

Smart Money I

A TOOL FOR PLANNING
YOUR PERSONAL BUDGET



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How you can avoid financial mismanagement whether you are starting out, a boomer, in the sandwich generation, ready to retire, or already retired. Here are some guidelines to develop a spending plan to make the most of your money. Test yourself on page 9 when you are finished to see what you have learned. ▶

How Do You Manage Your Money?

Please answer the following questions according to your present financial practices:

1. I pay the rent/mortgage payment and utility bills on time.
 Always Sometimes Never
2. I save 10 per cent of my net income.
 Always Sometimes Never
3. I keep three-six months of my net income in reserve for emergencies.
 Always Sometimes Never
4. I plan ahead for large expenses, such as taxes and insurance.
 Always Sometimes Never
5. I set goals and have a spending plan for my net income.
 Always Sometimes Never
6. I spend no more than 15% of my net income for credit payments, excluding my mortgage, but including car payments.
 Always Sometimes Never
7. I comparison shop for the purchase of most items.
 Always Sometimes Never
8. I keep track of my daily expenses.
 Always Sometimes Never
9. I balance my checkbook every month.
 Always Sometimes Never
10. I check my credit report once a year.
 Always Sometimes Never

Scoring

Give yourself 2 points for each **Always**; 1 point for each **Sometimes**; and 0 points for **Never**.

20-15 You are practicing good money management skills.

15-10 You are making an effort to improve your skills.

10-0 You need to improve your money management skills.



Your Money Management Guidelines

- ✓ Set Goals
- ✓ Develop a spending plan
- ✓ Save 5-10% of your net income for your goals
- ✓ Keep 3-6 months of your net income for emergencies
- ✓ Plan ahead for large expenses and comparison shop
- ✓ Spend no more than 10-15% of your net income in credit payments, including your car payment
- ✓ Balance your checkbook every month
- ✓ Check your credit report at least once a year

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Choosing Your Financial Goals

What are your goals? They are what will motivate you to stay on track with your spending plan. Without goals, you may find yourself living paycheck to paycheck and never saving for those things you really want.

You will probably have short and long-term goals. Every family member should have a part in selecting them. Consider these goals when you develop your spending plan.

Short Term Goals (within one year) Cost

1. _____
2. _____
3. _____
4. _____
5. _____

Long-Term Goals (more than one year) Cost

1. _____
2. _____
3. _____
4. _____
5. _____

Examples:

Short-Term Goals (within one year)

Pay off credit card bill

Save for holiday expenses

Save for family vacation

Long-Term Goals (more than one year)

Purchase a car

Save \$10.00 each week

Save for retirement



Charting Your Money

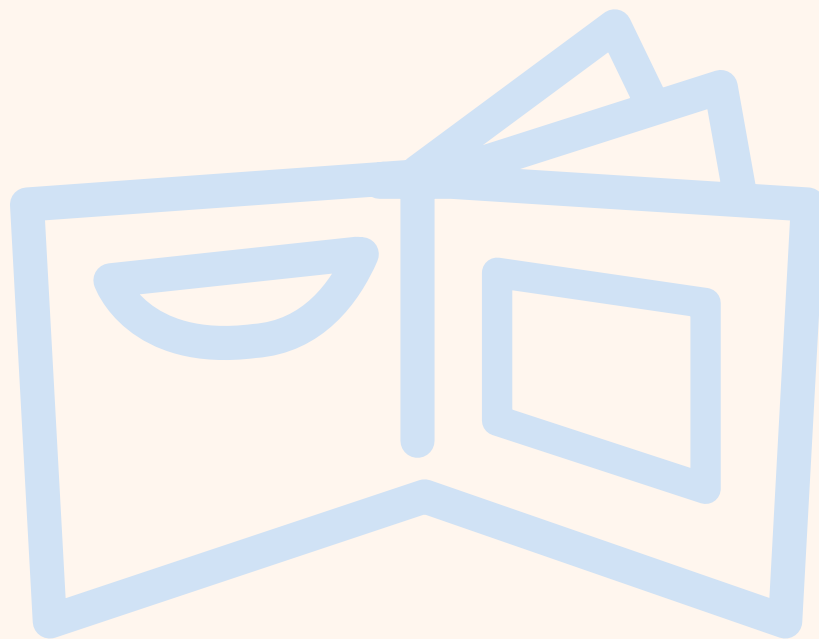
Most people do not keep track of how they spend their money, particularly small items like coffee or sodas. However, it all adds up. If you regularly spend \$2.00 for a cup of coffee and a doughnut, that's \$10.00 a week, which becomes \$40.00 in four weeks and more than \$500.00 in a year—that's a lot of money.

In order to develop a spending plan, you need to know how you spend money now so that you can determine how you want to do so in the future. The **Money Tracker** will enable you to keep a record of your regular purchases. This information will assist you in generating your plan.

For a particular week, you may want to keep track of groceries, lunches, gasoline, laundry, snacks, newspapers, and other incidentals. If you save your receipt each time you make a purchase and note the item, it will help you when you wish to record your spending at the end of the day.

By entering both your weekly expenses and your monthly bills in the **Spending Plan** worksheet, you will learn your spending habits and can decide what, if anything, you would like to change.

For the Spending Plan to be successful, you will want to record all your expenses.



The Spending Plan

Monthly Income

Net

Income 1	
Income 2	
Pensions	
Other	
	TOTAL NET INCOME

	Current	Changes	Planned
--	---------	---------	---------

Monthly Expenses

Shelter

Rent/Mortgage			
Electricity			
Gas			
Water			
Telephone/Internet			
Garbage			

Food

Groceries			
Work Lunches			
School Lunches			

Transportation

Car Payment			
Gasoline			
Car Insurance			
Car Repairs & Maintenance			

Personal

Clothing			
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	Current	Changes	Planned
Laundry, Dry Cleaning			
Haircuts, Personal Care			
Insurance			
Life			
Health			
Disability			
Other			
Medical and Dental			
Child Care/Support			
Entertainment			
Books, Subscriptions, CDs			
Dues			
Pets			
Allowances			
Other			
Savings			
Emergencies			
Short-Term Goals			
Long-Term Goals			
Retirement			
Credit Card Payments			
Installment Loan Payments			
TOTAL NET MONTHLY INCOME			
TOTAL MONTHLY EXPENSES			
Shortage/Surplus			

Obtaining Your Credit Report and Score

Check your credit report and obtain your credit score at least once a year. Your credit report will show your payment history and your score will enable you to learn if lenders consider you a good credit risk. Credit scores are usually between 300 and 850.

Five factors determine credit scores:

- Payment history
- Amount of debt
- Credit account history
- Recent credit history, *and*
- Types of credit you have.

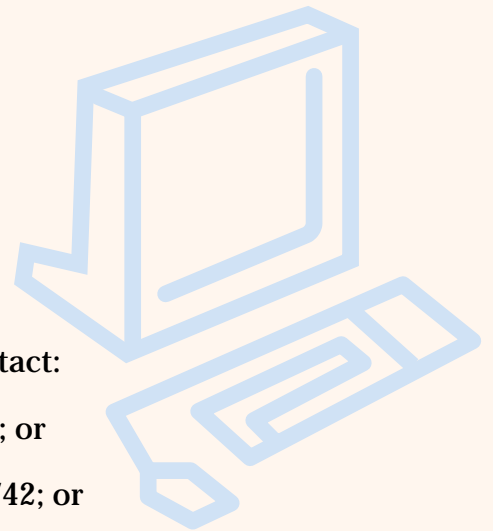
To obtain your credit history, you will need to contact:

- Equifax at www.equifax.com or 800-685-1111; or
- Experian at www.experian.com or 888-397-3742; or
- Trans Union at www.transunion.com or 800-916-8800.

There will be a charge. However, if there is an error in your report, you can correct it at no cost.

You may need to provide your full name, including any maiden name; current address; previous address; Social Security number; and date of birth.

With the increasing amount of identity theft, it is to your benefit to guard your personal information carefully and check your credit report regularly. For more information on your credit report, credit score, and identity theft, visit www.aarp.org/consumerprotect.



What Have You Learned About Money Management?

- ✓ Will you **pay the rent/mortgage and utility bills on time**?
 yes no
- ✓ Will you **save 10% of your net income**?
 yes no
- ✓ Will you **keep 3-6 months of your net income for emergencies**?
 yes no
- ✓ Will you **plan ahead for large expenses, such as insurance**?
 yes no
- ✓ Will you **set goals and do a spending plan for your net income**?
 yes no
- ✓ Will you **spend no more than 15% of net income on credit**?
 yes no
- ✓ Will you **comparison shop for the purchase of most items**?
 yes no
- ✓ Will you **keep track of your daily expenses**?
 yes no
- ✓ Will you **balance your checking account every month**?
 yes no
- ✓ Will you **check your credit report at least once a year**?
 yes no



Family Records

Full Legal Name _____

Legal Address _____

Date of Birth _____ Place of Birth (City, State) _____

Social Security Number _____ Location _____

Spouse's Name _____

Spouse's Address _____

Children

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Doctors

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Friends, Relatives

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Name _____ Phone _____

Address _____

Religious Affiliation _____ Church or Synagogue _____

Legal Records and Locations

Will _____ Birth Certificate _____

Power of Attorney _____ Marriage Certificate _____

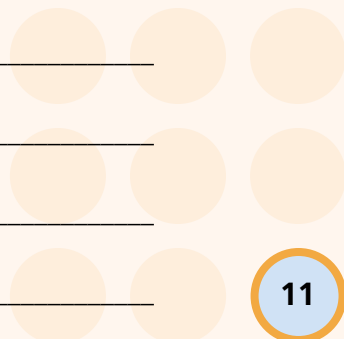
Health Care Agent _____ Divorce Decree _____

Living Will _____ Death Certificate _____

Burial Plots _____ Citizenship Papers/Green Card _____

Military Records _____ Passport _____

Education Records (Transcripts, etc.) _____



Financial Records and Locations

Checking Account/Statements _____

Savings Account/Statements _____

Credit Cards/Statements _____

Pension/401k _____

IRA _____

Certificate of Deposit(s) _____

Money Market Fund _____

Bond(s) _____

Mutual Fund(s) _____

Stock(s) _____

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Income Tax Returns _____

Property Deed(s) _____

Mortgage _____

Homeowner's Insurance Policy _____

Automobile Title(s) and Registration _____

Automobile Insurance Policy _____

Medical Bills _____

Health Insurance Policy (Medicare/Medicaid) _____

Long-Term Care Insurance Policy _____

Safe Deposit Box _____

Personal Items and Locations

1. _____

2. _____

3. _____

4. _____

5. _____



The AARP Foundation is AARP's affiliated charity. Foundation programs provide security, protection and empowerment for older persons in need. Low-income older workers receive the job training and placement they need to re-join the workforce. Free tax preparation is provided for low- and moderate-income individuals, with special attention to those 60 and older. The Foundation's litigation staff protects the legal rights of older Americans in critical health, long-term care, consumer and employment situations. Additional programs provide information, education and services to ensure that people over 50 lead lives of independence, dignity and purpose. Foundation programs are funded by grants, tax-deductible contributions and AARP.

AARP Foundation
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