

There Is More to Money Than Spending: The Basics of Money Management

Prepared By

The FINRA Investor Education Foundation

By the End of Today's Session

You will know:

➤ **Eight Elements of Money Management**

and

➤ **Where to Learn More**



Who We Are



FINRA Financial Industry
Regulatory Authority

FINRA Investor Education
FOUNDATION®

Mission:

- Investor protection
- Market integrity

What we do:

- Write rules
- Surveil the markets
- Discipline rule breakers
- Educate investors

Mission:

- Empowers underserved Americans with knowledge, skills and tools to make sound financial decisions throughout life

What we do:

- Protect consumers from financial fraud
- Conduct and support research
- Foster financial capability in communities

How Are You Managing Your Money?

Eight Elements of Money Management

Know Your
Mindset

Understand
Where Your
Money Goes

Set Your Goals

Pay Yourself
First

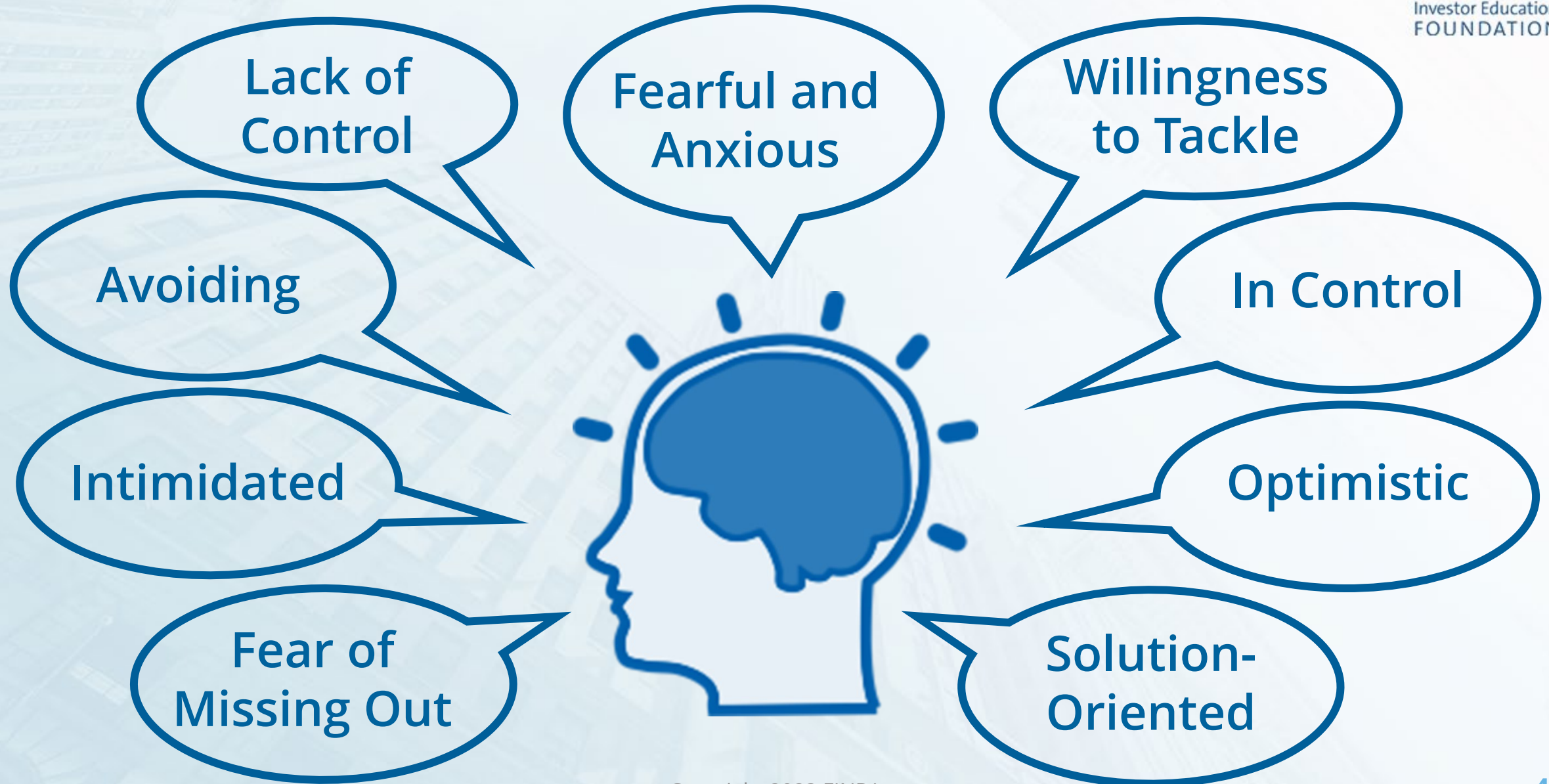
Understand
Your Taxes

Know Your
Credit Score

Protect Your
Money and
Your Health

Save For
Retirement
and other Goals

Know Your Money Mindset



Understand Where Your Money Goes

Wants

Needs



**Make a List
and
Stick To it**

**Return What
You Do Not
Use**

**Comparison
Shop**

**Do Not
Impulse Buy**

Understand Where Your Money Goes (continued)

Three Steps to Building a Budget

Keep Track
of Your
Expenses

Identify Your
Sources of
Income

Analyze Your
Cash Flow

Understand Your Basic Payroll Deductions

Example	
Bi-Weekly Paystub (80 hours X \$15.00)	Amount
Gross Pay	\$1,200.00
Federal Withholding - Taxable Wages – 10.00%	-\$120.00
State Tax – Taxable Wages – 5.00%	-\$60.00
Social Security (OASDI) Taxable Wages – 6.20%	-\$74.40
Medicare – Taxable Wages – 1.45%	-\$17.40
Net Pay	\$928.20

Build Your Budget

Income – Expenses = Available Resources

INCOME	
Net Pay/ After-Tax Salary	\$
Investment Income	\$
Interest on Savings	\$
Other Income	\$
Total Income	\$

EXPENSES	
Savings	\$
Rent /Mortgage	\$
Utilities (Electricity/ Gas/ Water)	\$
Communications (Telephone/Internet/Streaming/Cable)	\$
Food (Groceries/ Eating out)/ Ordering in)	\$
Transportation (Gas/Bus/Train/Rideshare Apps)	\$
Loans/ Debts/ Other Obligations	\$
Insurance (Health Care/ Auto/Home)	\$
Miscellaneous (Clothes/Travel/Entertainment)	\$
Total Expenses	\$

Set Your Goals

S ➤ Specific

M ➤ Measurable

A ➤ Actionable

R ➤ Realistic

T ➤ Timely

I will save \$25
from each
paycheck I
receive from my
and will have
\$200 by the end
of the summer

Pay Yourself First

Investment in Your Future

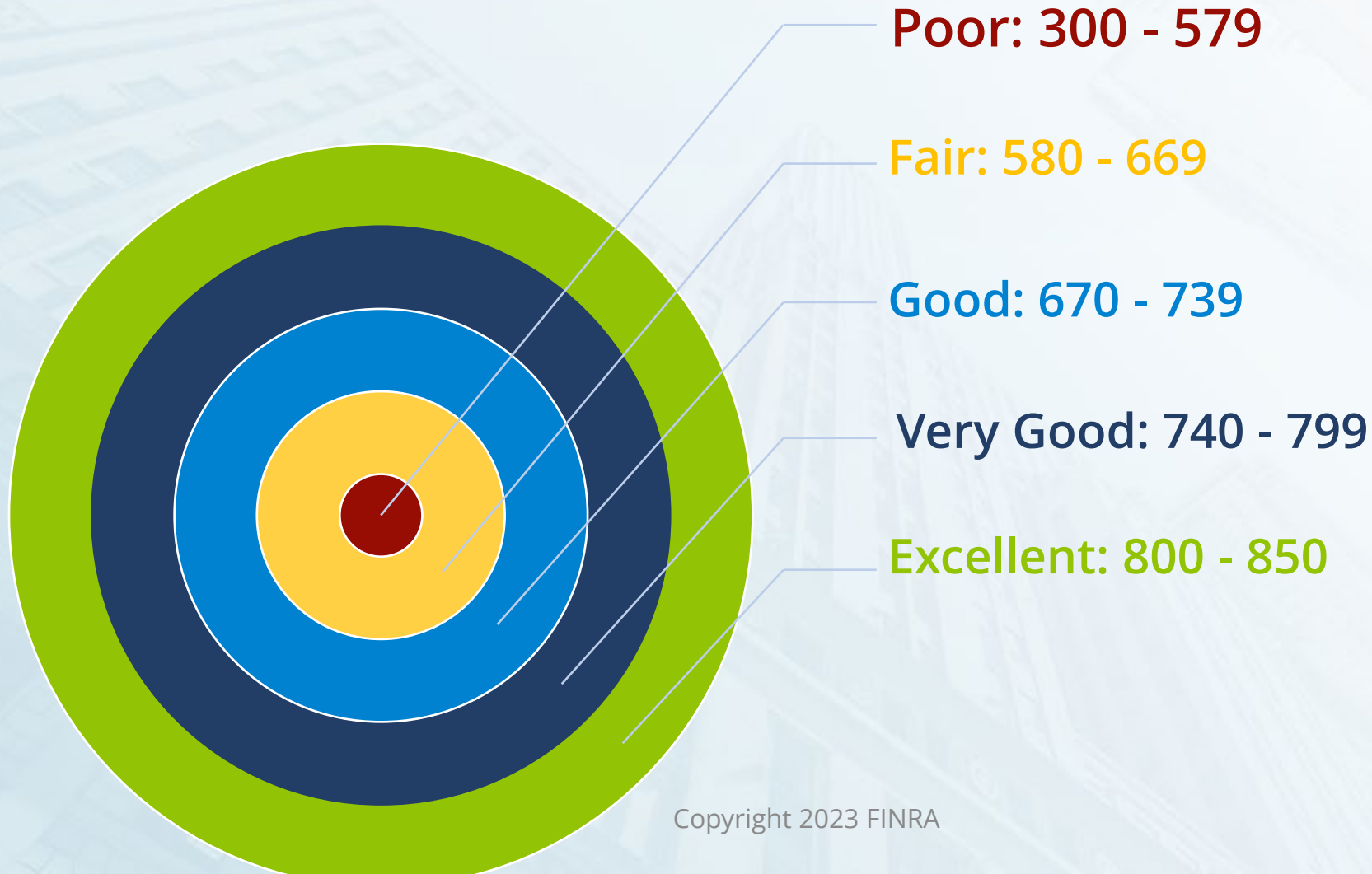
Set a Goal

Make a Plan

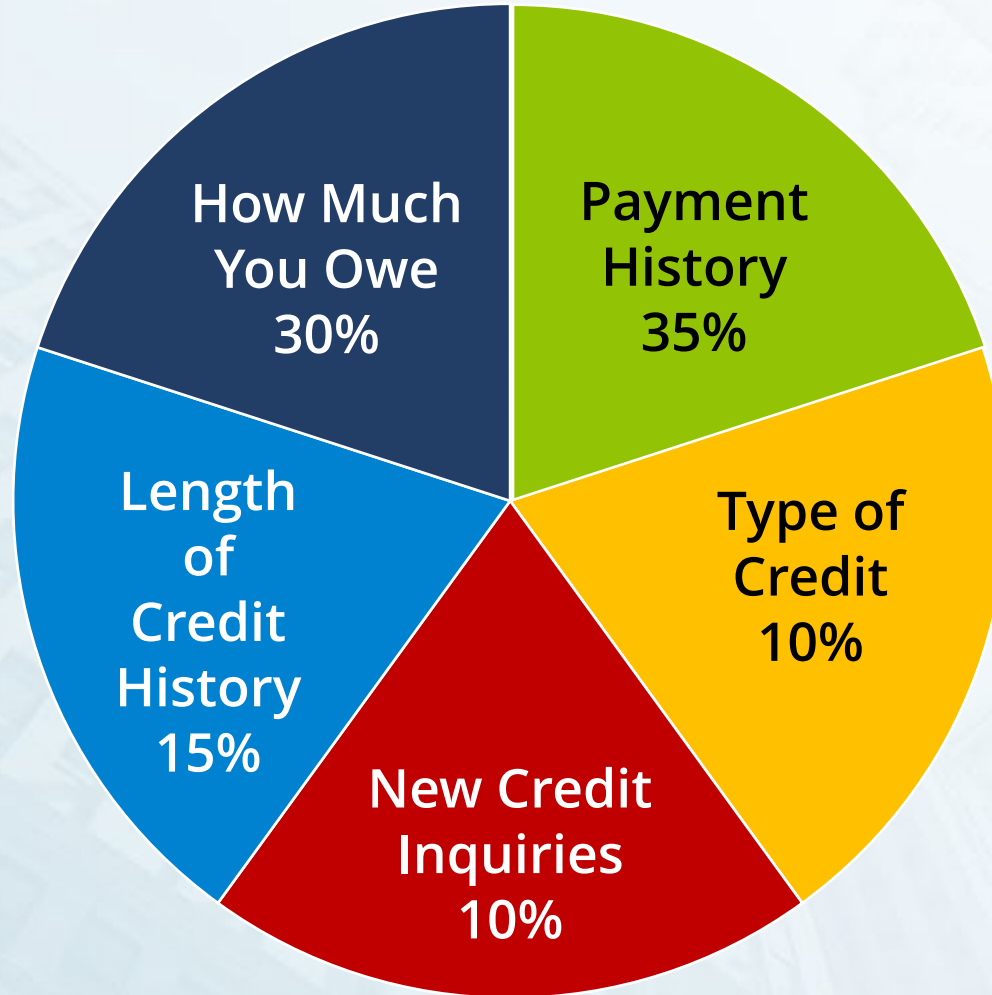
Save Automatically

Know Your Credit Score

Higher Scores = Lower Interest Payments



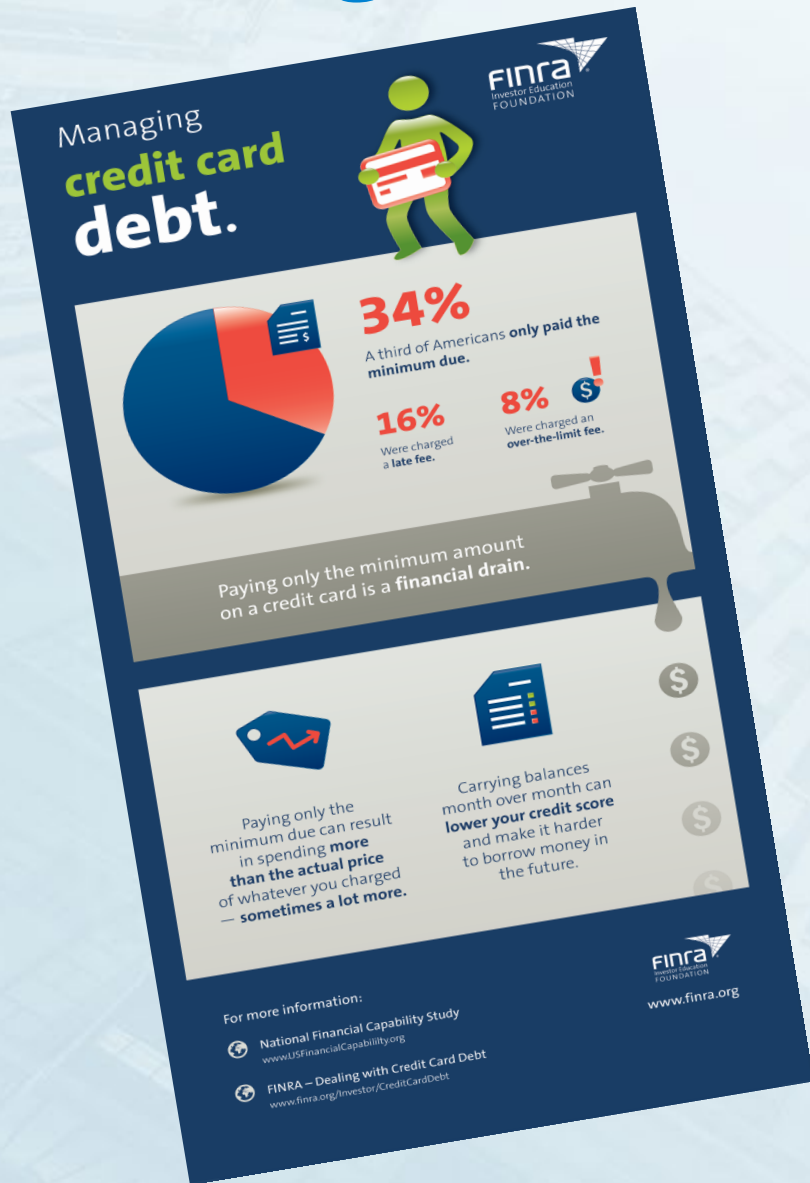
The Components of Your Credit Score



Build Your Credit by Being Credit Smart



Manage Your Debt



- Pay off the balance each month
- Know when the payment is due
- Pay on time
- Limit purchases

Use the Power of Compound Interest

**$72 \div \text{Interest Rate} =$
Time it Takes to Double Your Money**

INTEREST RATE	YEARS DOUBLE
2%	36 Years (72/2)
5%	14.5 Years (72/5)
10%	7.2 Years (72/10)

- The Rule of 72 is a way to estimate how your money can grow over time

Protect Your Money and Your Health



- **Health Insurance** – Covers medical expenses and offsets significant cost in the case of serious illness or accident



- **Homeowner's or Renter's Insurance** – Protects your home against replacement cost from theft, fire, or weather damage.



- **Disability Insurance** – Provides income to pay your expenses if you are too sick or injured to work.




Save for Your Retirement



Learn About Different Types of Investments and Their Risks

	Short Term	Medium Term	Long Term
Asset Class	Cash	Bonds (Fixed Income)	Stocks (Equity)
Investment Types	Savings accounts, CDs and money market funds	Government, municipal and corporate bonds and bond funds	Stocks and stock funds
Return	1.5%	5.5%	9.9%
Chief Risks	Inflation, interest rate changes	Interest rate changes, default	Volatility, falling prices
	Low Risk		High Risk

Diversify Your Investments

<i>Across Asset Classes</i>	<i>Within Asset Classes</i>
Stocks 	<ul style="list-style-type: none">- Different sectors- Company size
Bonds 	<ul style="list-style-type: none">- Types of issuer- Different maturities
Cash 	<ul style="list-style-type: none">- Money market funds- Deposit accounts

Learn More About Saving and Investing

- Take Smart Investing Courses
- Learn Key Concepts
- Test Your Knowledge
- Use Tools and Calculators



Every relationship involves taking that all-important first step. Your relationship with money and investing is no different. To learn more, select one of the topics below, or explore the full course sequence. All courses are designed to fit your busy lifestyle.

[Setting Investment Goals](#)

[Rate of Return](#)

[Defining Terms](#)

[Diversification](#)

[Risk and Return](#)

[Fees and Expenses](#)



There Is More to Money Than Spending

Make Your Money Work for You!

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A vibrant market is at its best when it works for everyone.

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Building a Financially Capable America Through Education and Research

The **People** We Help

The **Knowledge** We Gain & Share

The **Networks** We Strengthen

The FINRA Foundation helps Americans build financial stability, invest for life goals and guard against fraud.

Research allows us to understand and improve money decisions. The FINRA Foundation connects those who create new knowledge with those who use it.

Where do we turn before making important money decisions? The FINRA Foundation empowers its partners to reach people where they live, work and learn.

LEARN MORE LEARN MORE LEARN MORE