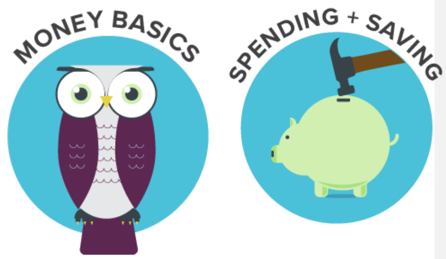
SPENDING AND SAVING BASICS: TABLE OF CONTENTS



Why Take This Course?

Do you ever wish you knew more about personal finance? No matter where you are in your financial journey, there always is more to learn. SAM's free online courses are not intended as financial advice, but as a starting point to raise awareness, to increase skills and knowledge related to personal finance, and to guide you to helpful resources.

Research shows that financial education is most effective when it is relevant to a decision you are faced with right now. This course covers:

- Analyzing current spending and savings habits, challenges and opportunities.
- Tips for cutting spending and increasing savings.
- Payment methods and record-keeping guidelines.

Disclaimers

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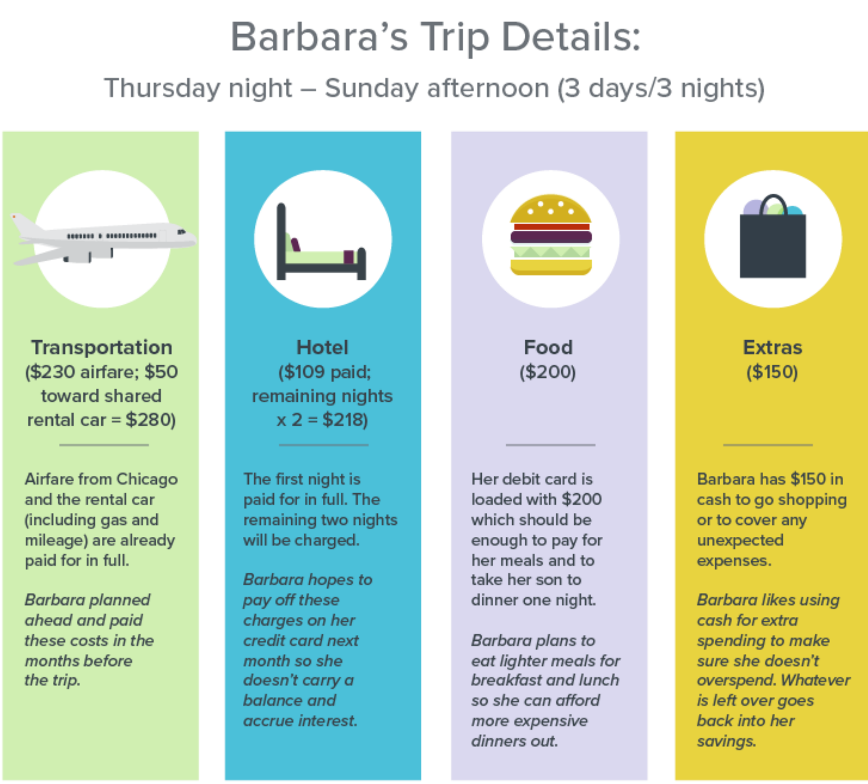
INTRODUCTION

Meet Barbara

Barbara has it all planned out – a girls' getaway weekend combined with seeing her son in Michigan. She is leaving in three weeks and she has saved up specifically for the trip.

Fortunately, Barbara always has been a good saver, putting away some of her paycheck every month for things like emergencies, trips and retirement. Barbara made the following spending plan for her vacation:



Total Cost of Trip	$957	
Total Paid in Advance:	$280 + $109 = $389	Paid with savings before the trip.
Total Spending During Trip:	$150 + $200 = $350	Any leftover will go toward paying off new credit card charges.
Total Chargest to be Paid After Trip:	$218	Charged to credit card to be paid off the month after the trip.

How Did She Do It?

Barbara's spending plan allowed her to afford a $957 vacation by spreading out the charges across several months — using some savings, some cash and some credit card charges.

By taking out cash to cover unexpected costs and "fun" money, Barbara is able to track how much she has left. But she also doesn't feel like she has to spend it all. Whatever is left over will go back in her savings or will help pay the post-trip credit card bill.

GETTING STARTED

When Barbara graduated from high school, she went straight to work making an hourly wage. Although her paycheck was pretty slim, she knew she had to start saving a little bit each month.

To make this happen, she put herself on a spending plan (aka, budget), analyzing her spending to see where she could cut back and putting any leftover funds in savings.

Barbara has adjusted her spending plan as her income increased and her life circumstances changed – such as when she got divorced and when her son moved out of her house.

Barbara has a steady job where she puts away money for her retirement in a 401(k) plan. In addition, she has $50 each month automatically transferred from her checking account into her savings account; she watches her monthly expenses, and she uses credit to help cover gaps.

Setting Financial Goals

Taking control of your financial life requires planning, and that starts with setting goals. First, jot down some ideas of things you would like to achieve or improve about your financial life.

The goals you set should be specific and have a timeframe attached to them. For example, your goal might be to save $20 per week during the next year for a vacation. This is a SMART goal that is Specific, Measurable, Achievable, Realistic and Time-bound.

	Example	*SMART Goal*
Short-Term Goals *1 to 3 years*	Build up emergency savings	Save $200 per month for the next 12 months.
Medium-Term Goals *3 to 5 years*	Buy a house	Save $10,000 over the next three years for a house down payment.
Long-Term Goals *5 to 10 years*	Save for retirement	Invest at least $5,000 per year in my retirement funds over the next five years.

Once you've brainstormed some SMART goals, prioritize them according to what is most urgent or most important to you. Make sure each goal has a time frame and then chart your progress each week.

Track Your Goals

You might use a calendar, spreadsheet, mobile app or a journal to track your progress. The important thing is that you revisit your goals, adjust them when necessary and celebrate when you achieve them. Share your goals with a friend to help keep you on track.

Where Did that $20 Go?

Now that you have some ideas for goals you want to work toward, where will you find the money to achieve those goals?

The first step is to get a clear picture of your current finances: how much money you have coming in, and how much you are spending each month.

Tracking your spending as you go can be difficult — you might forget to record some purchases, or you might be tempted to change your habits when you know you're keeping track. Past spending can be more accurate because you can't go back and change what you have already done.

Locate your most recent monthly bank and credit card statements (or if your past month was unusual, use a statement that best reflects your regular monthly finances).

Start a list with three columns. This can be done with pen and paper or using a computer, whatever method you are most comfortable with.

Regular Payments (Bills that you pay on a regular schedule each month, that tend to be about the same amount)	**Needs** (Things you need each month that vary in price — such as groceries and gas)	**Wants** (Things you bought that you probably could have done without)

Be a Spending Detective: Gather the Evidence

Begin at the top of your bank statement (if you have more than one statement, repeat this process for all your accounts and combine them into one list).

1. One by one, look at every item that took money out of your account — every bill you paid, every check, purchase, debit, cash withdrawal, etc., and put it in one of these three columns.

2. Don't overlook fees or other charges from your bank. For now, put these in the "Regular Payments" or "Needs" column.

3. If you know you got cash back on a purchase, consider the cash as a separate transaction. For example, if you got $40 in cash on top of a $50 grocery bill, you might list the $50 groceries as a "Need," but the $40 cash as a "Want."

4. Make calculations easier by rounding up or down to whole dollar amounts (for example, $45.36 would be $45).

Barbara's Example: Spending

Here is a sample of Barbara's Spending Detective exercise:

Regular Payments

(Bills that you pay on a regular schedule each month, that tend to be about the same amount)

Mortgage:	$850
Utilities:	$236
Car insurance premiums:	$150
Phone:	$95
Cable/Internet (bundled):	$125
Auto transfer to savings:	$50
Bank fee:	$10
TOTAL:	**$1,516**

Needs

(Things you need each month that vary in price — such as groceries and gas)

Groceries:	$85	Gas:	$15
Groceries:	$46	Gas:	$18
Groceries:	$65	Gas:	$25
Groceries:	$63	Gas:	$30
Total:	$259	Total:	$88

Medicine:	$35
Oil Change:	$20
Credit card payment*:	$15

**Minimum payment on $218 balance*

TOTAL: **$417**

Wants

(Things you buy that you probably could do without)

Coffee: $4
Dinner out: $15
Lunch out: $13
Coffee: $3
Coffee: $4
Clothes: $25
Lunch out: $9
Lunch out: $11
Happy hour: $15
Manicure: $25
Movies: $15
Cash: $40

TOTAL: **$179**

TOTAL EXPENDITURES: $1,516 + $417 + $179 = $2,112

Barbara’s Example: Income

Next, make a list of all your income for the month (any deposits, interest earned) and add those up:

Barbara’s Example: Income

Paycheck (1st of the month, take-home pay after taxes, 401(k) contribution and health insurance)	$1,100
Paycheck (15th of the month, take-home pay)	$1,100
Interest on savings account*	($0.02 rounds up to $0.00)*
Total Monthly Income	**$2,200**

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*Where’s the Interest? Barbara’s basic savings account accrues interest, but at only 2 cents per month, the income rounds down to $0. If she invested some of her savings, she could grow that money faster. Check out SAM’s Investing Basics course for more.

Subtract your total expenses from your total income:

Barbara’s Income	$2,200
Barbara’s Expenses	$2,112
REMAINING	$88

Be a Spending Detective: Analyze the Evidence

How you use what you find from your Spending Detective exercise is up to you. You might find that you have more money left over each month than you thought, or that you are spending more than you realized on unnecessary purchases.

Let's look more closely at Barbara's results:

- It is good news that Barbara's overall expenses are less than her income, but $88 left over at the end of the month isn't much cushion.

- Barbara withdrew some savings to cover trip expenses, so her savings balance is down to $150. She aims always to have at least $500 in savings, which means she currently is behind on that goal. Ideally, Barbara would like to have enough savings to cover three to six months of expenses, but $500 is her minimum goal.

- Although Barbara had hoped to pay off her credit card balance before the next billing cycle to avoid accruing interest, she only paid the $15 minimum payment on her $218 credit card bill.

One of Barbara's goals is to pay off her credit card bill each month. Because she paid only the minimum amount due this month, she did not make any progress toward paying down the principal on her credit card debt, and her new balance the following month raises to $221.

What Would You Do?

Looking at Barbara's "needs" and "wants," which of the following strategies would you suggest so that she can pay her whole $221 credit card bill?

Option 1: Cut Spending on "Wants"

If Barbara spent no money on wants at all in the coming month, she could have around $179 to put toward her credit card bill.

Option 2: Cut Spending on "Needs"

Barbara could find cheaper deals, cut coupons and make less expensive meals to lower grocery costs. She also could take public transportation a few times a week to save money on gas. Some "needs" such as the oil change, will not occur every month, but it is likely that she will need that $20 for something else.

Option 3: Look for Savings on Regular Payments

This strategy takes a bit more effort, but Barbara could research better deals on her regular monthly payments. For example, she could try to get a less expensive phone plan or cable/Internet bundle. Or she could drop her TV and/or Internet service all together. Barbara also could find a free checking account that does not charge the $10 monthly fee that she is paying currently.

Barbara's Plan

The truth is that Barbara probably will have to use a combination of methods in order to pay off her whole credit card balance.

Here is Barbara's plan to pay her $221 bill in full this month:

Barbara's Plan

	Last month's spending	This month's spending limit (goal)	Amount to put toward credit card bill
Cut spending on "wants"	$179	$60	$119
Cut spending on "needs"	$417	$377	$40
Cut spending on monthly bills	$1,516	$1,476	$40
Total spending cuts to put toward credit card bill			$199
Difference paid with leftover cash or savings			*$22*
Total credit card bill payment			**$221**

Barbara's Plan: Cut Spending on "Wants"

Looking at her last month's spending, Barbara sees that a lot of these purchases were lunches out and coffee breaks with coworkers. Barbara values these times she gets to spend with her friends at work, but she enjoys her dinners out and the occasional movie on the weekend as well.

Barbara sets an aggressive goal to spend only $60 this month on "wants." She plans to allow herself one small splurge of $15 per week – one lunch, one inexpensive dinner or movie, or a few coffee trips. It will be challenging, but Barbara is very motivated to pay off her credit card and keep herself debt-free.

Barbara's Plan: Cut Spending on "Needs"

Barbara estimates that she can save about $25 on gas and groceries. Also, she won't have to pay the $15 minimum payment on her credit card since she'll be paying the whole bill, so $25 + $15 = $40 in projected savings.

Barbara's Plan: Cut Regular Bills

Barbara suspects she could probably get a better phone plan, but she won't have time to research it this month.

She does call her bank about the $10 fee monthly fee for her checking account, and she finds out that she is eligible for a free account at the same bank.

She switches to the free account, and the bank even credits her account for three months of prior fees, giving her $10 she would have paid for the coming month's fee, plus $30 in reversed charges, for a total of $40.

Barbara's Plan: Cover the Gap with Cash or Savings

While she did have $88 left last month, Barbara knows that she has some expenses coming up that might use up that cushion, so even with her aggressive savings plan for the month, Barbara might have to dip into her savings to cover the remaining $22 balance.

Another option would be for Barbara to carry the $22 balance over on her credit card and pay it off the next month, but Barbara's goal to remain debt-free is important to her.

It might seem logical for Barbara to cut her regular savings contribution of $50 down to $25 for this month, but Barbara likes the regular habit of putting the same amount into her savings no matter what — even if she has to take some money out of her savings to meet another financial goal.

HOW IT WORKS

Why Have a Spending Plan?

Barbara's spending plan helps her sort out her "I want" expenditures from her "I need" expenditures. By paying attention to what she buys each month, she quickly can identify any leftover money.

With a spending plan, Barbara doesn't have to focus on her day-to-day or month-to-month expenses as much — they don't really change that much anyway. She focuses on allocating her leftover income to the things she values most, such as her vacation with friends and visit with her son.

Rather than a fixed "budget" that stays the same from month to month, Barbara revises her spending plan whenever there is a rise in expenses. Of course, if she spends less than usual, then she has more funds to allocate to savings or to put toward her goals.

Barbara's Priority Goals

Her spending plan is flexible, but Barbara has some key goals that remain the same. No matter what, she makes decisions that support these goals:

- To be debt-free.
- To save money every month.
- To save for retirement.

What Would You Give Up?

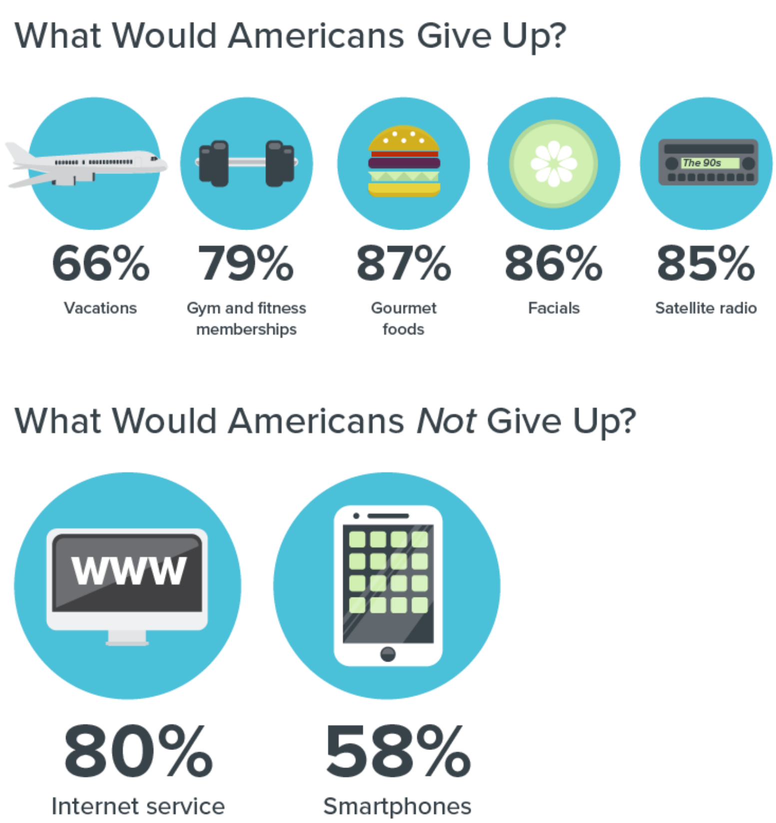
Are you surprised to find out just how much you spend on things you don't really need? Rest assured, you're not alone.

You do not need to give up all spending on "wants," but when you're looking for money to further your financial goals, mindless spending is a way that many of us are leaking money without paying attention.

How Do You Compare?

When asked what household expense they would be willing to give up, 8 in 10 Americans ranked Internet service as a nonnegotiable "must have" that they would not be willing to go without.

Source: http://www.slideshare.net/NationalRetailFederation/expendable-vs-untouchable



Plug Spending Leaks

Here are some ideas for plugging (or at least slowing) spending leaks:

- **Mind your cash.** People treat cash differently — and that's OK. For some people, it helps to keep less cash on hand so that they are not tempted to spend it. Other people prefer to spend only cash because it's easier to track how much is left. If these people don't have the cash in their wallets, they don't make the purchase.

- **Cut out or reduce costly habits**, such as daily trips to the coffee shop or convenience store — challenge yourself to bring your own snacks from home, take a walk on your lunch break rather than buying meals out, and invite your friends to join you in a "savings challenge."
- **Look for deals.**
    - Take advantage of discount offers, coupons and loyalty programs.
    - Shop at thrift stores, garage sales or flea markets whenever it makes sense.
    - Invite your friends and family to have clothing swaps.
    - Use free community message boards (online and in person) to barter goods and services.
- **Make a shopping list and stick to it** so you won't spend on impulse. Plan ahead with coupons to save even more.
- **Get creative.** Find free or low-cost activities and challenge your friends and family to spend less as part of your group outings. You could even make it a family or group goal to see who can come up with the most unusual or creative ways to spend the least amount of money.

Mindful Spending

Cutting back spending can be very hard if you haven't considered your motivation for buying things in the first place.

Think about a "want" purchase that is expensive or that you consider a luxury. This could be something you already have bought, something you're planning to buy, or something you really want to buy, but don't think you can afford just yet.

Thinking just of this one real or imaginary purchase, jot down your answers to the following questions:

- What is my reasoning/rationale for buying this particular thing?
    - Examples:
        - *"I need to keep up with trends, otherwise I'll be embarrassed."*
        - *"I deserve to splurge once in a while, and this will feel like a reward for all my hard work."*
        - *"This was a necessary upgrade — even though my old one still works, someday I'll have to buy a new one so it might as well be today."*
- What is the purpose behind making this particular purchase? What do I hope to get from buying it?
    - Examples:
        - *"I hope to impress my friends."*
        - *"I hope to not feel embarrassed anymore that my stuff is old or out-of-date."*
        - *"I hope that my kids will think it's cool."*
- How do I think that this purchase might make up for something in my life that is lacking?
    - Examples:
        - *"If I had something nice to wear, then I would get asked out more."*
        - *"If I had a bigger TV, then my kids would want to come over."*
        - *"If I had a better computer, I would be motivated to work on side projects."*
- What might be cheaper alternatives to this purchase? What would be the reasons to buy the more expensive version?
    - Examples:
        - *"I could research generic brands rather than brand names."*
        - *"I could monitor the deals online and make the purchase at a time when I would get a discount."*
        - *"I already have researched and compared options, and I am confident that this is the best value for the best deal."*

Take the LifeValues Quiz

If your spending habits are a result of unhealthy motivations — such as trying to fill an emotional need or "keeping up with the Joneses," you will want to address the root problem.

Even the best spending plan won't work if your spending is out of control for emotional or psychological reasons.

Sometimes, all it takes is paying attention to your spending and watching your motivations. In more serious cases, you might benefit from counseling.

It's important to know that careless spending will not take away personal pain, and it could lead to serious financial problems.

If you're really having trouble getting your spending under control, continue to ask yourself: "Do I need it?" If the answer, consistently, is "No," but you keep spending anyway, it could be time to investigate other possible root causes of your overspending.

What's Behind Spending Decisions?

Have you ever wondered why you feel good about spending money on vacations, but avoid saving for retirement? Why you buy new golf clubs, but procrastinate when it comes to giving your kids an allowance? The answer may lie in your unique LifeValues and how they influence your financial decision making.

Before you take the LifeValues quiz, read about the four Life Values; Inner, Social, Physical and Financial.

Now you are ready to get started. Bear in mind that there is no wrong answer. You are simply identifying your preferences. Remember that your answers are intensely personal and resist the urge to choose an answer someone else might believe is right for you. Quickly choose only one answer. Begin the LifeValues quiz.

Develop a Spending Plan

Now that you have set goals, examined the evidence from your past spending habits, and thought about why you spend the way you do, it's time to find the money to meet your goals.

If you're wondering, "Where can I find more money?" don't be discouraged. It's estimated that the average family wastes 30 percent of its money through unexamined spending. You are taking the first step by simply paying attention to your own habits.

So, give yourself a 30 percent pay increase by creating a spending plan. This [Budget worksheet] from Consumer.gov can get you started. can get you started:

- If you have money left over at the end of the month, your income and your expenses are "balanced." Put leftover cash into your savings toward one of your financial goals, and you're well on your way to getting what you want out of life.
- But if your expenses are more than your income, your spending plan is "out of balance." Start moving toward your goals by cutting expenses, increasing income, or doing both.

How Can You Increase Income?

How you make more money is up to your unique situation. Could you get a second job? Pick up a side project or freelance gig? Could you make more in your current job by gaining new skills? Or could you get a better-paying job by going back to school? Check out SAM's Employment Basics course to dig deeper.

Develop a Savings Plan

Use these strategies to help you get started saving:

- **Pay yourself first**. List savings as a fixed item in your spending plan. You are less likely to spend money you already have earmarked for savings.
- **Use automatic savings methods.** Set up an automatic transfer from your checking account to a savings account each month.
- **Save all or part of a certain type of income**. Designate your tax refund, annual bonus, tip money or proceeds from garage sales to savings.
- **Establish savings buckets** and watch these goals get closer as savings grow:
    - Things you want
    - Holiday shopping
    - Vacation
    - Retirement
- **Create an emergency fund.**
    - Start with a goal of $500 (then build it up to the recommended guideline of three to six months' expenses).
    - Keep it separate from other savings.
    - Use it only for emergencies, and replenish it after you get back on your feet.

THINGS YOU SHOULD KNOW

Using Mobile Apps to Track Spending

Barbara started out writing down her expenses in a notebook, but then she found a phone app to help her manage her money. It took some time and effort to set up, but now that she's done the hard part of entering all her information, Barbara likes the convenience of having all her spending and savings information on her smartphone.

There are many mobile budgeting and spending apps available for free and for a fee. Some things to consider when selecting an app:

- **Privacy**: If you are someone who doesn't like to share your private financial information online, then apps might not be the best option for you. Mobile apps are widely used and have built-in security measures; however, any time you share your private information with a third party, you are increasing your risk.
- **Password-protect your phone** to protect your information if your phone is lost or stolen.
- **Advertisements and sales pitches**: Many apps are free, but feature advertisements for fee-based goods and services. Or some apps continuously will try to hook you into upgrades and add-ons.
- **Set-up and maintenance take effort**: Even after you've done the legwork to connect your various financial accounts to the app, you likely will need to continuously check and update information in the app to make it useful. Just as with a paper or spreadsheet budget, the app can only do so much for you. You get out of it what you put into it.
- **Research customer reviews**: Look up customer reviews and complaints about specific apps before committing to one.

Getting Help: Financial Coaching

In addition to using her phone app to track spending and saving goals, Barbara also found a financial coach through a local credit union.

Financial coaching is different from financial planning because Barbara got to choose her own goals, rather than someone telling her what to do. Even after her first meeting with her coach, Barbara felt more motivated to stick with her plan and to aim for bigger financial goals.

Finding a Financial Coach

Call 2-1-1 and research Consumer Financial Protection Bureau programs to find free financial coaching through credit unions and other nonprofits in your community.

Record Keeping: Can You Locate Important Financial Documents?

Getting organized is an important step toward achieving a financially fit lifestyle. Collect important documents and create a filing system to keep yourself organized.

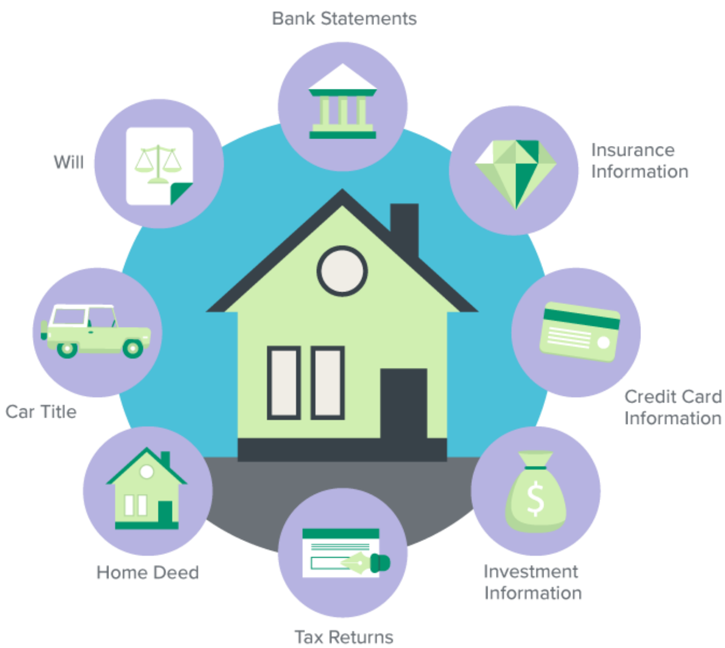
Going Paperless

If you prefer to go paperless, start an electronic storage system via an external hard drive; a free online storage account from outlets like Shoeboxed or Dropbox; or cloud storage offered by sites such as Amazon, Google, and Apple. Then, take and upload photos or scans of any physical records so you can store them online along with your electronic documents.

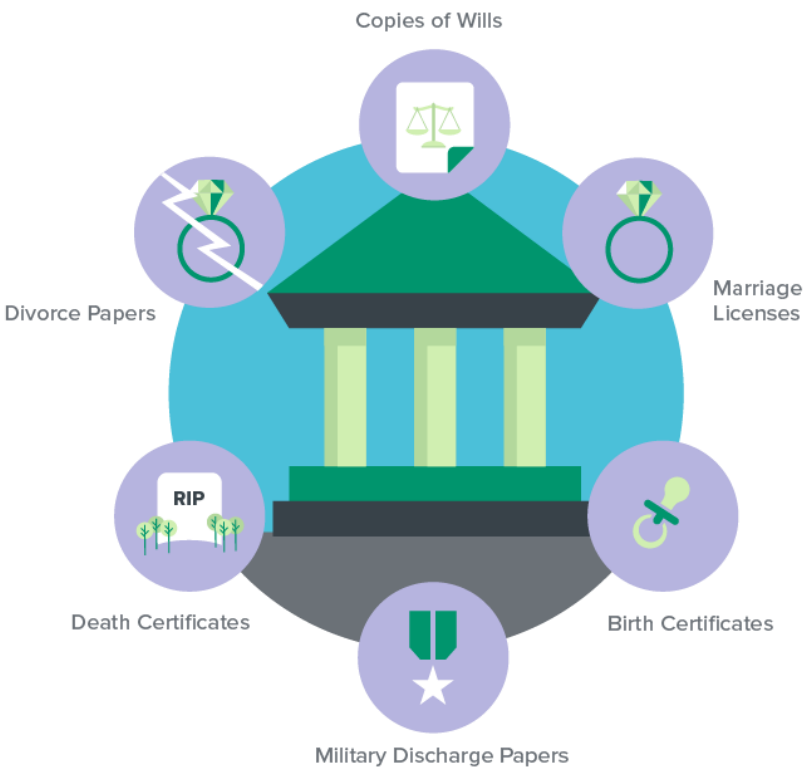
Secure Long-Term Storage

Whether you like hard copies or virtual, you'll need a fireproof lockbox at home or a safe deposit box away from home to keep irreplaceable paper documents such as your birth certificate. You can find inexpensive fireproof boxes online and get annual rates for safe deposit boxes from your bank or credit union.

Some documents you should keep in an easily accessible fireproof box at your home.



Other important financial papers should not be kept at home, but instead in a safe deposit box at a bank or credit union.



How Long Should You Keep Financial Documents?

With all the paper and electronic statements, agreements, receipts and bills coming your way, it can be difficult to know what to save and for what reason. This table will help you keep the important records where you need them to be and get rid of the documents that are OK to toss. Note that this is by no means an exhaustive list — but it will certainly help you get started.

	Why	What
OK to Toss	Bills and receipts can be tossed once you have paid them and compared them with credit card and bank statements.	• Old bills (phone, utility — you might want to keep track of amounts before tossing) • Grocery store receipts • ATM receipts
Keep for a Year	Certain items should be kept for up to a year to check against year-end statements and for tax filing purposes, in case you need to itemize deductions.	• Store receipts — unless you need them for tax, insurance or warranty purposes (which you then should keep for as long as you need them) • Pay stubs — to match up with the W-2 form your employer sends
Keep for 7 Years	The Internal Revenue Service (IRS) can audit your records for up to seven years after filing.	• Bank and credit card statements that include tax-deductible charitable donations, tuition costs, business or medical expenses • Any records needed for tax deduction purposes that are not already included on bank and credit card statements
Keep Until Not Needed	Some records need to be retained for an undefined amount of time, from a year for a short-term warranty to several years for documentation of loans you're still paying off.	• Warranties until expired • Loan document until loans are paid in full • Insurance policies until expired and outstanding issues are resolved • Receipts, including model/serial numbers, for major purchases (cars, equipment, appliances) • Animal registration and immunizations • Reports and insurance claims (for theft or accidents) • Title to your car • Receipts for major items you have sold

		• Lease agreements and membership contracts • Credit card and bank account agreements
Keep Forever	Documents that are hard to replace should be stored in a secure fireproof box or safe deposit box.	• Birth certificate • Educational records (transcripts, diplomas) • Employment records, including military papers • Adoption papers • Citizenship documents • Marriage certificate (and divorce, alimony, custody agreements) • Important health records such as immunizations • Passport • Social Security card • Year-end pay stubs and bonus statements • Records of contributions to retirement accounts • Change-of-name legalization papers • Stock and bond certificates • Mortgage, home deed and improvement records

Understanding Payment Methods

Money talks and cash is king. Sometimes, though, you need other ways to pay your bills and keep track of your spending. Fortunately, most banks and other financial institutions offer several types of services to help. Each option has its own set of advantages and disadvantages, so choose wisely based on your needs and spending habits.

Checking accounts

- Checking accounts offer a safe way to pay bills and keep track of your spending. Some accounts pay interest, but they may require a minimum balance.
- Often checking accounts, even those with a monthly fee, offer a cheap alternative to purchasing money orders. And cancelled checks, along with monthly statements, provide a record keeping system for spending.
- But bounced checks (or insufficient funds charges from a debit card) and overdraft fees can be extremely costly and hurt your credit. Overdraft protection can help, but these are like small “loans” the bank makes to you, and the interest/fees charged for this service can add up.

Debit cards

- Using your debit card does not help you build credit. Even though debit cards and credit cards look the same, it's important to remember that paying with a debit card is just like paying with cash. It does not help your credit score.
- Debit cards are accepted at many locations and, like cash or check payment options, they let you pay for your purchase now.
- Unlike credit cards, debit cards are linked to your bank account so you only can spend what is available. The money is deducted from your account at the time of the transaction.
- Like checking accounts, some banks offer overdraft protection for debit cards – but these small "loans" can carry hefty interest charges and fees.
- If your debit card is lost or stolen, your liability could be higher than the liability associated with a credit card.

Using Your Phone to Pay

Using ApplePay, Samsung Pay, AndroidPay or similar phone payment methods can help prevent identity theft because your credit or debit card information is "tokenized" – meaning that your real credit or debit card number is replaced with a placeholder, making it harder for thieves to use.

Credit cards

- Using your credit card does affect your credit score and does show up on your credit report. For more, see SAM's Credit and Debt Basics course.
- Many credit card issuers offer return protection, purchase protection and extended warranties. But you need to remember that a credit card is a type of loan that has to be paid back.
- Be careful when choosing credit cards based on cash back and rewards programs. These can be great perks, but make sure that the benefits are worth the cost of other terms and fees.
- Some credit issuers charge annual fees for the convenience of having their card, whether you use it or not.
- If you don't pay your debt on time or if you pay a portion of the balance due, then you will be charged additional fees and/or interest on the outstanding balance.
- Credit cards make purchasing easy, but you need to know what the card issuer is charging. Typical items to look for include:
    - Annual percentage rate (APR) – the yearly interest rate or the "cost" of credit. The APR can vary, so get familiar with the terms before you sign up for the card.
    - Periodic rate – the rate that is used to calculate your finance charge (on outstanding balances) for the billing period.
    - Annual fee – how much the card will cost you each year for the privilege of having the card.
    - Transaction fees or other charges – these are charges for any other items like cash advances or international purchases.

Secured credit cards

- Secured credit cards are used to build credit. They are offered by most large banks and credit card companies and usually require a cash deposit.

- Make on-time payments and keep balances below the credit limit to help build or improve credit.

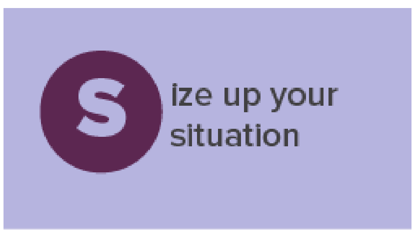
Prepaid debit cards

- Prepaid debit cards act like debit cards, but they are loaded with set amount that can be spent (and no more). Unless it is a secured card, most prepaid cards won't help you build credit.
- They offer convenience and a way to help control spending, so they can help someone wanting to stick to a spending budget.
- Some prepaid cards can have higher fees than other cards, and offer less protection for consumers. Think about your goals and do some research before choosing prepaid cards.

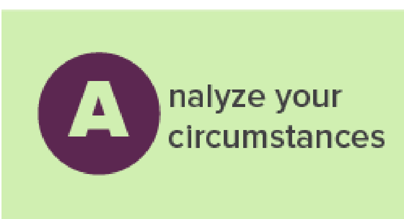
MAKE A “SAM” PLAN

Whether you already are saving or you have not yet begun, your savings and spending plan begins where you are right now.

Use the SAM action steps to analyze your current saving and spending situation and take purposeful steps toward identifying or making changes.

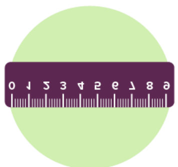


Are you comfortable with how much you are saving each month? Are you losing money to fund your goals through mindless spending?



Does your current saving and spending limit your goals or help you achieve them?

Set intentional goals to improve your saving and spending.



Size Up Your Situation

The following general guidelines are offered to see how you compare in your financial life. Keep in mind, though, that these are guidelines and they may not apply to you at all points in your life.

Guideline	Calculate it!	I meet this guideline	I don't meet this guideline
Have an emergency fund of at least $500	*Research shows that households with emergency savings below $500 are more prone to worry, loss of sleep and other ill effects than households saving more.*		
Save 10 percent of your income toward retirement and other savings	Your monthly income x .10 Example: $3,000 x .10 = $300 *If you make $3,000 per month, aim to save / invest about $300 per month.*		
Spend less than 20 percent of each paycheck of monthly income on car loans, credit cards and other debt	Your monthly income x .20 Example: $3,000 x .20 = $600 *If you make $3,000 per month, aim to spend no more than $600 per month on credit cards and loans.*		
Spend less than 5 percent of monthly income on clothing items for the family	Your monthly income x .05 Example: $3,000 x .05 = $150 *If your monthly income is $3,000, aim to spend no more than $150 on clothing.*		
Spend less than 10 percent of monthly	Your monthly income x .10 Example: $3,000 x .10 = $300		

income on food and personal care items	*If you make $3,000 per month, aim to spend no more than $300 on food and personal care.*		
Spend less than 20 percent of monthly income on transportation costs, including maintenance and parking	Your monthly income x .20 Example: $3,000 x .20 = $600 *If you make $3,000 per month, aim to spend no more than $600 on transportation.*		

Analyze Your Circumstances

Now that you have an idea of how you fit within the guidelines, think about your values and your financial preparedness. Ask yourself:

• Am I able to cover my financial obligations?

Are you comfortable that you can cover these obligations if you lost your job or had some other catastrophic event happen? How long could you could cover your basic monthly expenses?

- Am I worried when I have major spending decisions to make?

  What influences your spending? Do you know how to prioritize your spending decisions? (If you haven't done so yet, take the LifeValues quiz).

- How much savings or monthly surplus is available for discretionary (nonessential) spending?

  Are you content with your savings or do you want to increase it? Are you dipping into savings or using credit cards to pay for entertainment, recreation and hobbies each month?

- What is my definition of financial success?

  How confident are you that you can achieve financial success by your own definition? Are you where you want to be?

- Are the tactics I am using currently getting me closer to my goals?

  Are you at ease with your financial plans or do you think they need adjusting to fit your goals and lifestyle? The secret to saving money is to put away a little at a time. Even small amounts can add up if you're committed and have a plan.

Make Your Saving and Spending Plan

Barbara knew early on that she had to save, even when she made a pretty low hourly wage. Using a spending plan and working with a financial coach has enabled Barbara to meet her goals while still having money left over for her girls' weekend. Sure, it takes discipline but the long-term payoff and sense of financial well-being is worth it.

Challenge Yourself

Specific
Measurable
Achievable
Realistic
Time-bound

1. **Set SMART goals for spending and savings.** Make them attainable and make them based on your current salary and lifestyle.
2. **Outline what you will do to reach your goals**. Will you set up a spending plan, see a financial coach or use mobile apps to track and analyze your spending habits?
3. **Monitor your progress.**
    - If you find that your goals are too easy to reach, you may need to set your bar higher.
    - If your goals are too difficult to reach, you may need to scale back and focus on what is achievable.
4. **Find a financial buddy.** No matter what the goal, we all tend to do better when we are held accountable. Share your goals with a friend and set specific dates to check in with each other on progress.

SAVING AND SPENDING RESOURCES

Are you in a saving and spending crisis? Or maybe you're just looking to go deeper into this topic? There are many free and low-cost resources available to help you. Here are a few:

2-1-1

Just as you would call 9-1-1 in an emergency, you can call 2-1-1 (www.211.org) from anywhere in North America using your phone or computer to speak to a specialist in your community who can help you find a variety of free services including:

- Disaster and emergency help
- Housing and food assistance
- Employment and education opportunities
- Help starting a business
- Help for special groups such as veterans and victims of domestic abuse

National Foundation for Credit Counseling

Get free or low-cost counseling to help you get out of a financial crisis or improve your money management. Visit www.nfcc.org or call 1-800-388-2227 to connect with these and other types of financial guidance:

- Debt counseling
- Bankruptcy counseling
- Homeownership counseling
- Reverse mortgage counseling
- Student loan debt counseling

America Saves

Get help reaching your saving goals with tools and inspiration from America Saves (www.AmericaSaves.org).

American Savings Education Council (ASEC)—ChooseToSave.org

Visit www.ChooseToSave.org/calculators to calculate savings goals, savings potential, compound interest, earnings from potential investments and more.

CONGRATULATIONS!

You have completed the Spending and Savings Basics course. Check out SAM's other free courses to continue your personal finance journey:

SAM Money Basics

These topics form the foundation that underlies most financial decisions. Take all the Basics courses, or jump around to get a refresher based on the choices you face right now.

- Credit and Debt
- Employment
- Insurance
- Investing
- Employment

Additional Courses

Explore these SAM courses to develop personalized plans in the following areas:

- My Emergency Fund Plan
- My Housing Plan
- My Transportation Plan

Disclaimers

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