

Edward Jones®

Power of Budgeting



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Welcome!

Presented by:

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Financial Advisor

Our purpose is to partner for positive impact—to improve the lives of our clients and colleagues, and together, better our communities and society.



Knowledge leads to confidence

- Many currently lack the necessary knowledge to manage and improve financial wellbeing.
- Providing access to the basics of personal finance helps achieve financial and life goals.



Confidence creates resilience

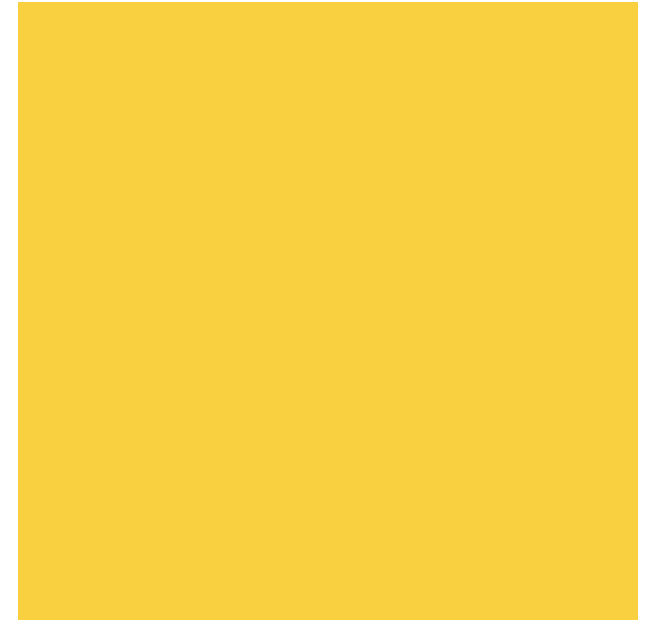
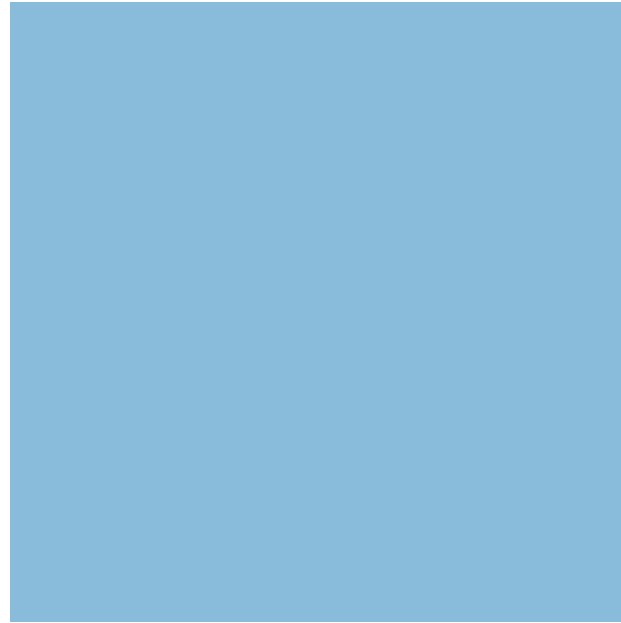
- Aggressive savings programs alone might not be enough.
- Sudden economic shifts can be jarring for anyone.
- Careful planning and goal-setting, and flexibility to revisit and rework strategies, help strengthen resilience.



Workshop goals

In this workshop, you will...

1. Explore the importance of creating and maintaining a budget.
2. Examine the differences between wants and needs.
3. Set goals for spending, savings, and debt repayment.



Meet Marta

- Marta is a 30-year-old woman who works two jobs: one at a grocery store and another as a hostess at a restaurant.
- Marta often feels overwhelmed by her debt. She has also paid bills late in the past. One reason is that her personal finances are not very organized.
- Marta wants to become more financially stable.



Marta's income

- Marta makes \$2,000 per month in net income.
- Marta feels like she can't make her money last through the end of the month.
- How can Marta help herself get ahead?

She needs to...

- A. Make a financial strategy.
- B. Make a budget.
- C. Have savings.
- D. Live within her means.
- E. Reduce her debt.

Gross and net income: What's the difference?

Gross income
is the amount of money
you earn before anything
is taken out for taxes.

Net income
is the amount of money
you earn after all taxes are
taken out of your pay.

Budgeting

Budgeting is the process of creating a plan to spend your money.

How can a budget help me?

- Helps you live within your means.
- Helps you pay down debt.
- Helps you save for the future and emergencies.



Marta's wants and needs

Look at the list of Marta's monthly expenses and sort the items according to wants and needs.

Marta's monthly expenses:

- Coffee
- Groceries
- Car insurance
- Cell phone
- Restaurants
- Entertainment
- Car payment
- Clothing
- Transportation expenses
- Rent
- Health insurance/medical expenses
- Utilities
- Salon

Cutting expenses

Marta earns \$2,000 per month. Which of Marta's expenses can be reduced or cut?

Wants	
Coffee	\$40
Restaurants	\$50
Entertainment	\$40
Clothing	\$100
Salon	\$100
Total	\$330

Needs	
Rent	\$600
Groceries	\$200
Utilities	\$75
Car payment	\$240
Car insurance	\$120
Transportation expenses	\$80
Health insurance/ medical expenses	\$120
Internet	\$50
Total	\$1,485

How can I free up funds?



Cut expenses.



Reduce spending.



Price shop for services.



Think about a new job.



Consider freelance
or gig work.

Marta's debts

Debt	Balance	Interest Rate
Credit Card A	\$400	23%
Credit Card B	\$300	18%
Student Loans	\$7000	12%

Debt management strategies

Avalanche method

- List all your debts from highest to lowest interest rate.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the highest interest rate loan to pay off first.

Snowball method

- List all your debts from smallest to largest balance.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the loan with the smallest balance to pay off first.

Setting financial goals

Financial goals are personal goals you set for yourself about how you will save and spend money.

There are three types of financial goals you can set:

Short-term goals can be accomplished in a few months or up to two years.

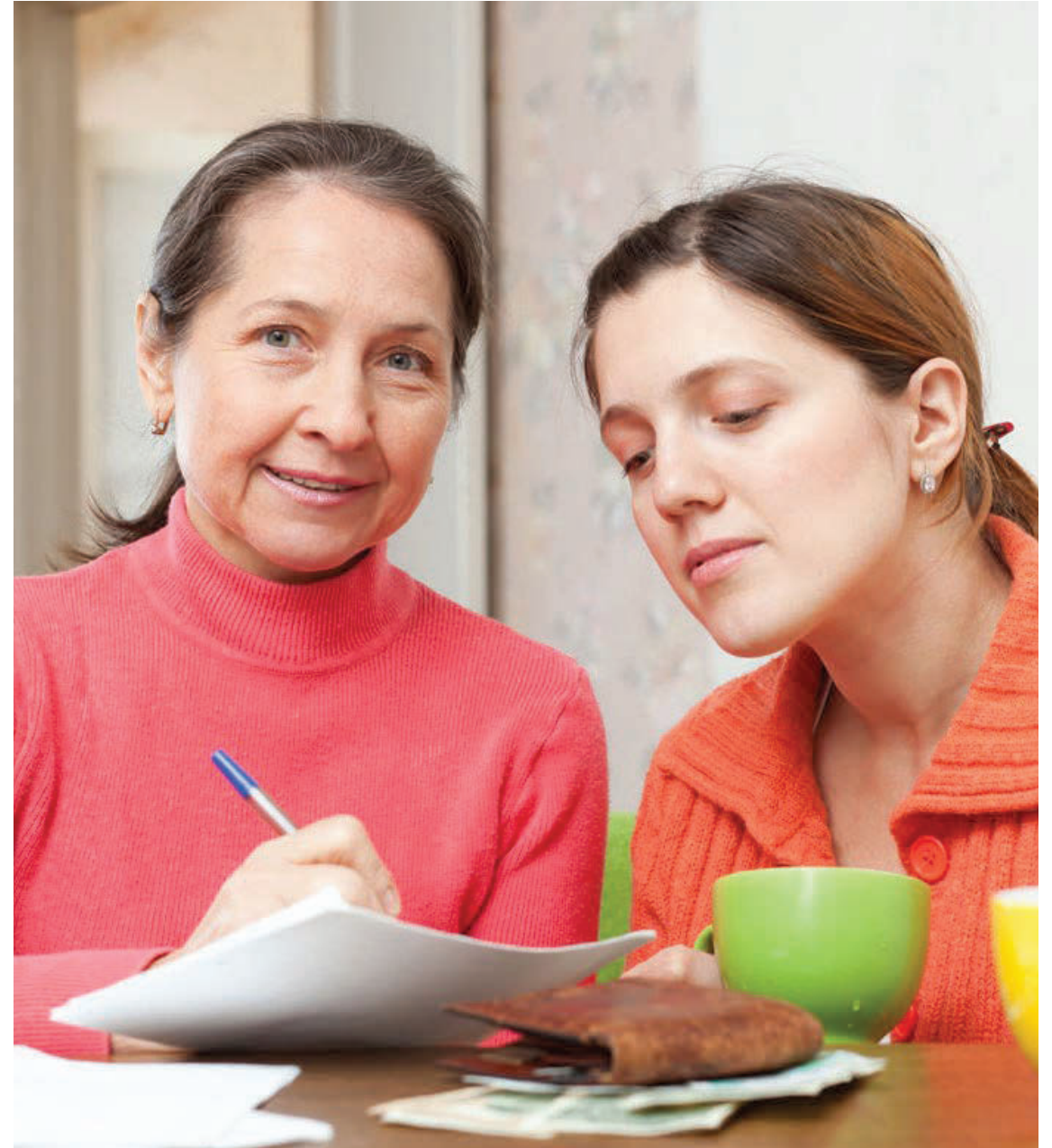
Medium-term goals can be accomplished in two to five years.

Long-term goals can be accomplished in more than five years.

Setting your own financial goals

Either using the list in your Participant Guide or writing your own list, create a list of your financial goals.

Make sure to include small, medium, and large goals.



Creating your own budget

There are many budget strategies you can use.

Today we will focus on the 50/30/20 rule and the categories method.



The 50/30/20 rule

Marta earns \$2,000 per month.

No more than 50% of income on needs.

No more than 30% of income on wants.

At least 20% of income on savings and/or debt repayment.

Marta's monthly expenses after cuts

Wants		
Coffee	\$20	-\$20
Restaurants	\$50	-\$0
Entertainment	\$40	-\$0
Clothing	\$50	-\$50
Salon	\$50	-\$50
Total	\$210	-\$120

Debt	
Credit Cards	\$200
Student Loans	\$100
Total Debt	\$300

Needs		
Rent	\$500	-\$100
Groceries	\$100	-\$100
Utilities	\$75	-\$0
Car payment	\$200	-\$40
Car insurance	\$75	-\$45
Transportation expenses	\$40	-\$40
Health insurance / medical expenses	\$100	-\$20
Internet	\$50	-\$0
Total	\$1,140	-\$345

Savings	
Savings Contribution	\$100

Categories method

The categories method is a more detailed breakdown of percentages and categories. Here is an example of a budget using categories method:

Example Budget	
Housing	30%
Utilities	10%
Groceries	10%
Transportation, including Car Loan	10%
Debt Repayment	10%
Savings	10%
Dining Out	5%
Car Insurance & Miscellaneous Auto Expenses	5%
Clothing	5%
Entertainment	5%

Marta's monthly expenses by category

Wants		
Coffee + restaurants	\$70	5% (\$100)
Entertainment	\$40	5% (\$100)
Clothing	\$50	5% (\$100)
Salon	\$50	(not categorized)
Total	\$210	\$350

Debt		
Credit cards + student loans	\$300	10% (\$200)
Total Debt	\$300	\$200

Needs		
Rent	\$500	30% (\$600)
Groceries	\$100	10% (\$200)
Utilities	\$75	10% (\$200)
Car payment + transportation expenses	\$240	10% (\$200)
Car insurance	\$75	5% (\$100)
Health insurance/ medical expenses	\$100	(not categorized)
Internet	\$50	(not categorized)
Total	\$1,140	\$1,450

Savings		
Savings Contribution	\$100	10% (\$200)

Strategies for savings

These strategies can help ensure that you meet your savings goal each month.

Make a habit of saving

Decide on an amount you'll save each month and stick to it, so you get used to putting your money in savings.

Use automatic savings

An automatic savings plan is a type of savings account where money is automatically transferred into savings at certain times each month.

Limit spending

Spending less can make your savings goal easier, so try to cut back a little when and where you can.

Build and maintain your expertise — [www.edwardjones.com/ financialfitness](http://www.edwardjones.com/financialfitness)

- Mobile and online financial resources
- At no cost and self-guided by you with no sign-in required
- 50+ brief, interactive modules (less than five minutes in length)
- Practical application across many of life's key milestones



Key takeaways

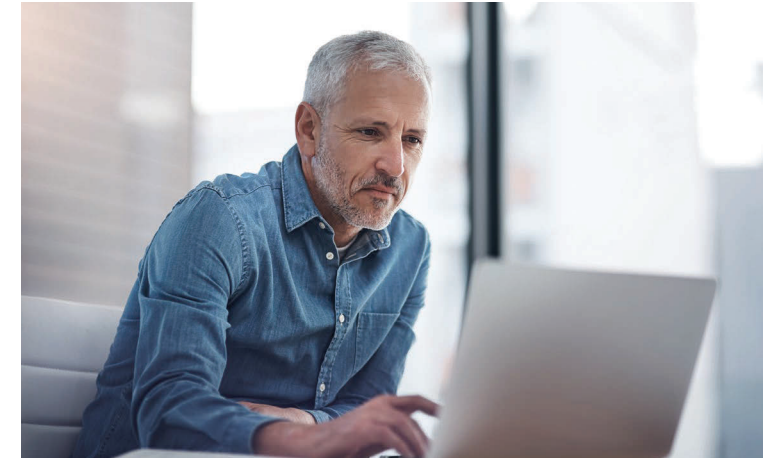
Remember...



Use a budgeting strategy to manage your spending, savings, and debt repayment - like the Avalanche or Snowball Methods.



Speak to someone you can trust, like family, a friend, or your financial advisor, for additional support.



Always keep learning by reviewing financial education.

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Thank you for attending!

Please contact me with any
questions or to make
an appointment.

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Any questions?

