

# COMMON CENTS



## Guide to Make, Save & Manage Your Money

### Module 1

Real Life Solutions and Simple Fixes  
for Seriously Bad (But Common!)  
Money Problems; Problems that Can  
Affect Your Home, Retirement, Your  
Whole Family

WAYS TO MAKE & SAVE MONEY  
TRAINING COLLECTION

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# Introduction



In school, we spent years learning about science, language, math, and social studies from text books, but we spent *very little* time – if at all – on *real* life skills like saving, making, and managing money.

Somehow, we’re supposed to just “pick up” how to manage our finances, as if innate to us! The truth is, money management is not a skill that we’re all born with – it’s acquired.

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## The good news is that you can easily learn the skill!

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In this guide, we'll go over several key areas including:



- Creating and staying with a budget
- Cutting expenses without sacrificing your lifestyle
- Saving money every day
- Getting out of debt
- Boosting your income
- Refinancing your mortgage
- How to boost your credit score
- Protecting your identity

At the end of each chapter, there are a series of self-reflection questions and action steps. Take some time to answer these questions and implement these steps. After all, your financial success is up to you!



## Creating an Effective Budget

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***The best way to acquire financial security is to have a sound budget.*** With a realistic budget, you can have more money to plan that vacation or buy that awesome big screen TV with the surround sound system. In order to indulge in these luxuries without utterly *destroying* your bank account, you *need* a budget.

Not to worry, though! It's not as bad as it sounds. It's actually quite simple.

## How Much Do I Make?

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The backbone of any budget is based on how much you make. Even if your income is lower than you'd like, you can still budget successfully, but it's important to know what you have to work with in order to create a balanced budget.

When budgeting, it's critical that you use your *net income* as opposed to the gross, that is, the amount *after* all deductions and taxes. Doing so will give you a more accurate representation about what you have *today*, factoring in what the government takes as deductions.

For all practical purposes, what is being deducted from your paycheck is money that isn't yet available to spend. Then when you file your tax return, treat the refund like a bonus.

If you have a variable paycheck, using a close estimate should suffice in most situations. A realistic estimate can be gathered by totaling your income from the past 3-6 months, and then divide by the income you received in that time.





### What are my Fixed Expenses?

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There's no way around it; we all have bills to pay. Some bills vary from month to month, but there are others that are constant. Many loans are structured so you pay the same amount every month. For example, your car or home payments are *fixed* expenses. Rent and cable bills are also usually the same amount every month.

Some examples of common fixed expenses are:



- Mortgage or rent
- Car payments
- Car insurance
- Property taxes
- Home insurance
- Loans and lines of credit

Take some time to make a list of your fixed expenses and total the result.



### What are my Variable Expenses?

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This is where making a budget gets a little bit tricky. Not every bill is the same amount every month. You don't *always* spend the same amount at the grocery store or on gasoline. It's easy with the fixed expenses, but here there is room for error. Use an average amount of each variable expense for your budget.

*The good thing about variable expenses is that you can change them. As you'll see, reducing these variable charges is a great way to keep more of your hard earned cash.*

Some examples of common variable expenses are:

- Car maintenance
- Gas
- Food
- Electricity
- Heating

*Take a few minutes to list your variable expenses and total the result. A good strategy is to go through your recent credit and debit card purchases to see where your money is going.*



### What are Non-Essential Expenses?

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There will always be things that we *want*, but don't necessarily *need*. These types of purchases fit into the *non-essential expenses*. The difficulty here, is that we often confuse what we *want* with what we *need*.

A good test of willpower before making any purchases over, say, \$50 is to ask yourself: "Is this a want or a need?"

If you can't answer that question honestly, then give yourself 24 hours to think about it before making a decision.

#### Some examples of non-essential expenses are:

- Excessive amounts of clothing and shoes
- Entertainment (i.e. DVDs, movies, books, magazines)
- Video games
- Eating out
- Excessive gift purchases
- "Stuff" you buy because it's on sale

***Make a list of non-essential expenses and their total.*** Ask yourself: Do I need everything on this list? Is there anything I can cut out without losing the lifestyle I desire?





## What are my Total Expenses?

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Write down all your fixed, variable, and non-essential expenses and add up the total. *This total will be your base expenditure for the month.*

This is the bare minimum you'll need to make in order to have a balanced budget. If you make more, that's great. If you don't make more, then go back and look at your *variable* and *non-essential* expenses, like entertainment, new clothes, or even your grocery or electricity bill, and find ways to lower these charges.

## Earn More Than You Spend

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The only way to create a workable budget is to adhere to this one simple rule: *Earn more than you spend.*

Obviously your goal is to earn a whole lot more than you spend, but if the numbers are close, that's okay; you can still work with that, but a wide gap would be ideal.

Later in this course we'll talk about both cutting costs and boosting income.



### Self-Reflection Questions

**Question 1:**

How much do I spend every month?

**Question 2:**

What are my variable and non-essential charges? How can I reduce them?

**Question 3:**

What levels of income do I need in order to earn more than I spend?

### Action Tips

**Action Tip 1:**

Write down your income and expenses on a note pad or spreadsheet.

**Action Tip 2:**

Come up with a figure as close as possible for your variable expenses.

**Action Tip 3:**

Trim your variable and non-variable expenses until you're spending less than you make.