

# Money Matters

EXPENSES	Month	Due	Paid
Housing			
Utilities	7/25		
Food			
Clothing			
Transportation			
Child Care			
Other			

**Participant Guide**



**Building: Knowledge, Security, Confidence**

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**FDIC Financial Education Curriculum**

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# Money Smart

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The *Money Smart* curriculum is brought to you by the Federal Deposit Insurance Corporation (FDIC). The *Money Smart* program includes the following courses:

- **Bank On It**  
an introduction to bank services
- **Borrowing Basics**  
an introduction to credit
- **Check It Out**  
how to choose and keep a checking account
- **Money Matters**  
how to keep track of your money
- **Pay Yourself First**  
why you should save, save, save
- **Keep It Safe**  
your rights as a consumer
- **To Your Credit**  
how your credit history will affect your credit future
- **Charge It Right**  
how to make a credit card work for you
- **Loan to Own**  
know what you're borrowing before you buy
- **Your Own Home**  
what homeownership is all about

# Money Matters

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Welcome to Money Matters! One of the first steps to financial security is planning and following through on a personal budget. Budgeting is about choices -- choosing how to make money and choosing how to spend money. This course will help you with some of the basics. When you have completed this course, you will be able to prepare a personal budget.

## Why Budget?

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Have you ever taken \$20 out of the ATM and, at the end of the day, not known where it all went? It is critical you understand where your money goes. Knowing what your income and expenses are every month will help you take control of your financial situation.

Taking control of your financial situation helps reduce the anxiety of not knowing whether you have the money to pay your bills when they are due. It is important to have a sense of control over money, rather than letting money have control over you. Budgeting will help you build assets. Building assets improves the quality of life for you and your family.

A good place to start taking control of your financial situation is to develop a savings and spending plan. This is called a budget. A budget is a step-by-step plan for meeting expenses in a given period of time.

# Daily Spending Diary

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Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

# Income and Expenses Worksheet

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## My Income

Wages \$ \_\_\_\_\_  
Public assistance \$ \_\_\_\_\_  
Child support/  
Alimony \$ \_\_\_\_\_  
Interest/Dividends \$ \_\_\_\_\_  
Social Security \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

## My Expenses

### Fixed Expenses

Rent/Mortgage \$ \_\_\_\_\_  
Property taxes/  
Insurance \$ \_\_\_\_\_  
Trash collection \$ \_\_\_\_\_  
Car payment \$ \_\_\_\_\_  
Car insurance \$ \_\_\_\_\_  
Other loan payments \$ \_\_\_\_\_  
Health insurance \$ \_\_\_\_\_  
Day care/Elder care \$ \_\_\_\_\_

### Flexible Expenses

Savings \$ \_\_\_\_\_  
Gas/Oil \$ \_\_\_\_\_  
Electricity \$ \_\_\_\_\_  
Water \$ \_\_\_\_\_  
Telephone \$ \_\_\_\_\_  
Food \$ \_\_\_\_\_  
Transportation/Gas \$ \_\_\_\_\_  
Car maintenance \$ \_\_\_\_\_  
Education \$ \_\_\_\_\_  
Personal expenses \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

**Total Income \$** \_\_\_\_\_

**Total Expenses \$** \_\_\_\_\_

\* Remember to plan for income and expenses that do not occur on a monthly basis.

## Tips to Decrease Spending

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- Carry only small amounts of cash in your wallet so you won't spend it.
- Use direct deposit. You will be less likely to spend money if it goes straight into your account.
- Control your use of credit cards.
- Don't go shopping just for fun.
- Take your written savings goals with you as a reminder.
- Buy only what you need—don't buy things just because they are on sale.
- Use coupons to save money.
- Use a grocery-shopping list to prevent impulse buying.
- Take your lunch to work instead of eating out.
- Shop around to get the best deal for big-ticket items like cars and appliances.
- Pay your bills on time to avoid late fees, extra finance charges, utilities being turned off, eviction, repossessions, and the costs of a bad credit rating.



# Increasing Your Income

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## Earned Income Tax Credit (EITC)

The EITC is a refundable federal income tax credit for people who work but do not earn high incomes. If you qualify, it reduces the amount of tax you owe, and it may give you a refund. You may even be eligible for an advance EITC, which allows you to receive part of the credit in each paycheck during the year.

The following eligibility requirements apply:

- You must have a valid Social Security number.
- You must be between 25 and 65 years of age, unless you have a qualifying child.
- You must have earned income. This does not include alimony, child support, welfare benefits, unemployment benefits, interest, dividends, pensions, and certain workforce payments.
- Children must live with you for at least 6 months to claim additional benefits

Benefits can range from \$376 to \$4,140. Rules and examples can be found in IRS Publication 596. Any refund you receive as a result of taking the EITC will not be used to determine your eligibility for the following programs, or how much you can receive from them:

- Temporary Assistance for Needy Families (TANF)
- Medicaid and supplemental security income (SSI)
- Food stamps and housing assistance

## Child Tax Credit

The Child Tax Credit can lower the amount of income tax you owe and increase any refund you might receive. The benefit can be as high as \$600 per child. Information is available in IRS Publication 972. A copy of the tax credit application form and the IRS Publication is available at the following website: [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-3676, or you can call the IRS directly at 1-800-829-1040 for assistance.

Eligibility requirements include the following:

- The child must be 17 years of age or younger by the end of the tax year.
- The child must be a U.S. resident.

## Credit for Child and Dependent Care Expenses

If you pay someone to care for your child under the age of 13, or other dependent who is not able to care for him or herself, you might be eligible for a tax credit. The tax credit can lower the amount of income tax you owe and increase any refund you might receive. To qualify, you must pay the child or dependent care expenses so you can work or look for work. Information is available in IRS Publication 503. A copy of the tax credit application form and the IRS Publication is available at the following website: [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-3676, or you can call the IRS directly at 1-800-829-1040 for assistance.

## Education Credits

If you are saving for or paying education costs for yourself or another student to attend a college, university, vocational school, or other postsecondary education institution you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible expenses. Information is available in IRS Publication 970. A copy of the tax credit application form and the IRS Publication is available at the following website: [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-3676, or you can call the IRS directly at 1-800-829-1040 for assistance.

## Retirement Savings Contributions

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible contributions. To claim the credit, complete IRS Form 8880 and submit it with your federal income tax form. A copy of the tax credit application form is available at the following website: [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-3676, or you can call the IRS directly at 1-800-829-1040 for assistance.

## Free Income Tax Preparation Assistance

The IRS-sponsored Volunteer Income Tax Assistance (VITA) program or the Tax Counseling for the Elderly (TCE) program provides free basic income tax return preparation to individuals with low to moderate incomes, individuals with disabilities, non-English speaking taxpayers, and the elderly. In addition to free tax return preparation assistance, many sites also offer free electronic filing (e-filing). During the tax season, VITA and TCE sites are located at local libraries, churches, community centers, shopping malls, and retirement homes.

Taxpayers wanting to take advantage of these volunteer assistance programs should bring the following information with them when they visit a VITA or TCE site:

- ▶ Form W-2, “Wage and Tax Statement,” from each employer;
- ▶ Forms 1099, for such things as interest or dividends;
- ▶ A list of other income and expenses;
- ▶ Social Security Cards or Individual Taxpayer Identification cards for you, your spouse, and your dependents
- ▶ A copy of last year’s tax returns; and
- ▶ All other information pertinent to this year’s tax return.

To obtain the location, dates, and hours of the volunteer site closest to you, call the IRS toll-free Tax Help Line for Individuals at 1-800-829-1040. The AARP provides free tax assistance to elderly taxpayers. For AARP sites call them at 1-888-AARPNOW (1-888-227-7669).

Remember, you are obligated to provide accurate information when applying for these benefits. Tax fraud is a serious offense.

## **Recordkeeping Tips**

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- Keep information in a safe place in your home or in a safe deposit box.
- Keeping your files organized makes it easier for you to find information about your earnings and spending and to update important financial information.
- Keep your tax records for at least 3 years.
- Don't forget to send in your bill payments a few days before they are due to avoid late fees.

# Budgeting Tools

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## Monthly Payment Schedule

- Transfer your income sources and amounts from the *Income and Expenses Worksheet* to the income column on the *Monthly Payment Schedule* worksheet.
- Record the date the income amount is expected.
- Transfer your expenses, the date due, amount due, and the date paid into the appropriate columns of the *Monthly Payment Schedule* worksheet.
- Use different colored ink for income and expenses.
- See your instructor for additional worksheets.

Month \_\_\_\_\_

Income	Expenses/Bills	Pay or Due Date	Amount Due	Paid

## Monthly Payment Calendar

- Transfer your income sources and amounts from the *Income and Expenses Worksheet* to the dates income is paid on the *Monthly Payment Calendar* worksheet.
- Transfer your expenses to the dates they are due on the *Monthly Payment Calendar* worksheet.
- Use different colored ink for income and expenses.
- Check off each bill as it is paid.
- See your instructor for additional worksheets.

Month _____						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

## Other Budgeting Tools

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Here are a few other types of budgeting tools you can use at home. You should use the one you are most comfortable with.

### Expense Envelope System

- This tool is useful if you pay your bills with cash each month.
- Make an envelope for each expense category (rent, utilities, food, etc.)
- Label the envelope with the purpose, amount, and date due.
- When you receive income, divide it into amounts to cover the expenses listed on the envelopes.
- Pay bills right away, so you won't be tempted to spend the money for something else.

### Budget Box System

- The budget box is a small box with dividers for each day of the month, like a filing system.
- When you receive a bill, check the due date and place it behind the card that represents the due date.
- As you receive income, pay all the bills that are due.

### Computer System

If you have access to personal computers, you can create your own spreadsheet. You may also want to purchase a personal finance program. They are available for less than \$75. Using a computer to manage your finances is relatively easy. Once you set up the system, updating information is quick and easy. It is important to enter transactions frequently to truly understand your financial position.

## For Further Information

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### **[www.fdic.gov](http://www.fdic.gov)**

The FDIC provides information about the nation's banking system. You can also call the consumer hotline 1-877-ASK-FDIC (1-877-275-3342).

### **[www.irs.gov](http://www.irs.gov)**

This is the website of the Internal Revenue Service (IRS). You can get copies of IRS publications and forms through this site or by calling 1-800-829-3676. The IRS can also be reached at 1-800-829-1040.

### **[www.ssa.gov](http://www.ssa.gov)**

This is the Social Security Administration's website. You can find out about Social Security benefits at this site. You can also call 1-800-772-1213 to request a copy of your Social Security statement.

### **[www.nfcc.org](http://www.nfcc.org)**

National Foundation for Credit Counseling (NFCC) can be reached at 1-800-388-2227. NFCC is a national non-profit organization that assists consumers in dealing with their credit problems.

### **[www.abiworld.org/consumer.A.html](http://www.abiworld.org/consumer.A.html)**

The American Bankruptcy Institute (ABI) researches and educates on issues regarding bankruptcy. The ABI's Consumer Corner web page offers information and resources concerning bankruptcy.

### **[www.pueblo.gsa.gov/cic\\_text/money/bankbasic/bankbasic.pdf](http://www.pueblo.gsa.gov/cic_text/money/bankbasic/bankbasic.pdf)**

This is a link to *Bankruptcy Basics*, Public Information Series, Bankruptcy Division, Administrative Office of the United States Courts, August 1998. This publication provides general information regarding the different types of bankruptcy cases.



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- *Consumer Action Handbook*, 2001, Federal Consumer Information Center, United States General Services Administration
- Fannie Mae
- Federal Trade Commission
- *Gateway to a Better Life – Making Every Dollar Count*, 1998, Cooperative Extension, University of California
- *Helping People in Your Community Understand Basic Financial Services*, Financial Services Education Coalition
- Internal Revenue Service
- *Saving Fitness A Guide to Your Money and Your Financial Future*, U.S. Department of Labor, Pension, and Welfare Benefits Administration
- Social Security Administration
- United States Department of Agriculture, Rural Development, Rural Housing Service
- United States Department of Housing and Urban Development
- United States Veterans Administration, Department of Veterans Affairs Home Loan Program