



## Budgeting Basics for Savings

### Understanding Your Cash Flow

**Calculate Income:** Determine your net income (after taxes) from all sources.

**Track Expenses:** Monitor where your money goes for at least a month. Use budgeting apps, spreadsheets, or notebooks.

**Identify Spending Leaks:** Pinpoint areas where you're overspending or wasting money.

### Creating a Budget

<b>50/30/20 Rule</b>	Allocate 50% of your income to needs, 30% to wants, and 20% to savings and debt repayment.
<b>Zero-Based Budget</b>	Assign every dollar a purpose, ensuring your income minus expenses equals zero. Start every month with \$0.
<b>Envelope System</b>	Use physical envelopes for different spending categories and only spend what's in the envelope.

### Budgeting Tools

- Spreadsheets (Excel, Google Sheets)
- Budgeting Apps (Mint, YNAB, Personal Capital)
- Traditional Notebooks

## Setting Financial Goals

### Defining Your Goals

**SMART Goals:** Specific, Measurable, Achievable, Relevant, Time-bound

*Example:* Save \$3,000 for a vacation within 12 months.

### Types of Savings Goals

<b>Emergency Fund</b>	3-6 months of living expenses in a liquid, accessible account.
<b>Short-Term Goals</b>	Down payment on a car, vacation, holiday shopping (typically < 3 years).
<b>Mid-Term Goals</b>	Down payment on a house, wedding, major home renovations (3-10 years).
<b>Long-Term Goals</b>	Retirement, children's education, long-term care (10+ years).

### Prioritizing Goals

- Rank goals based on importance and urgency.
- Focus on high-priority goals first (e.g., emergency fund, debt repayment).
- Adjust your budget to allocate more funds to prioritized goals.

## Automating Your Savings

### Setting Up Automatic Transfers

Schedule recurring transfers from your checking account to your savings account.

Set up transfers to coincide with your paydays.

Gradually increase the transfer amount over time.

### Utilizing Employer-Sponsored Retirement Plans

<b>401(k) / 403(b)</b>	Contribute enough to maximize employer matching contributions (free money!).
<b>Health Savings Account (HSA)</b>	Contribute to an HSA if eligible; offers tax advantages and can be used for future healthcare expenses.

### Automated Round-Ups

Link your debit card to a round-up savings app (e.g., Acorns, Chime).

The app rounds up each purchase to the nearest dollar and invests the spare change.

## Maximizing Savings Through Investing

### Understanding Investment Basics

**Diversification:** Spread your investments across different asset classes (stocks, bonds, real estate) to reduce risk.

**Risk Tolerance:** Assess your comfort level with investment risk and choose investments accordingly.

**Time Horizon:** Consider the length of time you have before you need to use the money; longer time horizons allow for more risk.

### Investment Options

<b>Stocks</b>	Ownership shares in companies; higher potential returns but also higher risk.
<b>Bonds</b>	Loans to governments or corporations; lower risk and lower returns than stocks.
<b>Mutual Funds</b>	Pools of money invested in a variety of stocks, bonds, or other assets; managed by professionals.
<b>Exchange-Traded Funds (ETFs)</b>	Similar to mutual funds but traded like stocks; often have lower fees.
<b>Real Estate</b>	Investing in physical properties such as residential or commercial real estate.

### Tax-Advantaged Investment Accounts

**Roth IRA:** Contributions are made after-tax, but earnings and withdrawals in retirement are tax-free.

**Traditional IRA:** Contributions may be tax-deductible, and earnings grow tax-deferred until retirement.

**Taxable Brokerage Account:** Offers flexibility but does not have the same tax advantages as retirement accounts.