



INTERNATIONAL
INSTITUTE
SAINT LOUIS

Money Management & Budgeting Skills Workshop



Making Money Work for You

Financial Education Supported by:



Concept Checklist

What will I learn today?

- [] Goals
- [] Needs vs. Wants
- [] Budgeting Basics
- [] Taxes
- [] Record Keeping

Curriculum compiled by the International
Institute with funding from Office of Refugee
Resettlement, Department of Health and
Human Services

How I do set goals?



Specific Goal	Achievement Date	Timeline (short-, intermediate-, or long-term)	Estimated \$ Cost	\$ Amount to save per week

YesNo

Is your money gone before the next check comes?

Do you often wonder where your money was spent?

Do you run out of food or gas before the next check?

Do you get mail from bill collectors?

Do you need something you think you can never afford?

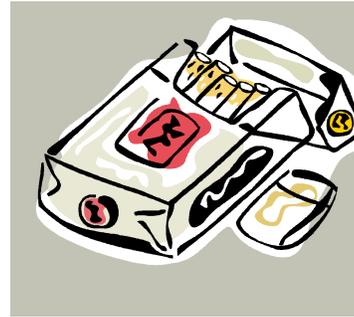
Do you borrow money to make ends meet each month?

Do you pay some bills late each month?

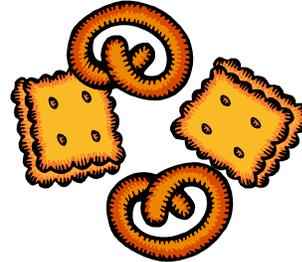
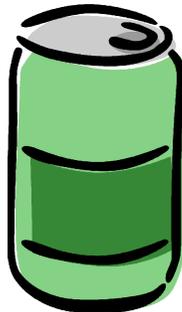
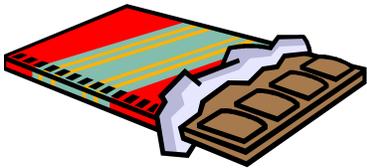


Where does the money to save come from?

I buy it, but I don't like that I buy it.



I only buy it because I don't think it costs very much.



I buy it, but I can live without it.



4

Products and services I buy, but I dislike that I buy them.

Items	Frequency	Monthly Cost	What I Would Save If :		
			I Cut It All	I Cut 75%	I Cut 50%
Fast Food					
Phone Cards					
Furniture					
Total Savings In A Month			\$	\$	\$

Products and services I buy because I think they are not very expensive.

Items	Frequency	Monthly Cost	What I Would Save If :		
			I Cut It All	I Cut 75%	I Cut 50%
Soda					
Coffee					
Candy					
Total Savings In A Month			\$	\$	\$

Needs vs. Wants

Products and services I **want**,
but I could live without.

Items	Frequency	Monthly Cost	What I Would Save If :		
			I Cut It All	I Cut 75%	I Cut 50%
Fast Food					
Movie Rentals					
Convenience food					
Total Savings In A Month			\$	\$	\$

Another way of thinking about
products and services I often buy

Items	Frequency	Monthly Cost	How Do I Feel About That?	What Am I Going To Do About It?	Effect On My Savings
Total Savings Per Month					\$

6

Where does your money come from?



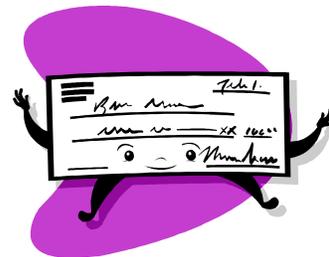
Job



Your own business



Matching Grant from the Institute



TANF or Food Stamps (public assistance)

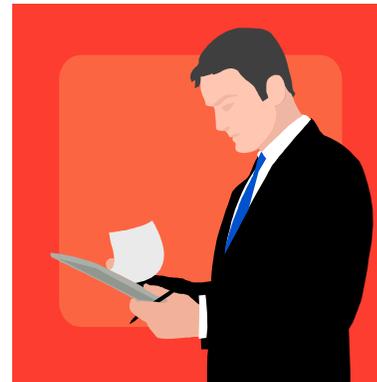
- Earned income (job)
- Public assistance
- From the International Institute
 - Other?

How to read your paycheck

Acme Manufacturing Company			Employee:		Smith, John			
			SSN:		123-45-6789			
			Pay Period:		7/24/06 to 7/31/06			
			Pay Date:		7/31/2006			
			Net Pay:		\$231.71			
			Check Number:		6022			
Hours			Earnings					
	Regular	O/T	Regular	Overtime	Bonus	Other	Gross Pay	
T/P	40	6	\$ 240.00	\$ 54.00	\$ -	\$ -	\$ 294.00	
YTD			\$ 960.00	\$ 135.00			\$ 1,095.00	
Deductions								
	Social Security Tax	Medicare Tax	Federal W/H Tax	State W/H Tax	Local W/H Tax	Retirement	Net Pay	
T/P	\$ 18.23	\$ 4.26	\$ 29.00	\$ 10.80	\$ 2.40		\$ 229.31	
YTD	\$ 67.89	\$ 15.88	\$ 102.00	\$ 32.00	\$ 72.00		\$ 877.23	

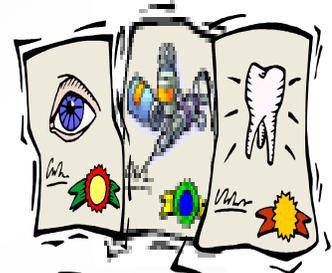
Key Terms:

- ✓ Income
- ✓ Gross Income
- ✓ Pay Period
- ✓ Payroll Deductions
- ✓ Federal Income Tax
- ✓ State Income Tax
- ✓ Local Income Tax
- ✓ FICA (Social Security Tax)
- ✓ Medicare Tax
- ✓ Net Income





Local Monthly
Phone Service



Insurance

Fixed Expenses



Rent or
Mortgage



Debt Payments



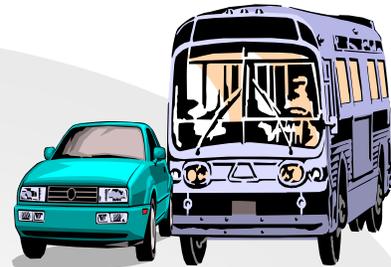
Child Care



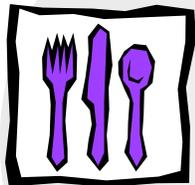
Groceries



Utilities



Transportation



Dining Out

Variable Expenses



Gasoline



Entertainment



Prescription Medication



Long Distance
Phone Calls



Vacation

Religious Holidays



Home Repair

Occasional Expenses



Clothing



Car Repair & Maintenance



Car Insurance



Income Taxes

Variable and occasional expenses are like wild horses... Controlling them is the key to **SAVING!**



Pay Yourself First Creating Your Own Budget

Envelope
Budgeting



Pay
Yourself
First

Money coming in:				
	Work (after taxes and deductions)			
	Other			
		TOTAL INCOME		
Money going out:				
Fixed Expenses				
	Savings or P.Y.F.			
	Rent			
	Health Insurance			
	Life Insurance			
	Renter's Insurance			
	Car Insurance			
	Car Payment			
	Loan			
	Total Fixed Expenses			
Variable Expenses				
	Food			
	Utilities (gas, electric, water, phone, etc.)			
	Car Expenses (gas, oil, maintenance)			
	Medical (doctor, dental, prescriptions)			
	Child Care			
	Clothing			
	Gifts and contributions			
	Furnishings and Appliances			
	Personal Care			
	Entertainment			
	Vacations			
	Miscellaneous			
	Total Variable Expenses			
		TOTAL EXPENSES		

Budgeting and Saving for "Occasional Expenses"

11

Item	Spring	Summer	Fall	Winter	Yearly Cost	÷12	Average Monthly Cost	
Example: Clothing	\$100		\$140		\$240	÷12	\$20	
						÷12		
						÷12		
						÷12		
						÷12		
						÷12		
						÷12		
						÷12		
						÷12		
						÷12		
Budget for and set aside (save) money to help you meet occasional expenses								\$



Income Tax!

Social Security Tax?

Property Tax!

But how do I know how much tax I have to pay???

City Earnings Tax?

Federal?

Estate Tax?!!!!

Sales Tax?!

State?



Income Tax

•Where does the money go?

It is used to pay for most of the public products and services provided for you, residents of your community, your state, and the country. It is collected by Federal, State and some Local governments.

•How does it get paid?

Most of it is assessed and collected, based on how you filled out your (W-4) form, from every paycheck you receive as an employee. The rest is collected every year.



•What is it?

It is a tax on all money you make from working, investing or saving money.

What is a W-2 form?!!

Each year, by January 31, you will receive a W-2 form from every employer you worked for during the past year. It will show the taxes withheld from your paycheck for that year.

4. Control number		GSM No. 10420028		Rate, amount, PART 1 Use		Visit the IRS website at www.irs.gov/efile	
5. Employer's name (print or type)		6. Social Security wages		7. Medicare wages and tips		8. Social Security tax	
9. Employer's name (print or type)		10. Retirement plan		11. Nonqualified plan		12. Dependent care benefits	
13. Employer's address and ZIP code		14. Other		15. Total amount paid		16. State tax	
17. State tax		18. Local amount paid		19. State tax		20. State tax	

Form **W-2** Wage and Tax Statement **2005** Department of the Treasury - Internal Revenue Service

Copy 2 - To be filed with Employer's FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.

You need this form to file your income taxes.

13

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service	Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.	OMB No. 1545-0010 2005
1 Type or print your first name and middle initial _____ Last name _____		2 Your social security number _____
Home address (number and street or rural route) _____		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <small>Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.</small>
City or town, state, and ZIP code _____		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a new card. <input type="checkbox"/>
5 Total number of allowances you are claiming (from line 11 above or from the applicable worksheet on page 2) _____		5 _____
6 Additional amount, if any, you want withheld from each paycheck _____		6 \$ _____
7 I claim exemption from withholding for 2005, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here _____ ▶		7 _____
<small>Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.</small>		
Employee's signature _____ <small>(Form is not valid unless you sign 4.) ▶</small>		Date ▶ _____
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) _____		9 Office code (optional) _____
		10 Employer identification number (EIN) _____

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 102200 Form W-4 (2005)

What is a W-4 form?

It is a tax form you are required to fill-out when you start a job. It is used to determine the amount of money to be taken out from each paycheck you receive to pay your Income Tax.



All tax forms are very important documents. **DO NOT** fill them out on your own, if you are not comfortable with how to fill them out.

There are legal **penalties** for misrepresented information on tax forms, even if it is discovered years later!!

14

Mistakes to avoid when filling out your W-4 Form

1

Works and supports the child

Works and supports the child



Dependents: 1

Dependents: 1



1 + 1 = 2
Where is the second child?

2

Do you think you are the "Head of Household"?

Check to see what the government thinks first!!



Form W-4 (2000)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7, and sign the form to validate it. Your exemption for 2000 expires February 16, 2001.

Note: You cannot claim exemption from withholding if (1) your income exceeds \$700 and includes more than \$250 of unearned income (e.g., interest and dividends) and (2) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. They will help you figure the number of withholding allowances you are entitled to claim. **However, you may claim fewer (or zero) allowances.**

Child tax and higher education credits. For details on adjusting withholding for these and other credits, see page 1 of **Adjust My Withholding!**

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

Large income. If you have a large amount of non-wage income, such as interest or dividends, you should consider making estimated tax payments using **Form 1040-ES**, Estimated Tax for Individuals. Otherwise, you may owe additional tax.

Two earners/two spouse or more: Use if number of allowances on all jobs using a Form W-4. Your w accurate when all the Form W-4 pre job and zero allow others.

Check your with: Takes effect, use if amount you are by your projected tax especially if you a **Worksheet** on pg exceed \$150,000

Recent name cha: differs from that st card, call 1-800-7 security card.

Personal Allowances Worksheet (Keep for your records.)

A. Enter "1" for yourself if no one else can claim you as a dependent.

B. Enter "1" if:

- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or

Tax Refund

Once a year, you are required to provide documents, to calculate how much tax you should have paid, to the Federal, State and Local governments.

According to how much has already been collected from you and how much you should have paid, you might either have to pay more or get some money back.

The money you may get back is called a **Tax Refund**, and depending on whether you qualified or not, you might get a **Tax Credit** and **Tax Deductions** also.

IMPORTANT

A Tax Refund is not additional money or a bonus. It is your money that has been withheld by the government for a year (with no interest) and given back to you because you overpaid!

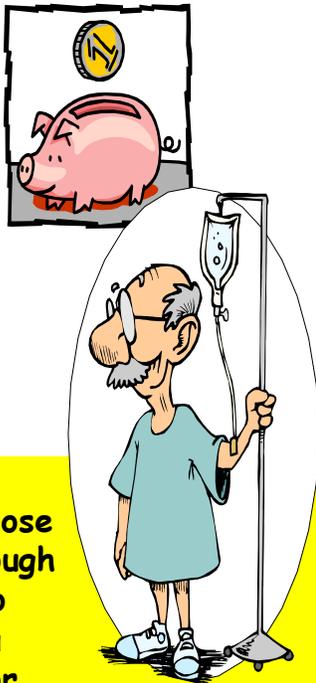
Social Security & Medicare Tax

•What is it? Where does the money go?

It is a tax collected from the money you earn to pay for your health and living expenses when you get old or if you become disabled and unable to work.

•How does it get paid?

It is assessed and collected from every paycheck you receive as an employee. Employers pay a portion of your Social Security and Medicare tax.



IMPORTANT

Social Security is a benefit guaranteed only for those who have been working and paying the tax long enough to earn it! You must work for at least 10 years to receive it. The more you work the more money you will get when you need it. Do you think working for cash is a smart idea?!!!!

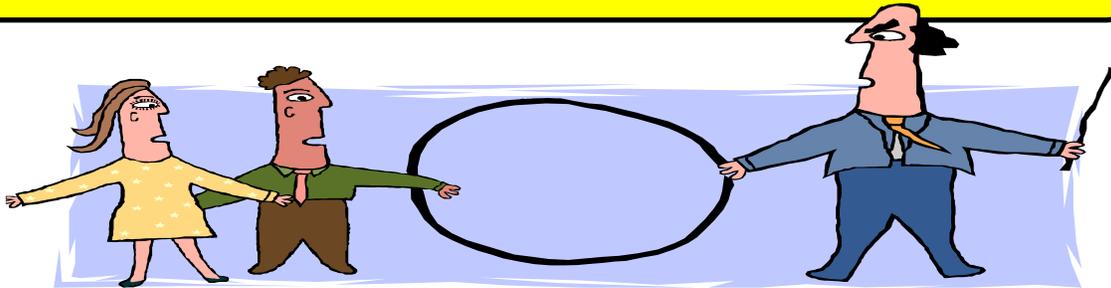
Are you self-employed?

Who pays the tax then?



If you are a contractor or self-employed, you are the only one responsible for paying all of your Social Security and Medicare tax!

An employer may claim that you are a contractor or self-employed, but you are a contractor only if law says so!



Personal Property Tax

•What is it?

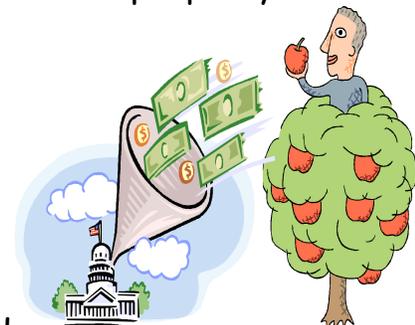
It is a tax you pay for owning personal property like cars, other vehicles & equipment, farm livestock & grain, and mobile homes.

•Where does the money go?

It is collected by the local government to pay for public products and services in the communities that property owners benefit most from.

•How does it get paid?

It is collected once a year. If you own personal property, you will get a form in the mail, telling you how much you need to pay, and a receipt when you pay it.



Real Estate Tax

•What is it?

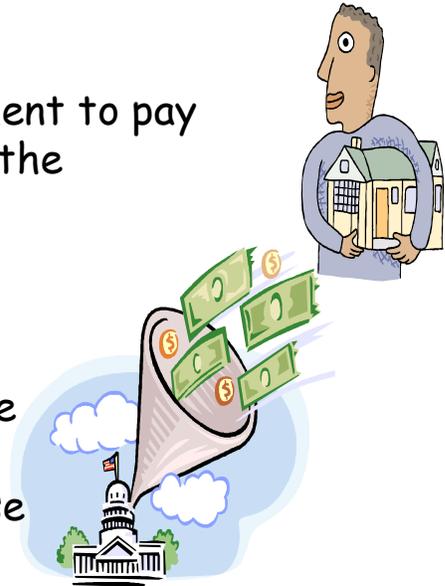
It is a tax you pay for owning homes or rental property.

•Where does the money go?

It is collected by the local government to pay for public products and services in the communities that property owners benefit most from.

•How does it get paid?

It can be included in some mortgage payments or it is collected by the government once a year. In this case you will get a form in the mail.



Sales Tax

•What is it?

It is a percentage added to the original price of products and services you buy.

•Where does the money go?

It is an important way for the different levels of government to pay their expenses.

•How does it get paid?

Sellers are usually responsible for collecting sales tax when sales transactions are made.

But, in some cases, like buying a car, you will be responsible for paying it directly to the government.



Tax Credits

It is the opposite of tax payment. This is money the government is paying to taxpayers to encourage a positive attitude, or to help low-income taxpayers.

Examples of tax credits are:

- Earned Income Tax Credit
- Child Tax Credit
- Child and Dependent Care Tax Credit
- Higher Education Tax Credits



IMPORTANT

It is not enough to just qualify for a tax credit to get it! You need to qualify and apply for it when you file your income taxes.

Who may qualify for the Earned Income Tax Credit?

The Earned Income Tax Credit (EITC) is a special tax benefit for low-income people who work full- or part-time. Even if you don't owe income tax you can get the EITC.

- Families with 2 or more children who **earned less than \$35,263** in 2005 (or less than \$37,263 for married workers) are eligible for a credit of **up to \$4,400**
- Families with 1 child who **earned less than \$31,030** in 2005 (\$less than \$33,030 for married workers) are eligible for a credit **up to \$2,662**
- Workers without a qualifying child who **earned less than \$11,750** in 2005 (\$13,750 for married workers) are eligible for a credit of **up to \$399**
- Investment Income is limit to \$2,700

Who may qualify for the Dependent Care Tax Credit?

19

People who:

- Paid for care for a child under age 13 or a disabled adult who lived with the family, **AND**
- Needed to pay for the child or the dependent care to be able to work, search for work or go to school full-time.

Who may qualify for the Child Tax Credit?

People with:

- At least one child under age 17.
- Yearly earned income less than \$110,000.



Who may qualify for Education Tax Credits?

To qualify for the **HOPE Tax Credit**:

- Anyone who earns less than \$52,000 and takes classes for up to the first two years of an undergraduate degree.
- You can earn up to a maximum of \$1,500 per year.

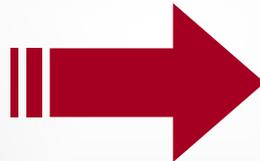
To qualify for the **Lifetime Learning Tax Credit**:

- Anyone who earns less than \$52,000 and takes undergraduate or graduate/Professional courses.
- You can earn up to a maximum of \$2,000 per year.

20

If I say:

You get a
\$2,000 tax
credit!



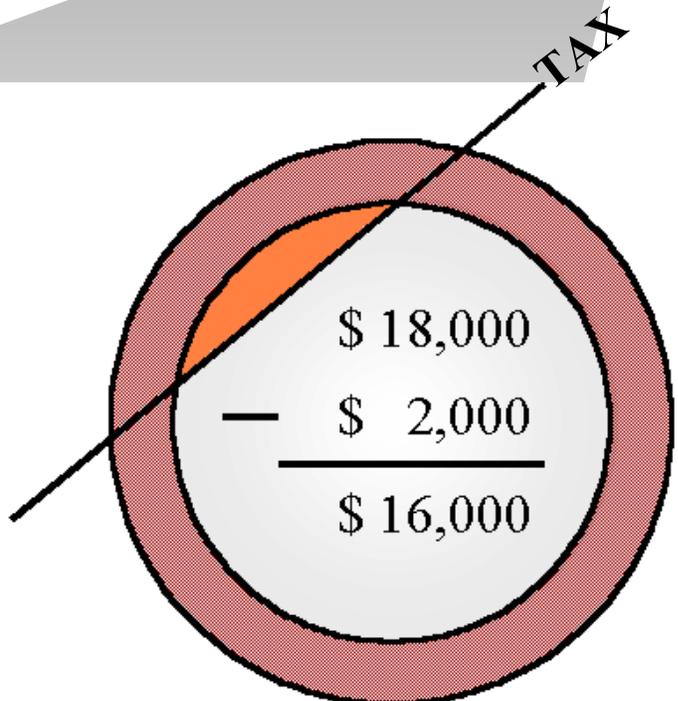
Then, that is the amount of
money you will get.

But, if I say:

You get a \$2,000
tax deduction!



Then, your income is
reduced by \$2,000,
and less tax will be
collected from you.



Important Tax Deductions

Interest Deduction for Student Loans

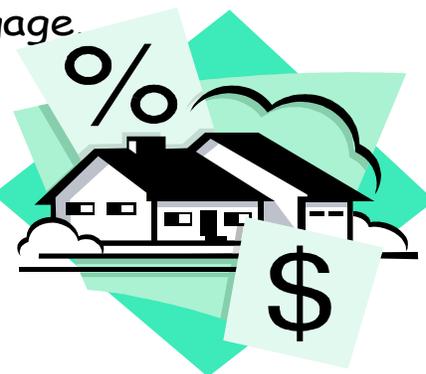
You may be able to deduct up to \$1,500 of the interest paid on certain student loans.

Home Mortgage Interest Deduction

If your total mortgage balance is \$100,000 or less, you will most likely be able to deduct all of the interest paid on your home mortgage.

If you buy a house with a \$50,000.00 loan, and 6% fixed APR for 30 years,

and pay taxes at 20% level.....



<i>No.</i>	<i>Payment</i>	<i>Principal</i>	<i>Interest</i>
1	\$ 449.66	\$ 74.66	\$ 375.00
2	449.65	75.03	374.62
3	449.66	75.41	374.25
4	449.65	75.78	373.87
5	449.65	76.16	373.49
6	449.65	76.54	373.11
7	449.66	76.93	372.73
8	449.65	77.31	372.34
9	449.66	77.70	371.96
10	449.66	78.09	371.57
11	449.66	78.48	371.18
12	449.66	78.87	370.78
	\$ 5,395.87		\$ 4,474.90

**You will
pay \$921
less taxes!**

**Total Mortgage
Payment in the
first year**

**Total Tax Deductible
Interest paid in the
first year**



22

Where are your important papers
when you need them?

What papers do you
need to store in a safe
place?

Why do you need to
have them available and
accessible?



My Very Important Papers (VIPs)



1. VIPs I need to have available all the time:

Name of the paper	Is it available all the time? Yes / No	Is it in a safe place? Yes / No	Can I reach it easily? Yes / No
Drivers License			
Medicare and Medicaid I. D. Cards			
Medical Insurance Card			
Proof of Car Insurance			
License Plate Numbers			
Refugee and Citizenship Papers			

2. VIPs I need every month:

Name of the paper	Is it available every month? Yes / No	Is it in a safe place? Yes / No	Can I reach it easily? Yes / No
Current Family Spending Plan			
Checkbook			
Unpaid Bills			
Loan Payment Books			

Glossary

25

Budget

A plan for spending and saving money based on a person's goals during a given time period

Cash Flow

A measure of the money a person receives and spends

Cash Management

How a person manages money (cash) coming in and money going out

Employee Benefits

Additional benefits, beyond a paycheck, offered by employers, such as health insurance or a pension plan

Federal Income Tax

A fee for the support of federal government programs that is collected by the employer each pay period and paid to the Internal Revenue Service (IRS)

Gross Income

The total amount of income from your wages or salary before payroll deductions

Income

Any money coming in

Medicare Tax

Collected from most employees to fund the hospital insurance provided under this system

26

Net Income

Subtracting deductions from your paycheck leaves you with net income also called your "take-home pay." It is the amount you receive when you cash your check or deposit it.

Payroll Deductions

The amounts subtracted from gross income which leaves your net income

Taxes

Fees placed on income, property, and goods to support government programs. Laws in the United States require deductions for taxes.

State Income Tax

A fee collected by your employer and paid to the state revenue department to support state programs

Social Security Tax

Collected from most employees to fund a federal program which provides old age, survivors, and disability insurance. You may see it listed as FICA on your earnings statement. FICA stands for the Federal Insurance Contributions Act.

Financial Education Supported by:

National City



Southern
Commercial
Bank



