



Welcome to Reality

How to Help Students Make a Plan for a Successful Budget

*"Happiness can be found even in the darkest of times if one only remembers to turn on the light."
~ Albus Dumbledore*



Introduction

- Laura Helmich, Business Development Officer, Student Loan Specialist, First United Bank & Trust
 - 30 years of experience within the Student Loan Industry
 - Certified Consumer Credit Counselor
 - First United Bank & Trust, Financial Literacy Advocate
 - Active member of American Banker Association (ABA)
 - Teach Children to Save
 - Get Smart about Credit



Items to be reviewed

- Review our own Budgets
- Life as a recent college graduate
- Review of 3 popular budgets
- Review a budget based on National Averages
- Wrap up Best Practices



Why is this topic important to you?

- Student loan debt always in the news
- Reports on how many college graduates are not purchasing homes
- Preventing borrowers to save for retirement
- Reports on how student loan debt affects our economy
 - Borrower are delaying marriage and families
 - Stifling the growth of small business
 - Preventing borrowers from buying a home



Expense	Your Actual	Percent of Gross Pay	NATIONAL AVERAGE EXPENSE
Housing (Mortgage, Rent, Insurance)			
Utilities (electric, water, phone, cable)			
Transportation (car payment, insurance, gas, maintenance)			
Food-Groceries			
Medical/Health-(insurance , health savings plan)			
Savings (personal savings, 401K contributions)			
Personal (clothes and beauty)			
Recreational (dining out, movies, entertainment, vacation)			
Miscellaneous (Gifts, Charity, Pet)			
Unsecured Debt (credit cards, student loans)			
Total of Monthly Expenses			
Your Monthly Net Income, if married use all of your household income			

- Take a minute to estimate your own expense on a monthly basis.
- Determine what percent of these expense are compared to you monthly “gross” income (Actual Expense / your monthly gross income)
- National Average Expenses will be reviewed during presentation

Let’s look at our own budgets



Let's go back to being a Recent College Graduate

You get your first job!

- What do you expect to make?
 - Survey shows students expect to make 60K
- What do you actually make?
 - National Average show recent college graduates make 48.4K



Financial Decisions

Think like a college graduate after you get your first job. What is some of the first financial decisions you may make?

- Housing
- Transportation
- Wardrobe



What is the last thing on your mind?

- Cost of living
- Student loan payments
- Creating a budget

Let's Review Some Popular Budgets

Today we will review 3 popular budgets

- Recommended budget from National Association of Credit Counselors (NACC)
- Dave Ramsey Budget
- 50/20/30 Budget Rule- Popularized by Senator Elizabeth Warren



Review of the 50/30/20 Rule

- 50% Are your Needs
 - Housing
 - Transportation
 - Groceries
 - Utilities
 - Health Insurance
 - Credit Cards (minimum payment) Why? Can effect your credit score
 - Student Loans (minimum payment) Why? Can effect your score
- 30% Are your Wants
 - Shopping, Dining out, Entertainment and Cable
- 20% is Savings and Debt Repayment
 - Used repay debt



Budgets at a Glance

Expense	Percentage of Gross Monthly Income NACC	50/30/20 RULE	Dave Ramsey
Housing (Mortgage or Rent)	25-30%	50%	25%
Utilities (electric, water, phone, cable)	5-10%	50%	5-10%
Transportation -including car payment, insurance, gas and maintenance	10-15%	50%	10%
Food –Groceries	5-15%	50%	10-15%
Medical/Health (maybe deducted from your paycheck)	5-10%	50%	5-10%
Saving (can include 401K contributions)	5-15%	20%	10%
Personal (clothes and beauty)	5-10%	30%	5-10%
Recreation-(movies, entertainment, vacation, dining out and hobbies)	5-10%	30%	5-10%
Miscellaneous (gifts, charity and pets)	2-5%	30%	5-10%
Unsecured Debt (student loans, charge cards)	5-10%	20%	N/A*

* Ramsey recommends putting as much as possible towards non-mortgage debt such as student loans and credit cards by minimizing your expenses in other categories. Also recommends fully funded 3 month emergency fund.



National Averages

Expense	National Average Expense	
Housing (Mortgage or Rent and insurance)		\$1,178.00
Utilities (electric, water, trash, phone, cable, Wi-Fi,)		\$315.00
Transportation –(including car payment, insurance, gas and maintenance)	New Car Payment:	\$480.00
	Used Car Payment:	\$381.00
	Insurance Payment:	\$125.00
	Average Gas: \$40.00wkX4=	\$160.00
	Average Maintenance:	\$50.00
	Average:	\$653.00 (Used Car)
	Average:	\$815.00 (New Car)
Food-Groceries		\$377.00
Medical/Health (maybe deducted from your paycheck)		\$263.00
Saving (can include 401K contributions)	6.2% of Gross	\$250.00
Personal (Clothes and Beauty)	clothes/services	\$150.00
Recreation (movies, entertainment, vacation, dining out, and hobbies)	entertainment	\$243.00
	dining out	\$263.00
	vacation (based on average per year of \$1,200.00 a person	<u>\$100.00</u>
	Total:	\$606.00
Miscellaneous (gifts, charity and pets)	5%	\$202.00
Unsecured Debt (student loans, charge cards)	Credit Card Payment:	\$189.00
	Student Loan Payment :	<u>\$400.00</u>
	Total:	\$589.00



Doing a Budget based on Average Income of \$48.4K Gross Income

Expense	Percentage of Gross Monthly Income	
Housing (Mortgage or Rent and insurance)	25% -30%	\$1,008.00-\$1,210.00
Utilities (electric, water, trash, phone, cable, Wi-Fi)	5% -10%	\$202.00-\$403.00
Transportation –(including car payment, insurance, gas and maintenance)	10% -15%	\$403.00-\$605.00
Food	5% -15%	\$202.00-\$605.00
Medical/Health (maybe deducted from your paycheck)	5% -10%	\$202.00-\$403.00
Saving (can include 401K contributions)	5%-15%	\$202.00-\$605.00
Personal (Clothes and Beauty)	5% - 10%	\$202-\$403.00
Recreation (movies, entertainment, vacation, dining out, and hobbies	5%-10%	\$202.00-\$403.00
Miscellaneous	2% -5%	\$81.00- \$202.00
Unsecured Debt (student loans, charge cards)	5%-10%	\$202.00-\$403.00
Total Low Range		\$2,906.00
Total High Range		\$5,242.00
Average take home pay less taxes		\$3,146.00



Budget Compared to National Averages

Expense	Percentage of Gross Monthly Income low	National Average Expense
Housing (Mortgage or Rent and insurance)	25% -30% \$1,008.00-\$1,210.00	\$1,178.00
Utilities (electric, water, trash, phone, cable, Wi-Fi)	5% -10% \$202.00-\$403.00	\$315.00
Transportation –(including car payment, insurance, gas and maintenance)	10% -15% \$403.00-\$605.00	New Car Payment: \$480.00 Used Car Payment: \$381.00 Insurance Payment: \$125.00 Average Gas: \$40.00wkX4= \$160.00 Average Maintenance: \$50.00 Average: \$653.00 (Used Car) Average: \$815.00 (Used Car) (17%- 20%)
Food	5% -15% \$202.00-\$605.00	\$377.00
Medical/Health (maybe deducted from your paycheck)	5% -10% \$202.00-\$403.00	\$263.00
Saving (can include 401K contributions)	5%-15% \$202.00-\$605.00	6.2% of Gross \$250.00
Personal (Clothes and Beauty)	5% - 10% \$202-\$403.00	\$150.00
Recreation (movies, entertainment, vacation, dining out, and hobbies)	5%-10% \$202.00-\$403.00	Entertainment \$243.00 Dining Out \$263.00 Vacation (yr. aver \$1,200) <u>\$100.00</u> Total: \$606.00
Miscellaneous	2% -5% \$81.00- \$202.00	5% \$202.00
Unsecured Debt (student loans, charge cards)	5%-10% \$202.00-\$403.00	Credit Card Payment: \$189.00 Student Loan Payment : <u>\$400.00</u> Total: \$589.00 (15%)
Total Low Range	\$2,906.00	\$4,268.00 (with used car)
Total High Range	\$5,242.00	\$4,430.00 (with new car)
Average take home pay less taxes	\$3,146.00	\$3,146.00



Open Discussion

- What have we learned?
- How can we help our students?
- Best Practices-What are you doing currently to help students

