

Welcome to “Making it on a College Budget: The Basics” sponsored by the Student Loan Outfitters Program through the (insert your school’s name) Office of Student Financial Aid. My name is (counselor’s name), and I am a Student Assistant for the Outfitters Program. The purpose of this program is to help you to gain skills in managing your income and expenses effectively. This will help you make the most of the money you have for college.

Please feel free to ask questions during the presentation.



What's a Budget?

- A *plan* for spending and saving your money

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The word “budget” sounds intimidating. It brings up images of long hours of writing, erasing, and calculating that only accountants could love. However, budgeting doesn’t have to be a tedious chore. With the technology we have today, keeping track of your income and expenses is easier than it’s ever been.

Now that you’re a college student, one of the crucial lessons you will learn is it takes planning to get all the stuff done you’ll be required to do. Managing your money is one of those areas in which a plan can make the difference between being broke and being able to afford what you need.

A budget is simply a plan for spending and saving your money. This plan should be flexible enough to change with your situation. Whether your parents pay for everything or you hold down 3 jobs, you should be more conscious of where your money goes. Think of a budget as a plan so you can spend and save money the way you want to.

Five Steps to
Managing Your Budget

Step 1:
Know What's
Important to You
(Needs vs. Wants)

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A key concept in budgeting is the idea of needs vs. wants. All of us have been confronted with the question “Do you really *need* that?” Behind this question is a value system that defines what a “need” is and what a “want” is. You should have a clear idea of what your needs and wants are.

What Is Important to You?

- Values
 - what is important to you
- Needs
 - basic things that are necessary for survival
- Wants
 - things we desire to make our lives more satisfying

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Your values determine the ways you spend your time and money. Your values are things that have relative worth, utility, or importance to you. For example food, church, housing, social activities, or a car may be important items that you will make room for in your budget.

Some of the things that are important to you will be needs such as food, shelter, and clothing. Some of them will be wants such as eating out, designer clothes, or video games. Needs are basic things that are necessary for life and wants are things we desire to make our lives more satisfying.

Consider using an activity: Money Messages or What's Important to You are the suggested activities in the introduction.

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Managing Your Budget

Step 2:
Set Your Goals

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What matters most to you? Staying out of debt? Getting a good education? Playing a sport well? Your goals are the specific steps you need to take to achieve what's important to you. Setting your goals helps you define and prioritize those things.

Types of Goals

- **Short-term: a week to six months**
- **Intermediate: six months to a year**
- **Long-term: greater than a year**

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Some examples of the different types of goals are:

1. Short-Term: save money for a date, pay for a trip to an out of town football game, or pay for fraternity/sorority dues
2. Intermediate: save for a spring break trip, study abroad, or buy furnishings for an apartment
3. Long-Term: obtain a graduate or professional degree, buy a car, or buy clothes for a new job

In other modules you can learn more about some ways to meet goals (such as investment tools), but for now we will just focus on the goals themselves. **To help you determine your own goals take a look at Handout 1 (HO #1) we have given you.**

What are your goals? For each you will have to know:

- How much will it cost? Do some research to be sure you know. There's nothing more disappointing than to save up for something only to find out it costs twice as much as you thought.
- How much do you need each month to achieve your goal? For example, if you want to fly to Florida in three months and airfare is \$150, you'll need to save \$50 a month.
- What's the target date? In other words, when do you want to reach this goal?

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Step 3:
Know Your Income
and Expenses

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How many times have you asked yourself, “Where did all my money go?” If you don’t know the answer, then that was a time when you needed a budget. A budget is about providing information just as much as it is about controlling spending.

Income vs. Expenses

Find out your income and expenses for a period
(such as two weeks, month, or semester)

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Much of the information you are trying to get is already there. You just have to uncover it. First, you need to know what income you expect to earn in the budget period. If you work regular hours at a job, figuring your income is easy. If you don't, think about all of the ways you get money – including your parents, other relatives, and financial aid – and how much you expect that to be.

Figuring out what your expenses will be may be easy too if you have bills to pay. But where does the rest of your money go? To answer that question, it's likely that you'll need to keep track of all of your spending for a week or two. You can use a chart like the one in **Handout 2 (HO #2)** or simply put all of your receipts in an envelope. Can you show where most of your money went? Most people can't!

Consider using an activity – Tracking Your Spending is the activity suggested in the introduction.

But My Expenses Are Too Random to Budget !

- Your budget should be flexible
- A flexible budget needs a flexible document

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One of the most difficult problems to deal with when you budget is all of the “random” or unexpected income and expenses that could occur throughout your college career. For example, you thought your book expenses would be \$200 when the bookstore’s price for one book is \$179.99 and you have 6 more to buy. Or maybe your dad said he would send you \$400 a month, but “accidentally” forgets for three months. Or that \$15 an hour job you thought you were going to get falls through. How do you budget with all this random stuff happening in your life?

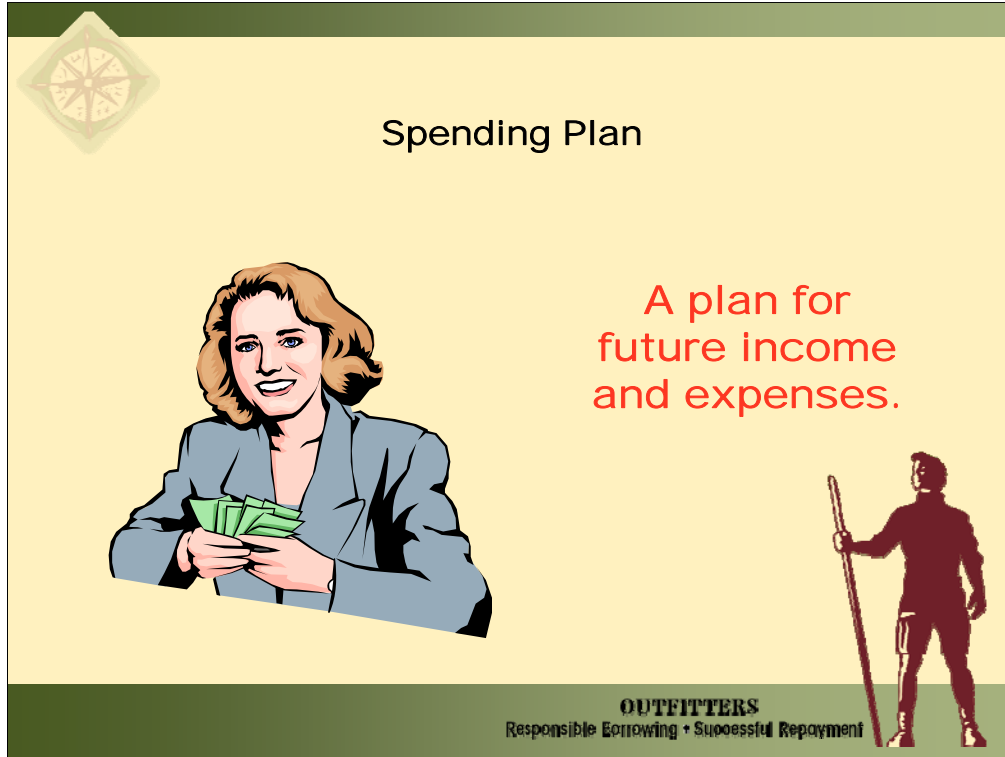
The key here is flexibility – your budget should be flexible enough to change with your situation. A flexible budget needs a flexible document to record that budget. This is where technology helps. There are many software programs that assist with the budgeting task. You can use the Excel worksheet example we provide in **Handout 4 (HO #4)** or you can use one of your own making. A pencil, paper, and calculator will even work, but remember the budget categories for different time periods may be different, so leave some of the lines blank to fill in later. (For example you may take that trip to Florida one month, but stay home the next three months).

Five Steps to
Managing Your Budget

Step 4:
Make a Spending
Plan

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After you have a good idea of how you spend your money and where it comes from, it's time to look forward and put together a spending plan that will allow you to meet your financial responsibilities and reach your goals. Flexibility is key, so your plan is only a guideline and not written in stone. While you are making your plan keep in mind your values - what is most important to you.



A spending plan is a plan for future income and expenses that allows you to compare what you planned with what actually happened. A spending plan is also another name for a budget. In our spending plan example **Handout 5 (HO #5)**, Sam Sample has columns for “planned” and “actual” income and expenses. (You may also want to hand out “Budget_spending plan FAQ’s”).

Examples of expected vs. actual expenses are when your cell phone bill is higher than anticipated, or you have extra deductions in your paycheck that you didn’t expect. You have to decide the period of time for which you’re budgeting. It’s a good idea if the period you plan for is the period that corresponds to your income. So if your job pays you every two weeks then you can set up the plan for a two-week period. If your parents give you money every month, then let a month be your spending plan period. Sam Sample’s spending plan was for the semester.

Five Steps to
Managing Your Budget

Step 5:
Stick to Your
Spending Plan !

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A spending plan is useless if you don't actually follow it. You have to make every effort to stick to your spending plan so you can afford what you need and hopefully what you want.

If you start the budgeting process by identifying what is really important to you it will help you stick to your plan. You are more likely to stick to it if you remind yourself why you are doing this – to meet the financial goals you have set for yourself.

Do you really need that costly cell phone option when you are saving for that all-important convertible car?



Sticking to a Spending Plan

- **Develop Self-Discipline**
 - **Control Stimuli**
 - **Control Decisions**
 - **Control Responses**
 - **Control Consequences**
- **Control Your Money!**



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While budgeting provides information, it is also a tool to help you develop discipline. It helps you know your weaknesses and encourages reasonable expectations. Discipline is all about control. You should:

Control stimuli

* don't go window shopping to see that purse you wanted

Control decisions

* decide to only eat out once a week

Control responses

* if you can't afford it, just say "no"

Control consequences

*pay with cash instead of charging it so you won't have to pay interest later

With the effort you put into controlling yourself, you can eliminate wasteful spending and save for things that are really important to you.



Evaluate Your Spending Plan

Questions to ask yourself:

- How well did you stick to the spending plan?
- What areas did you have problems in?
- Were you reasonable in making your goals?
- What changes need to be made?



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To see how well you did, you should evaluate your spending plan. These questions are important to answer to get an even better idea of your spending habits and income flow. One of the reasons why many people believe their income and expenses are so random and unpredictable is because they have not put much effort into any budgeting activity. Many of the unexpected income sources and expenses that were so hard to anticipate before will become easier to plan for after you have this information over a few weeks.

Give a door prize to the person who can come up with the best way to save money or the most ways to save money. For ideas on reducing expenses, refer to Handout #6 (HO 6), Money Management Options: 75 Ways to Save Money.

Five Steps to Managing Your Budget

1. Know what's important to you (needs vs. wants)
2. Set some goals
3. Know your income and expenses
4. Make a spending plan
5. Stick to your spending plan!

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In summary, here again are the five steps to managing your budget.

Are there any questions?



For individual help contact:

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The Outfitters Program funds Student Assistantship Grants to allow students like me to work on campus and offer peer counseling and financial literacy programs. I can help answer your questions and refer you to helpful resources. (Insert your school's info.)

Don't forget to ask participants to complete and return the evaluations!



Special thanks to the organizations involved in bringing this module to you.