Get Your Bearings: Brown Financial Literacy

Budgeting and Spending Wisely

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Beth Murphy
Budgeting Workshop Agenda

• Financial Literacy at Brown
• What is my money personality?
• Budgeting Basics
• Spending Plan Strategies
• Shopping Tips/Tricks
• Resources
Values About Money

Don’t tell me what you value; show me your budget and I’ll tell you what you value.

Joe Biden
What’s Your $ Personality?

• Take the full quiz off our website or FB page
• Pick one option that best appeals to you
• Note the letter for each question
• No right or wrong answers
Money Personality Q #1:

You go out to dinner with a few good friends. The check comes. You:

A. Pull out your phone to calculate out how much each person owes.
B. Pick up the tab for the whole table.
C. Submit your contribution without even picking up the bill and checking it.
D. Offer to pick up the tab for those who you believe have less money than you do.
Money Personality Q #2:

What plays the biggest role in your financial success?

A. Careful money management and thrifty habits
B. Financial success? I don’t think that really applies to me.
C. Can we talk about this later?
D. Financial success is no more important than spiritual success.
Money Personality Q #3:

Which of the following best describes your beliefs about money?

A. Save it for a rainy day.
B. Easy come, easy go.
C. Managing money is overwhelming.
D. Wealth can corrupt people.
Money Personality Q #4:

If I won $1 Million in the lottery I would:

A. Put it in the bank or buy low risk investments.

B. Fly yourself and your best friends to New York City or Las Vegas for a weekend of fun.

C. Nothing yet – I’ll decide on a plan later.

D. Enjoy donating some of it to a good cause.

Millionairemindintensive.com, 2014
Money Personalities

• **A: HOARDER/SAVER**
  – motivated by fear of losing $$

• **B: SPENDER/COLLECTOR**
  – motivated by the love of money or the thrill of purchase

• **C: AVOIDER**
  – motivated by avoidance of anything financial

• **D: THINKER**
  – motivated by the purpose of the purchase

*Success Resources, srpl.net, “There are 4 Money Personalities. What’s Yours?”, 2014*
What is your money personality?

A: HOARDER/MISER: You like to keep track of and save every penny. You do not enjoy parting with your money.

B: SPENDER/COLLECTOR: You enjoy spending and accumulating and may think about how to pay for your purchases later.

C: AVOIDER: Your goal is to transact with money as quickly as possible and exit.

D: THINKER: You care most about the impact of money, others, and your purchases.
Avoiders

- I don’t “do” money
- Plays dumb.....or is about $$$
- Passes the responsibility to others
- Doesn’t take charge
- Can neglect obligations
- Tends to “buy” and not “browse”

Budget/Spend strategy:
- Auto bill pay and online banking is ideal
- Have a good financial planner who can help you set goals
Get Your Bearings

Spenders/Collectors

• Impulsive, Dreamer, Hunter
• Saves little, materialistic
• Earning power high, but spending is as well
• Always on the “hunt” for quick buck
• Image/Money = Success
• “Got to have....purchases”
• Driven by emotion or shopping “fix”
• Finding the “deal” even if you don’t need it

Budget/Spend strategy:
• Prevent impulsive purchases by waiting for 24 hours before buying
• Develop a budget that budgets well for emergencies
• Build budget on honest assessment of wants vs. needs
Thinkers

• Passive, lets fate take course, can be a lame duck
• May have minimal or no financial goals
• Paralysis analysis, can’t make purchasing decisions
• Gullible, thus vulnerable
• Money means more than money
• Uncomfortable with managing money
• Comfortable with “status quo”

Budget/Spend strategy:
• Use/set up auto bill pay – set it and forget it
• Take ownership of own budget; learn to live within your own means, not others
Savers/Hoarders

- Love to accumulate money and often other things
- Conservative, low risk
- Independent – do it my “own way”
- Often lives under means but can be at the expense of enjoying life
- Methodical/analytical, great planning but can end up going overboard
- Finds it difficult to take a risk
- Fears the future, constantly preparing for crisis

**Budget strategy example:**

- Practice that “fun” can be a worthy investment
- Taking some financial risk (e.g. investing, diversifying wealth) may be therapeutic
- Don’t use money as a form of control with others
My personality tells me that:

• My “style” is neither good nor bad
• Most of us are “hybrids”
• Becoming familiar with my style allows me to identify specific strategies and resources to help me be financially successful
• I should create a spending plan with my “money” personality in mind
BUDGETING...
### What Are Your Costs?

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$46,408</td>
</tr>
<tr>
<td>Average Mandatory Fees</td>
<td>$860</td>
</tr>
<tr>
<td>Health Insurance (if not waived)</td>
<td>$3,225</td>
</tr>
<tr>
<td>Rent/Utilities (may be mandatory billed by Brown)</td>
<td>$11,00</td>
</tr>
<tr>
<td>Food/Groceries (may be mandatory billed by Brown)</td>
<td>$6,200</td>
</tr>
<tr>
<td>Books/Supplies</td>
<td>$1,000</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,000</td>
</tr>
<tr>
<td>Personal/Miscellaneous</td>
<td>$3,050</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$70,346</td>
</tr>
</tbody>
</table>

*Up to me...*
Test Your Financial Knowledge

Building a budget means:

a) You pay bills every month at the due date

b) You made a plan of your expenses to be less than or equal to your income

c) You are earning enough money to be able to live well

d) Your bills are generally paid by every due date
What is a BUDGET?

• A tool to measure your financial health
  – Quantifies your ability to balance resources/income with expenses
• Requires measurement over a time period
• Requires awareness of.....
  – Money available to spend
  – Money you actually spent
Examine Your Budget....

Revenue - Expenditure = Income/Loss

- Revenue
  - Income
  - Cash Refund
  - Draw from Savings

- Expenditures
  - Rent
  - Food
  - Travel
  - Clothing

- Income/Loss
  - Money Left Over

Get Your Bearings
My Budget Is……. (Pick One)

• My resources exceed my expenses
• My expenses exceed my resources
• My resources equal my expenses
Budget Danger Signs

• Can’t afford one time expenses
• “In between” resource drought
• Emergencies become a financial crisis
• Credit (card) debt staying constant or rising
• “Stealing from Peter to pay Paul” - Juggling
• Giving up necessary costs for discretionary ones
• Money controls you vs. you control your money
YOUR BUDGET.....

• Must be balanced to achieve financial fitness
• Two ways to achieve:
  • Increase income
  • Reduce expenses
  • = better managed money
• No magic formula
  – It requires you to assess your own needs and relationship with money
Net Income’s Ideal Budget....

Carmen Wong Ulrich, On The Money Host,
http://www.cnbc.com/id/25933653/How_to_Budget_Your_Money

1. HOUSING 30%
2. TRANSPORTATION 18%
3. DEBT 10%
4. FOOD 14%
5. HOUSEHOLD 7%
6. SAVINGS 10%
7. EVERYTHING ELSE 11%
### SAMPLE MONTHLY BUDGET

<table>
<thead>
<tr>
<th>EXPENSE TYPE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td>$666/month (4 1/2 months per semester)</td>
</tr>
<tr>
<td><strong>FIXED EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Rent, if applicable</td>
<td>$0</td>
</tr>
<tr>
<td>Car insurance/payment</td>
<td>$300</td>
</tr>
<tr>
<td>Cell phone</td>
<td>$40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$340</td>
</tr>
<tr>
<td><strong>Amount remaining</strong></td>
<td>$326</td>
</tr>
<tr>
<td><strong>FLEXIBLE EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Groceries, in excess of meal plan</td>
<td>$50</td>
</tr>
<tr>
<td>Eating out</td>
<td>$50</td>
</tr>
<tr>
<td>Gas</td>
<td>$65</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$90</td>
</tr>
<tr>
<td>Clothing, miscellaneous</td>
<td>$35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$290</td>
</tr>
<tr>
<td><strong>WIGGLE ROOM/SAVINGS</strong></td>
<td>$36</td>
</tr>
</tbody>
</table>
Test Your Financial Knowledge

Suppose you have $100 in a savings account earning 2 percent interest a year. After five years, how much would you have?

a) More than $102
b) $102
c) Less than $102
d) Don’t know
Money Knowledge....

• More than 75% of 16-18 year olds say they are financially savvy. However:
  – Less than 20% knew what a 401(K) plan is
  – 32% knew how credit card interest/fees work

Charles Schwab Survey, 2011
As reported by the PEW Charitable Trusts, 3/4/2014
Spending Plan

BACK TO BASICS
• You can NOT create a successful spending plan without assessing your budget first
• Could take you one whole semester to assess your budget. Why?
• Will require you to be totally honest
Your Spending Plan Goals:

• It is built on your “new” balanced budget and lifestyle at Brown
• Determine how long your current resources must last you (e.g. until Spring semester refund?)
• Calculate out exactly your available resources per time period (e.g. semester, end of month, etc)
• Continue to monitor/track your expenses
• Seek help if you need it
• Use tools to make it easier
Need or want?

- Mortgage/Rent
- Food
- Clothing
- Transportation
- Dental Care
- Insurance
- Morning Coffee
- Cable
- Car
- Laptop
- Dog/Cat

Identify your discretionary budget items
Some Basic Steps

• Eliminate new debt & Spending beyond limit
• Save now and create a reserve
• Watch for cash leakage
• Identify/Watch your discretionary spending
• Tackle current/old debt
• Plan for future goals
Avoiding Debt Wisely

• Pay yourself first no matter what
  – (Avoid future debt)
• Focus on secured debts first (credit)
• Pay unsecured debts next (utilities)
• Pay variable/essential costs next (groceries)
• Pay anticipated costs (travel)
• Pay non-essential costs if any left over
Create Your Spending Plan

• Allocate ONLY what your budget allows
  – Books/Supplies
  – Entertainment/Leisure

• Factor in Expenses that may become essential:
  • Holiday/Break Travel
  • Winter Clothes
  • Holidays/Gifts
  • Dental work
# Spreading Resources Across the Semester

<table>
<thead>
<tr>
<th>Amount of Resources Available at Semester Start:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtract Known Costs Ahead:</td>
<td></td>
</tr>
<tr>
<td>Cold Weather Clothing:</td>
<td></td>
</tr>
<tr>
<td>Thanksgiving Travel:</td>
<td></td>
</tr>
<tr>
<td>Holiday Travel:</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
</tr>
<tr>
<td>Divide by 16. This is the amount available per week until Winter Break</td>
<td></td>
</tr>
</tbody>
</table>
Success Strategies

• Join GET YOUR BEARINGS and commit to your financial health
• Live within your means, not your lifestyle
• Find scholarships to help with cash flow
• Establish your holiday gift list to include gift cards from Providence merchants
• Search Ebay and online religiously before making any substantial purchase
• Buy USED clothing – Savers, Second Time Around, etc.
• Lose cable and internet subscriptions
• Drink more water
Success Strategies (cont’d)

• Eliminate ALL consumer debt NOW
• Plan for your first month of living expenses each semester on your own
• $500 emergency loan available
• Bookstore Line of Credit: $2,000
• Can borrow loan to purchase computer
• Free Legal Services
• ASK others for help if you need it
• Listen to financial experts in your free time (Netflix, Youtube, radio shows, etc)
Budget Busters

• Not knowing what they are
• Failing to Set Aside a RESERVE
  – Automatic entry into debt
• Too Much Gift (overspending for holidays/birthdays)
• Too Much House, Car, Debt
• Lack of preparation for Non Monthly Expenses (i.e. Taxes)
• Entertainment “I deserve this...”
• Gadgets
• Displaced buying
• Buying without discounts, promo codes or coupons
• Buying without accountability
  • Online purchases
  • Buying on credit
Top Budget Apps for Students

- Mint
- Toshl Finance
- Left to Spend
- Slice
- Check
- CheckPlease Lite
- PocketBudget
- TextbookMe
- PayPal Mobile
- Debt Payoff Planner
$hopping Wisely
Successful Shopping......

• Stay focused on shopping, not browsing
• Pay with cash or commit to a maximum dollar amount in advance of shopping
• When investing in purchase of non-perishables, focus on quality within your budget
• Stick with basics and classics
• When possible buy in bulk, split costs with others
Before Shopping for Non-Essentials....

- Rule out you can’t borrow, rent, or acquire anywhere else
- Research Online (force the wait)
- Time Your Purchase (seasonal sales, new releases/models, etc)
- Tell someone else about your intended purchase
- Decide what else you will offset to accommodate your purchase
- Answer “I deserve it....” with “at what cost?”
- Can you ask someone to gift it instead?
Spending Strategy: Food/Groceries:

- BEFORE GROCERY SHOPPING, PLAN, PLAN, PLAN
- Clean out and inventory your fridge/cabinets before you leave the house
- Plan weekly menus -> Produce shopping list
  - Accommodate expiring foods
  - Plan menus around what is on sale = research!
    - www.couponmom.com
    - Weekly store fliers
  - Create menus from items you already have on hand:
    - www.recipematcher.com
    - www.recipekey.com
- Improvise menus and ingredients
  - Google recipe substitutions
  - Determine what you DON’T need to buy
- Plan Creative inexpensive meals
  - Breakfast for dinner
  - Leftover Buffet /Freezer or Cupboard Cleanout
  - Crock Pots
  - Soup night
- Have “quick” meals available at all times
- Prepare all meals for week at once
- Keep an active list on fridge for “needs” as they run out (don’t buy unnecessary items)

Get Your Bearings
Which are cheap superfoods?

- Dried Beans
- Potatoes
- Applesauce
- Oats
- Bananas
- Eggs
- Frozen Veggies
- Hummus
- Canned Tuna
- Fresh Spinach
- Non-Fat Greek Yogurt
- Celery
- Edemame (Soy)
- Dried Cranberries
- Bran Cereal
- Orange Juice

Get Your Bearings
Spending Strategy: Food/Groceries

• Perimeter store focus
• Buy frozen veggies
• Read labels for best fat/fiber levels – biggest bang for healthiest buck
• Stock up on Staple Sales
  – Rice, Pasta, Flour, Sugar, Legumes
• Use Coupons Strategically!
  – Don’t use coupons to buy, use them to reduce what you bought
• Beware of misdirected purchases
• Accommodate/Plan for mid week purchases
  – Perishables, Milk, bread
Spending Strategy: Grocery/Household

- Recognize/Materialize on the Loss Leader
- Focus on cheapest brand w/out losing your need for quality
- Buy less (expensive) meat and better protein purchases
- Avoid processed/prepared foods and individualized packaging whenever possible
  - Fresh baked brownies (35 minutes!)
  - Water (avoid individual bottles)
- Basic Cleaners that do 99% : Bleach, ammonia, vinegar
- Bulk Shop with others – then repack
Clothing

• Think “uniform” not wardrobe
  – Change accessories
• Buy all the same color socks
• Consignment, Thrift Stores
• Solicit hand me downs from relatives and friends
  – Who’s your size?
• Borrow/rent for special occasions
• Assess when savings from quality overrules frugality
• Ask to receive as gift
Transportation

• Best Deal: Your Feet (with a good pair of shoes)
• Research in advance of your needs
  – Bus, train, commuter rail, bike
  – RIPTA
    • Ride Share
    • Transit Trip Planner
• Solicit rides on GSBB Listserve
• Google Alerts for deals or deadlines
• If you have a car:
  – Assess the true cost of ownership so you can budget accordingly
  – Ask for gas contributions from passengers
  – Stop & Shop/credit card gas rewards

• PLAN Ahead! What are your holiday travel plans?

Get Your Bearings
Holidays/Gifts

- Can be a budget buster if not careful
- Presents from the heart, not the store
- Absolutely make your own cards
- Swaps, grabs, “make your own”, set $ limits
- Custom made coupon book
- Make your own youtube video, CD/DVD
- Baked dishes or treats
- Have YOUR want list ready to share with giftgivers
Miscellaneous

• Save/accumulate your change in a designated place
• Online bill paying/budgeting whenever possible
• Utilize online tax software to ensure you have taken ALL deductions! (most are free for “low income” students)
• Buy specialized items online at appropriate places
  – Zennioptical.com
• Take advantage of free shipping
• Use price comparison websites to find lowest price
• Be vigilant re: avoiding fees
Shopping Education Loans Wisely

• If you borrowed loans for your first year, chances are this will repeat for years 2, 3, 4
• Consider Brown’s investment as a family; make borrowing decisions TOGETHER
• Borrow ONLY what you need, not what your eligibility says
• Consider paying accruing interest during your matriculation to avoid compounding interest
• Plan NOW and know what your future monthly payment will be – avoid surprises
Beth’s List....

- Join the Providence online “FreeCycle” Group
- Scope out any purchase at Providence/Craigslist.org before buying
- Clothing: Savers, Branch Ave, Providence
- Do NOT bring a car to campus....ever
- Eyeglasses: Zennioptical.com $19.95
- Spend Winter break
  - finding the best deals on your Spring semester books
  - Apply for outside scholarships
Bear Bargains

• Discount Program from local vendors/retails
• Provoked by using Brown ID at nearby locations
• Details: [http://brown.edu](http://brown.edu) ➔ A-Z ➔ Bear Bargains
Have an Idea? Need A Speaker?
Stay in Touch With Us

- Morning Mail Announcements
  - Upcoming Workshops or other Events
- Public LCD Screens across Campus
- Calendar.brown.edu
- Brown.edu/go/getyourbearings
- Facebook – Get Your Bearings
- Email: getyourbearings@brown.edu
- Listserv.brown.edu
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