



# Budgeting

March 2023

*A Better Student Loan Experience.*

[collegeave.com](https://collegeave.com)

# Agenda

- ▶ Budgeting basics
- ▶ Why budgeting is important
- ▶ Where do I begin?
- ▶ How do I stick to my plan?
- ▶ Budgeting as a result of a crisis
- ▶ Budget conclusion



# Budgeting Basics





# Budgeting Basics

## What is a budget?

**budg•et** /bəjət/

*“An estimate of costs, revenues, and resources over a specified period, reflecting a reading of future financial conditions and goals.”*



## Budgeting Basics



With any budget, the goal is to **bring in *more money* than you spend**, so you can save money while meeting your financial obligations.



And, by bringing in more than you spend and saving money, **you may be able to realize your long-term goals** – home ownership, your education, your children's education, your dream boat, etc.



Start out with a monthly goal and transition to an annual goal.

# Budgeting Basics

## Why have a budget?

Your budget is an **opportunity** to build solid money habits while rising to these challenges. Having a budget also **empowers you** to:

- ▶ Build a strong financial future
- ▶ Better understand your spending habits
- ▶ Avoid unnecessary stress
- ▶ Make the most of your money



# Why is Budgeting Important?

## Why is this important | Your **Present**



Your focus should be on your current situation.



You have lots of demands on your time. Added financial stress will only compromise your ability to stay focused on your career and family.



A budget can help you maintain a healthy work/life balance.

# Why is this important? | Your **Future**

## Your relationship to money is long-term

- ▶ Financial habits you build now will carry into your future. A solid budget can help you weather a pandemic, the loss of a job, or a change of residence.
- ▶ Good financial habits also contribute to your credit history, which helps when you rent an apartment, buy a house, or lease a car.



# Where Do I Begin?

# Where do I begin? | Make it **Personal**

Part of budgeting is understanding your goals, responsibilities, habits, and priorities are **unique to you**.

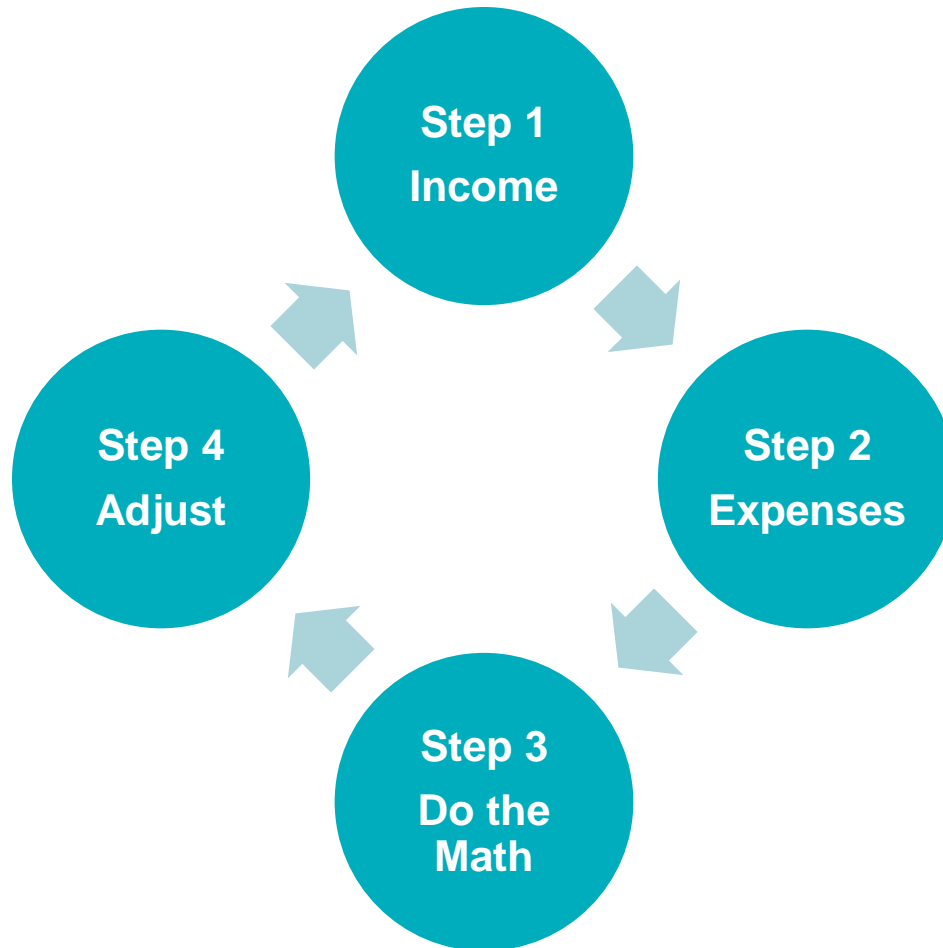
Focus on yourself and your goals. Do not become distracted by others who may appear to have more and can do more than you.

**Everyone is different.**

**Your** budget should start with **you!**



## Where do I begin? | **Crunch the Numbers**



# Where do I begin? | **Income**

## Step 1: Assess Your Income

What's coming in? Your income can include multiple sources (not all inclusive):

- ▶ Full and part-time job(s)
- ▶ Side gigs
- ▶ Dividends from investments
- ▶ Trust funds
- ▶ Monetary gifts



# Where do I begin? | Expenses

## Step 2: Add Up Your Expenses

Your core expenses are things you cannot do without.

Expenses are generally divided into **two** categories:

- ▶ Fixed Expenses
- ▶ Variable Expenses



# Where do I begin? | Expenses

## Fixed Expenses

Fixed expenses are those you can [plan for monthly](#).

Some provide more flexibility than others. You can reduce your cable bill by unsubscribing to premium channels or cancelling a costly gym membership in favor of free workouts (using free apps or working out with friends).

### FIXED EXPENSES

Rent	\$
Utilities	\$
Cable / Internet	\$
Cell Phone	\$
Car Insurance	\$
Gas / Parking	\$
Student Loan Payments	\$
Credit Card Payments	\$
Gym Membership	\$
Laundry	\$
<b>TOTAL FIXED</b>	

# Where do I begin? | Expenses

## Variable Expenses

Variable expenses may be necessary but **can be controlled or curtailed**.

For example, food is not optional, but dining out is.

Gas for your car is required, but you can reduce that by carpooling or using public transportation or working from home, as allowed by your employer.

### VARIABLE EXPENSES

Groceries	\$
Eating Out	\$
Entertainment	\$
Clothing	\$
Travel Savings	\$
Gifts	\$
Miscellaneous	\$
Transfer to Savings	\$
<b>TOTAL VARIABLE</b>	

# Where do I begin? | Crunch the Numbers

## Step 3: Do the Math!

Once you've tallied up your income and expenses, it's a simple math equation to see what your leftover income is:

SUBTRACT ALL OF YOUR TOTAL EXPENSES  
FROM YOUR INCOME.

TOTAL MONTHLY INCOME

+

TOTAL FIXED

+

TOTAL VARIABLE

+

TOTAL SCHOOL RELATED

-

LEFTOVER INCOME

=

(You want this number to be a positive number.)

# Where do I begin? | Crunch the Numbers

## Step 4: Adjust (if necessary)

If the resulting number for your remaining income is not positive, you have options:

- ▶ Reduce your expenses
- ▶ Bring in more income
- ▶ **Both!**



# Where do I begin? | Budget Styles

## Balanced Budget

- ▶ Every dollar in income is assigned to a bill or spending category including savings

## 50/30/20

- ▶ Each represents a percentage of income that can be spent on certain categories
- ▶ Gives you room to enjoy some wants
  - ▶ 50% Essentials: housing, transportation, utilities, food, minimum debt payments
  - ▶ 30% Wants: shopping, dining out, etc.
  - ▶ 20% Financial Goals: savings, debt payments above minimum

# Where do I begin? | Budget Styles

## Reverse Budget

- ▶ Start with the end in mind
- ▶ Your savings target drives your overall spending

Example: Save \$5,000 by end of year

- ▶ Save \$96.15/week or \$192.31 biweekly



Source: Investopedia.com

# Where do I begin? | Set Budget Goals

Set yourself up for success by defining goals you can achieve. To start, **avoid all or none thinking**:

**“I will no longer eat any meals out ever again!”**

Never ever eating a meal out again is unrealistic...

**Start out with a monthly goal and then you can eventually work into an annual goal.**



# Where do I begin? | Set Budget Goals

Instead, define your goal to be **budget-conscious and attainable**:

“I’m going to reduce dining out by prepping food on Sundays so that I have healthy, enjoyable meals throughout the week.”

“I’ll limit dining out to only twice per month.”

“I won’t order an appetizer or dessert or multiple cocktails.”

“I’ll splurge on a Starbucks only once or twice a week.”



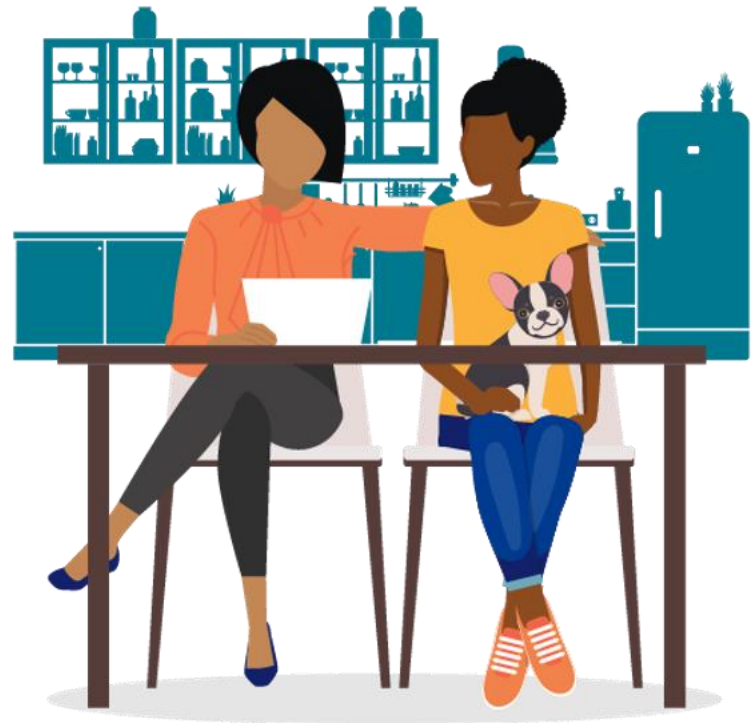
# Where do I begin? | Set Budget Goals

Make your goals **simple and measurable**:

“I am going to save \$150 by the end of the quarter.”

“I’ll save enough for a trip in the summer.”

““I will set 5% of my income aside to assure I have enough to buy holiday gifts.”



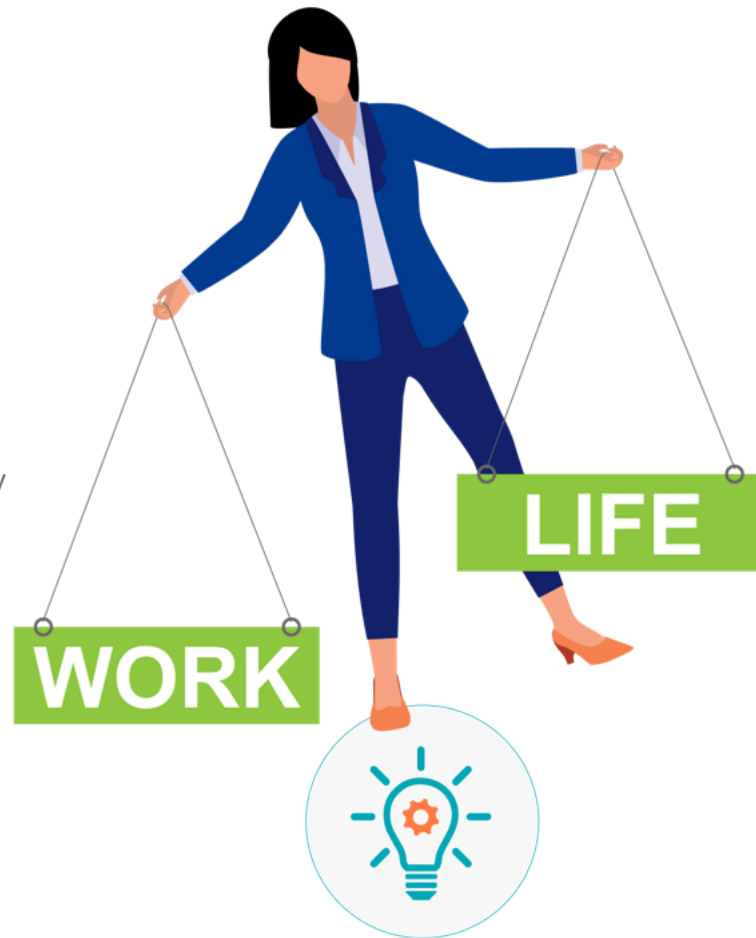
# Where do I begin? | Understand Your Habits

## Understand Your Habits

You may not be aware of some of your own spending habits – particularly those that are part of your daily routine.

### Not all habits are necessarily bad:

- ▶ Your pricey morning Starbucks latte could be the ritual that helps you prepare for a day filled with demands.
- ▶ Treating yourself to a dinner out after a tough day at work may keep you motivated!



# How Do I Stick to My Plan?

# Sticking to the Plan | Stay Flexible

If things don't go as planned, **don't despair!**

Building discipline and shifting habits **can take time.**

**Staying focused** on your goals and being aware of your spending is the right place to start.



# Sticking to the Plan | Stay Flexible

## Adjust, As Necessary

Adjustments to your budget can and should be made often:

- ▶ As income increases or decreases
- ▶ If you move residences
- ▶ As school starts in the fall

Budget adjustments can also be [seasonal](#).

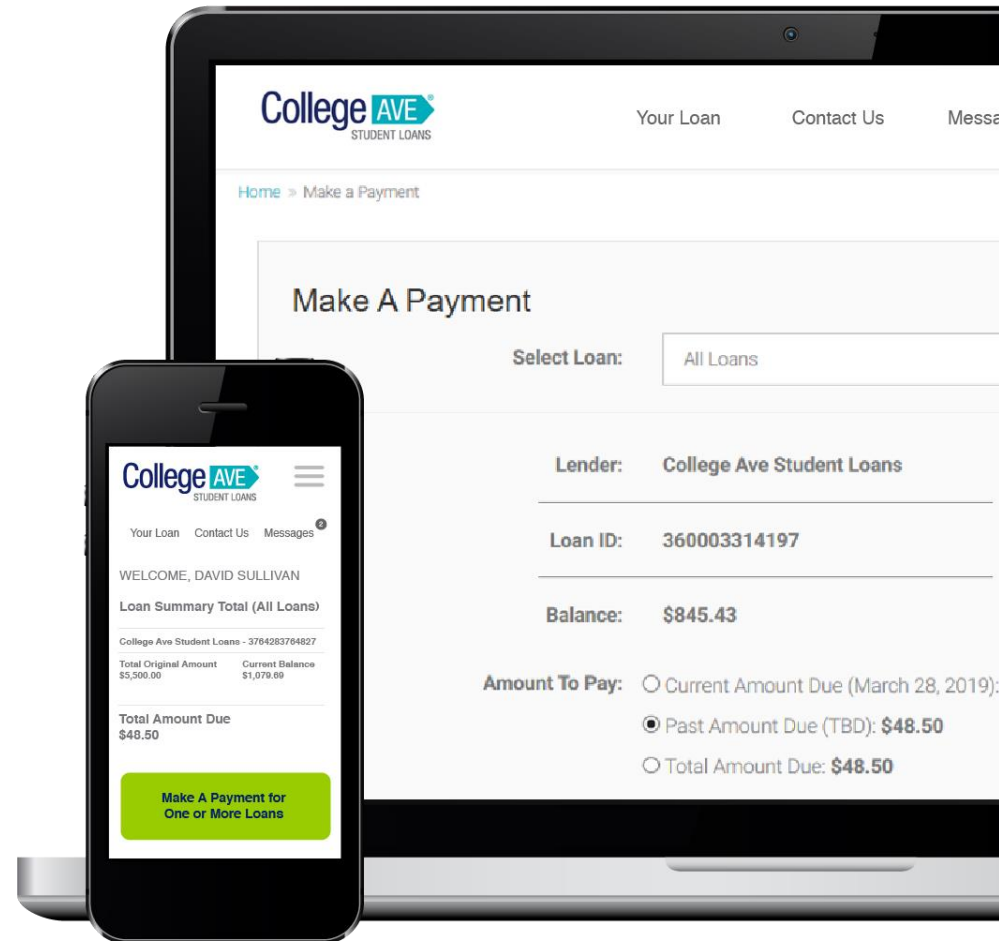


# Sticking to the Plan | Use Technology

## Use Technology

We live in a modern world! That means there are budgeting apps and software designed to help you:

- ▶ See if you're sticking to your budget
- ▶ Course correct, if you are not
- ▶ Sign up for alerts or notifications to assist you in managing your spending or when bills may be due



# Sticking to the Plan | Budgeting Apps

## The Best Budget Apps for 2022

- ▶ [Mint](#), for just about everything
- ▶ [YNAB](#), for hands-on zero-based budgeting
- ▶ [Goodbudget](#), for hands-on envelope budgeting
- ▶ [EveryDollar](#), for simple zero-based budgeting
- ▶ [Personal Capital](#), for tracking wealth and spending
- ▶ [PocketGuard](#), for a simplified budgeting snapshot
- ▶ [Honeydue](#), for budgeting with a partner
- ▶ [Fudget](#), for budgeting without syncing accounts

Many lenders have apps to assist consumers.

<https://www.nerdwallet.com/article/finance/best-budget-apps> (July 2022)  
(No 2023 information available yet from NerdWallet)

# Sticking to the Plan | Budgeting Software

## The 6 Best Budgeting Software 2022

- ▶ Best Overall: [YNAB You Need a Budget](#)
- ▶ Best for Couples: [Honeydue](#)
- ▶ Best for College Students: [PocketGuard](#)
- ▶ Best for Families: [EveryDollar](#)
- ▶ Best for Investors: [Personal Capital](#)
- ▶ Best for Saving: [Albert](#)
- ▶ Best for Beginners: [Mint](#)
- ▶ Best Free Option: [Goodbudget](#)

<https://www.investopedia.com/personal-finance/best-budgeting-software/>  
(updated 11/28/2022)

# Sticking to the Plan | **Buy Now, Pay Later (BNPL)**

- ▶ Not a new concept but re-introduced and re-shaped
  - ▶ Earliest form traces back to the 19th century, when installment plans emerged as a way for consumers to purchase expensive goods
- ▶ Individual stores may have their own direct BNPL plans
- ▶ Some of the popular sites according to CNBC:
  - ▶ [Affirm](#)
  - ▶ [After pay](#)
  - ▶ [Zip](#) (formerly known as Quad pay)
  - ▶ [PayPal's](#) 'Pay in 4'
  - ▶ [Sezzle](#)
- ▶ Check out BNPL plans carefully. Pay close attention to the following items.
  - ▶ APR
  - ▶ Reporting to Credit bureaus
  - ▶ Late fees or other fees
  - ▶ Credit checks
  - ▶ Available Merchants

<https://www.cnbc.com/select/best-buy-now-pay-later-apps/>

# Sticking to the Plan | Control Spending

## Control Your Spending

One of the toughest challenges of staying within a budget is practicing **restraint** with spending.

- ▶ Temptation
- ▶ Internet (fast and easy)

There are ways to curtail your spending – or at least slow down your decisions.

## Adopt a Cash-Only Policy

- ▶ Not only does this keep your spending confined to what's in your wallet, but it also helps you sidestep expensive credit card debt.
- ▶ You may want to track where you are spending your cash. \$20 goes very fast when you buy a coffee here, a snack there, etc.

Specialty coffee: \$3.75/day x  
30 days/month =  
\$112.50/month or  
**\$1,350/year**

Snack: \$1.50/day x 20  
days/month = \$30/month or  
**\$360/year**



# Sticking to the Plan | **Control Spending**

## Implement a 48-Hour Waiting Period

When it comes to impulse buying, put the decision on hold for 48 hours to consider the true value of a purchase. You gain clarity about whether or not it's really worth it.

## Use a shopping list and stick to it

- ▶ Ever notice how your grocery shopping expands if you do not have a list to keep you focused?
- ▶ Helps to curtail impulse buying.

# Sticking to the Plan | Understand Your Habits

Once you know where and how you spend, you can identify ways to **free up money** for when you'll need it most.

- ▶ Track each expense for a month to see where you are spending your money.

This can greatly **reduce your stress**, knowing that you will have enough at the end of each month to cover costs or treat yourself after a well-earned treat.



# Sticking to the Plan | **Modify Your Habits**

The time it takes to modify your habits depends on:

- ▶ How long you've had the habit
- ▶ Whether you've fully integrated the behavior into your life
- ▶ What rewards (social, physical, or emotional) you get from it
- ▶ Whether other behaviors reinforce the habit
- ▶ Your **motivation**

**Tips for success:** Aim for small changes, stick with it, do it for you, ramp up your motivation, seek support and be persistent



# Sticking to the Plan | Needs vs. Wants

Begin to think and identify if what you are purchasing is a “Need” or a “Want”.

The point isn't that you should *never* spend money on things you want, but that you limit your discretionary spending so that you always have plenty for what is truly needed.

- ▶ Is that Starbucks drink a WANT?
- ▶ Is a nice new Lexus car a NEED to get you to work? Is there a less expensive transportation option?
- ▶ Is that \$750 Prada sneaker shoe a NEED or WANT?



# Sticking to the Plan | Discounts & Promotions

Check for retailer offers/sign up for their discount programs

- ▶ Bed, Bath & Beyond
- ▶ CVS/Walgreens
- ▶ Michaels
- ▶ Kohl's-discounts, coupons, and Kohl's cash

Find valid coupons or promotion codes

- ▶ Honey ([www.joinhoney.com](http://www.joinhoney.com))
- ▶ Groupon
- ▶ Coupons.com
- ▶ GoodRX

Other Sites/Rebates

- ▶ RetailMeNot
- ▶ Rakuten (formerly Ebates)

# Sticking to the Plan | **Emergency Funds**

Create an emergency fund by putting aside a small amount of money every month that allows you to deal with these situations:

- ▶ Car repairs
- ▶ New computer
- ▶ Medical expenses
- ▶ Home repairs (modest)



# Sticking to the Plan | Shape Your Thinking

Money has meaning beyond math. Instead of focusing solely on material matters, think about what extra money affords you in **experiences**:

- ▶ Vacation with your family
- ▶ Dream vacation home or primary home
- ▶ Peace of mind
- ▶ Special gifts you want to buy for others



# Budgeting During a Crisis

# Tips to Manage Your Budget During a Crisis

When an emergency strikes, it's important to have a plan and adjust your plan and budget.

## Prioritize your expenses

Think about the things you absolutely must do & have (food, housing, medicine, etc.)





# Tips to Manage Your Budget During a Crisis

**Tighten Your Budget** - To squeeze the most out of your budget for the essentials, consider:

- ▶ Using coupons, discounts or apps.
- ▶ Buying store-brand groceries rather than brand-name grocery items.

## **Job or income loss:**

- ▶ Contacting your mortgage company about emergency assistance, such as mortgage forbearance.
  - ▶ Asking your landlord whether you can get a break on your rent.
- ▶ Reaching out to utility providers for help paying your bills.
- ▶ Contacting insurance company about reduction as a result of reduced driving.

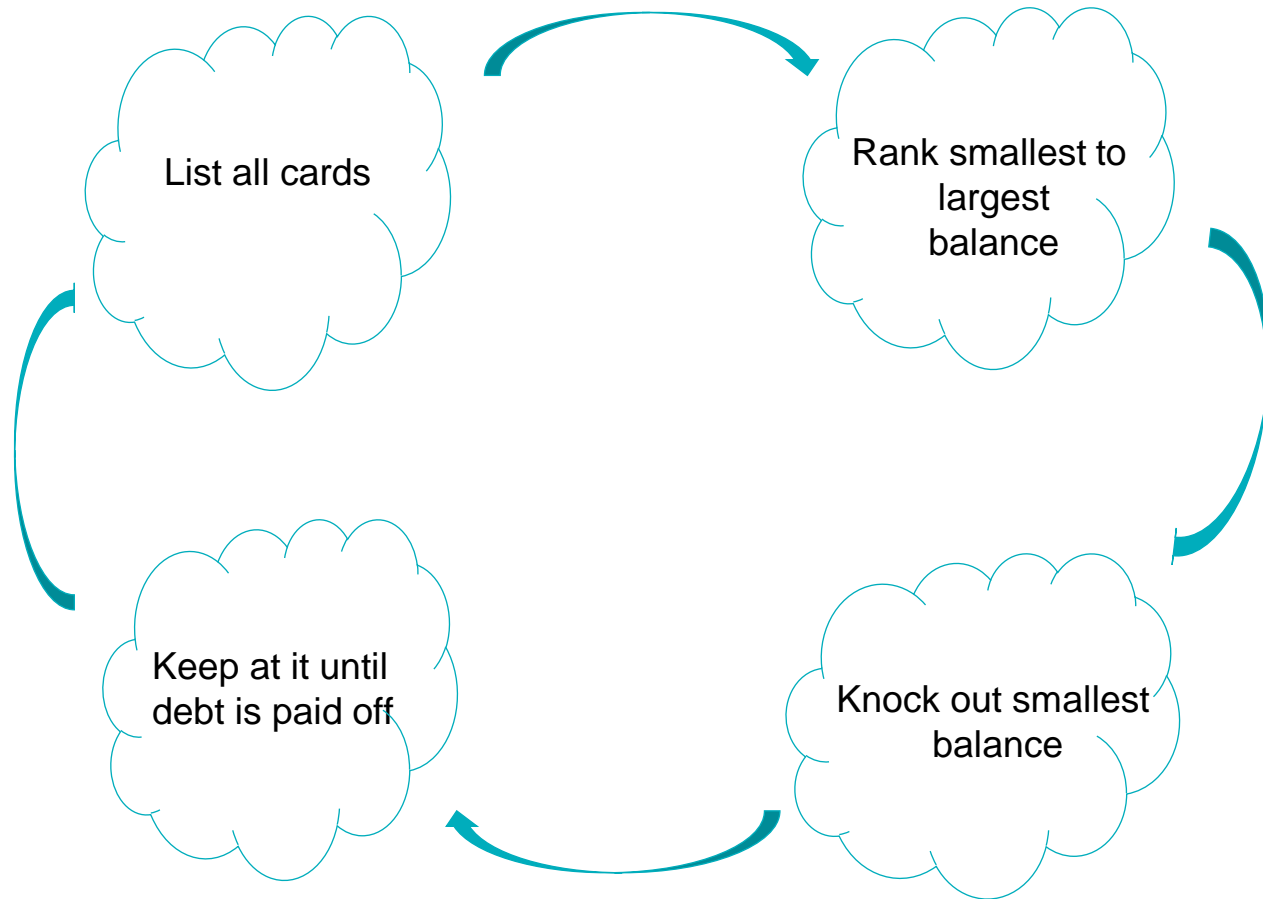
# Tips to Manage Your Budget During a Crisis-Credit Card Debt

## Avalanche Method

1. List all cards
2. Rank by interest rate
3. Pay highest rate first
4. Go to next highest
5. Continue until all is paid off

# Tips to Manage Your Budget During a Crisis-Credit Card Debt

## Snowball Method



# Budgeting Conclusion

# Budgeting Conclusion

## Remember the steps:

- ▶ Make a plan
- ▶ Set realistic, measurable goals
- ▶ Assess/adjust your goals regularly
- ▶ Invest in good habits for the future
- ▶ Focus on progress, not perfection
- ▶ Expect the “unexpected”
- ▶ Stay balanced



Stay Balanced



A budget is all about balance. It means balancing finances, work and home life.



A good budget can help you make the most of your time and resources so that you can have the most fun you want when you need it most!

# Budgeting Resources

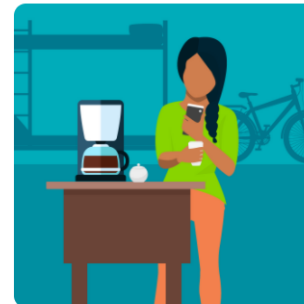
- ▶ [www.collegeavestudentloans.com/blog/](http://www.collegeavestudentloans.com/blog/)
- ▶ [Studentaid.gov](http://Studentaid.gov)
- ▶ [Studentaid.gov/manage-loans/repayment/plans](http://Studentaid.gov/manage-loans/repayment/plans)
- ▶ [Studentaid.gov/manage-loans/repayment/servicers](http://Studentaid.gov/manage-loans/repayment/servicers)
- ▶ [nerdwallet.com/blog/finance/budgeting-saving-tools](http://nerdwallet.com/blog/finance/budgeting-saving-tools)
- ▶ Queen of Free (Cheri Lowe):
  - ▶ [7 Steps to a Better Budget](#)
  - ▶ [7 Financial Warning Signs](#)



April 27, 2021 / Jeff Rose

## [Hidden College Costs You May Not Have Budgeted For](#)

If you're heading to college be sure to budget for these hidden college costs and expenses.



October 10, 2019 / Debbie Schwartz

## [How to Control College Costs and Budget Wisely](#)

Here are a few ways parents can save money during their students' college years.



June 4, 2019 / Pluto Money

## [7 Mistakes to Avoid When Budgeting in College](#)

Budgeting can be difficult, especially for college students managing money for the first time. ...



# Budgeting Resources During a Crisis

## Lifeline Service

A federal financial support program that helps low-income consumers and households to keep their telephone and internet access. More information on Lifeline is available at [www.lifelinesupport.org](http://www.lifelinesupport.org).

## Low-Income Home Energy Assistance Program (LIHEAP)

Provides financial assistance with heating-related utilities and crisis funding to address emergency situations. Call your utility company to inquire about such programs.

## Other Sources

Switch off unneeded lights and appliances; reducing cable expenses; sealing air leaks; running only full loads in washers, dryers and dishwashers; or adjusting thermostats a few degrees, can add up to substantial energy savings over the course of a month.

# Contact Information

## Questions?

If you have a question, suggestion, or just need a little more detail, you can contact us using any of the options listed.



**Deb Gossman**

**317-626-5991**

[dgossman@collegeave.com](mailto:dgossman@collegeave.com)

**College Ave Website**

<https://www.collegeavestudentloans.com>

**Payce Cash Back Rewards Program**

<https://paycepays.com/collegeave>

### **Campus/School Services**

844-422-7501

Online chat: [collegeavestudentloans.com](https://collegeavestudentloans.com)

[schools@collegeave.com](mailto:schools@collegeave.com)

<https://www.collegeavestudentloans.com/for-schools/>

### **Borrower Services**

844-422-7502

Online chat: [collegeavestudentloans.com](https://collegeavestudentloans.com)

[studentloans@collegeave.com](mailto:studentloans@collegeave.com)

### **For Help Servicing or Repaying a Loan**

844-803-0736

Online chat: [collegeaveservicing.com](https://collegeaveservicing.com)

[servicing@collegeave.com](mailto:servicing@collegeave.com)

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