

<https://www.youtube.com/watch?v=LYq5V-WtOCA>

Fillable Paper Budget Worksheet

- ▶ <https://www.consumer.ftc.gov/articles/pdf-1020-make-budget-worksheet.pdf>

How to Create Your 50/30/20 Budget

- ▶ The 50/30/20 budget method is a simple method of creating a budget that focuses on three main categories.

Needs, Wants, and Savings

- ▶ Your after-tax income is divided into these three categories based on certain percentages.

Needs = 50% Wants = 30% Savings = 20%

At this point, it is clear to see how the 50/30/20 Budget Method got its name.

- The 50/30/20 budget method is best suited for those who want a simple and flexible way of maintaining their budget. The amounts you spend on items in each category can change from month to month.
- You only need to ensure that you remain within the 50%, 30%, and 20% spending limits of each category. This will ensure that you are always moving toward your financial goals.

Budget 50/30/20 (cont.)

With the 50/30/20 percentage budget, you allocate:

50% of your income toward living expenses and necessities

30% toward variable expense - wants

20% toward debt and savings

Here's how this would look:

If you bring home \$3,000 each month. Under the 50/30/20 budgeting method:

\$1,500 = ($\$3000 \times 50\%$) toward living expenses and necessities

\$900 = ($\$3000 \times 30\%$) towards variable expenses - wants

\$600 = ($\$3000 \times 20\%$) toward debt and savings

Financial Stability Budgeting Tools.....

▶ Review sample 50/30/20 Budget Worksheet

▶ Instructions to complete 50/30/20

<https://www.healthywealthyskinny.com/how-to-create-a-50-30-20-budget/>

▶ Blank 50/30/20 Budget Worksheet

[50-30-20_worksheet.pdf \(fiftythirtytwenty.com\)](#)

Some Budget Apps ...

The most basic budget apps typically connect with your financial accounts, track spending and categorize expenses so you can see where your money is going. But many apps do much more than that. The budget apps below are popular because of their features.

- [PocketGuard](#), for a simplified budgeting snapshot
- [Mint](#), for budgeting and credit monitoring
- [YNAB and EveryDollar](#), for zero-based budgeting
- [Goodbudget](#), for shared envelope-budgeting
- [Honeydue](#), for budgeting with your partner
- [Personal Capital](#), for tracking wealth and spending

Commitment, Rewards, and Accountability

- ▶ You must be **COMMITTED** to yourself, your money, and your future
- ▶ Don't forget to give yourself rewards for a job well done! Staying faithful to your financial plan for a month is a big deal, that's why you should give yourself a pat on the back.
- ▶ If you are single find a budgeting buddy...hold each other accountable for completing your budget discussing techniques, tips, challenges, and successes ...budgeting can be fun and educational. If married, you can make budgeting a date night, pick up dinner and discuss your budget ...what is working and what is not. Discussing finances, and encouraging others will enhance your comfort, confidence, progress, and long-term commitment.

Exercise & Follow-up Discussion

Budgeting exercise: Complete your January 2021 - budget using whichever format you prefer

Follow-up discussion for next session:

- ▶ Which budgeting method did you use?
- ▶ Did you stay on track? if not, what did you do to get going again?
- ▶ What challenges did you encounter?
- ▶ How did you stay encouraged?
- ▶ What's your budgeting plans moving forward?
- ▶ Did you collaborate with someone for accountability?
- ▶ What ways will you use the knowledge and skills learned to help others?

Opportunity to Increase Your Financial Knowledge & Stability ...

Read and review a personal finance book once per month

Book - The Richest Man in Babylon

Author - George S. Clason

Review and Discuss: The foreword and Chapter One

When: February Meeting

Cost - \$4.95 on Amazon

The Richest Man in Babylon, based on “Babylonian parables”, has been hailed as the greatest of all inspirational works about thrift, financial planning, and personal wealth. In simple language, these fascinating and informative stories set you on a sure path to prosperity and its accompanying joys. A celebrated bestseller, it offers an understanding and a solution to your personal financial problem. Revealed inside are the secrets to acquiring money, keeping money, and making money earn more money.

Stay Committed, Celebrate, and Share Your Financial Growth

- ▶ Commit to becoming financial stable...Budgeting is your first step...It's a necessary tool that helps you plan where you want your money to be spent and allows you to evaluate your spending compared to your plans each month
- ▶ **Where would you like to see your finances on January 1, 2022??**
- ▶ **Make a commitment to yourself!! Build the financial confidence you need!!**
- ▶ Always remember the gift of giving ... as you master your own personal budget, this could be a gift that you could give to others who need a financial boost or help them start their emergency fund... which could keep them from asking you for financial assistance again in the future.

How bad do you want it?

- ▶ We will refer back to your completed 50/30/20 budget for our next session....

Links to Previous Sessions via YouTube

- ▶ Goal Setting and Saving (part1) https://www.youtube.com/watch?v=0Bs1GXST_sM
- ▶ Goal Setting, Saving (part 2) & Debts <https://youtu.be/cSMygOaQ6yl>
- ▶ Insurance & Warranty https://youtu.be/VduRNVkZ_Cg
- ▶ Protecting Your Identity, Spams, and Scams <https://youtu.be/EfCcveFCWSI>
- ▶ Housing Options at all Stages of Life <https://youtu.be/-ErvE4aSBhg>
- ▶ Life Insurance, Long-Term Care, and Estate Planning https://youtu.be/F_qYpmnaL04
- ▶ 180 Session - Money Management <https://youtu.be/nMVADPOjcm0>