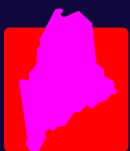


MAINE CREDIT UNIONS

MONEY BOOK



MAINE
CREDIT UNIONS

BUDGETING

Pre-Lesson Survey



Please answer these questions:

1.

Electricity is a fixed expense.

True False

2.

Discretionary income is the income you're left with after taxes and essential expenses have been paid for.

True False

3.

Gross income is:

- A.** An individual's "take-home" pay after taxes, health insurance, retirement contributions, and other applicable deductions have been subtracted.
- B.** An individual's total income from all sources--including wages, investments, interest, and other forms of income--before the subtraction of any taxes or deductions.
- C.** Income considered money earned without actively working for it. Examples include rental income, alimony, child support, unemployment benefits, Social Security benefits, and worker's compensation.
- D.** None of the above.

4.

Which of these is not considered a variable expense?

- A.** Groceries
- B.** Gasoline
- C.** Rent
- D.** Medical Care

5.

How confident do I feel about my ability to create and follow a budget?

1 2 3 4 5 6 7 8 9 10

How Needs Can Become Wants

As a group, you will be discussing how needs can turn into wants. People need food, water, shelter, and clothing to survive, but expenditures in these four fundamental categories can become wants through unnecessary enhancements or overspending.

Example

To stay hydrated, all people need is water.

Water can become a want, though, if people are paying for bottled water, seltzer water, flavored water, or other hydrating drinks--such as sports drinks, teas, and soda.



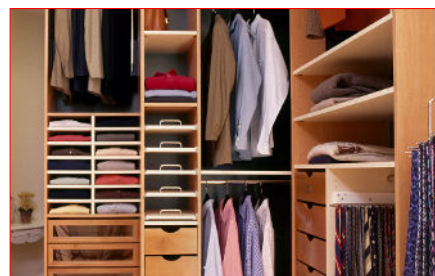
How can the three other basic needs (food, shelter, and clothing) become wants through unnecessary enhancements or overspending? As examples are shared, note them below:



Food



Shelter



Clothing

Understanding Income & Expenses

A budget helps people track what money is coming in, understand where their money is going, and make financial adjustments--that way they can meet their goals. Budgets bring together two main factors:



Income

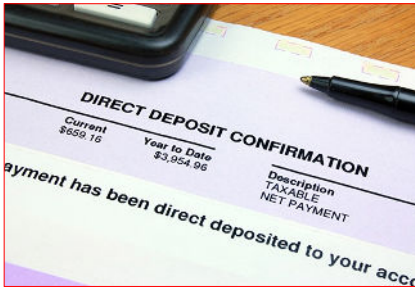
Money people receive, including a paycheck from their job; assets and investments; public benefits; or entitlements, such as child support and alimony.



Expenses

Money allocated towards spending, sharing, and saving.

In order for people to balance a realistic budget, set financial goals, and use their money to their advantage, they need to understand the three main types of income.



Earned Income

This type of income includes wages, salaries, tips, and commissions. Making money through earned income means you're exchanging time, energy, or material participation in exchange for money.



Passive Income

This income is considered money earned without actively working for it. Examples include rental income, alimony, child support, unemployment benefits, Social Security benefits, and worker's compensation.



Portfolio Income

This type of income comes from your financial portfolio, which includes interest, dividends, and capital gains. For example, if you have money in a savings account, money market account, or certificate of deposit (CD) at your credit union, the interest earned on that money is considered portfolio income.

Understanding Income & Expenses



When looking at your financial statements, you will likely see both gross income and net income listed.

Earnings Statement

CO. FILE DEPT. CLOCK VOHR. NO. 010
 6W1 003476 000106 0000327081 1
 Page 1

THE COMPANY
 1 LONG DRIVE
 ANY CITY, ME 04000

Filing Status: Single
 Exemptions/Allowances:
 Federal: Optional Higher Withholding Table, \$20
 Extra Withholding

Period Beginning: 9/24/2024
 Period Ending: 10/1/2024
 Pay Date: 10/4/2024

JOHN R. DOE
 123 MAIN STREET
 ANY CITY, ME 04000

Earnings	rate	salary/hours	this period	year to date
Regular	1,241.26		1,241.26	49,650.40
Holiday	0.00			
Ltd			19.27	
Paid Time Off	0.00			
Bonus				0.00
Gross Pay			\$1,251.53	50,061.20

Deductions	Statutory	Other	amount	year to date
Federal Income Tax			-115.96	4,638.40
Social Security Tax			-78.91	3,156.40
Medicare Tax			-8.53	341.20
ME State Income Tax			-47.13	1,885.20
Dental Ins.			-25.10*	1,004.00
Health Ins.			-68.70*	2,748.00
401K			-103.63*	4,145.20

Net Pay **\$803.57**

Check **-\$803.57**

Net Check **\$0.00**

* Excluded from federal taxable wages
 Your federal taxable wages this period are \$1,054.10

Important Notes
 COMPANY PHONE IS: (207) 123-4567

THE COMPANY
 1 LONG DRIVE
 ANY CITY, ME 04000

Advice number: 0000327081
 Pay date: 10/04/2024

Deposited to the account of
 JOHN R. DOE

account number XXXXXXXXX0123 transit XXXX ABA XXXX amount **\$803.57**

NON-NEGOTIABLE

SAMPLE PAY STATEMENT

Gross Income

This is an individual's total income from all sources--including wages, investments, interest, and other forms of income--before the subtraction of any taxes or deductions.

Net Income

This is an individual's "take-home" income after taxes, health insurance, retirement contributions, and other applicable deductions have been subtracted from the original gross income.

When you're balancing a budget, you should reference your net income. If you look at your gross income instead, you may think you have more discretionary income than you actually do.



Discretionary Income

This is the income you're left with after taxes and the cost of your essential expenses—food, clothing, housing, and necessary bills—have been factored in. Nonessential items like luxury goods, entertainment, cosmetics, and other wants are usually paid for with funds from discretionary income.

Understanding Income & Expenses



Fixed Expenses

These are expenses that don't typically change in cost from month-to-month.



Variable Expenses

These are expenses that are likely to change in cost from month-to-month.

You can expect your fixed expenses to stay the same, or close to it, over time. When you sit down to make your monthly budget, you won't have to guess how much you'll pay toward fixed expenses. You can simply carry over those amounts from last month's budget--making your budget more predictable and easy to follow.

Examples of fixed expenses can include rent or mortgage payments, auto loan payments, childcare costs, insurance premiums, gym memberships, and internet service.

While variable expenses may recur from month-to-month, the amount paid in any given month could be different from previous payments or future payments. Budgeting for variable expenses can be more challenging, as they are less predictable.

Examples of variable expenses include groceries, gasoline, dining out, some utilities (electricity, water, and heat), medical care, and property maintenance.

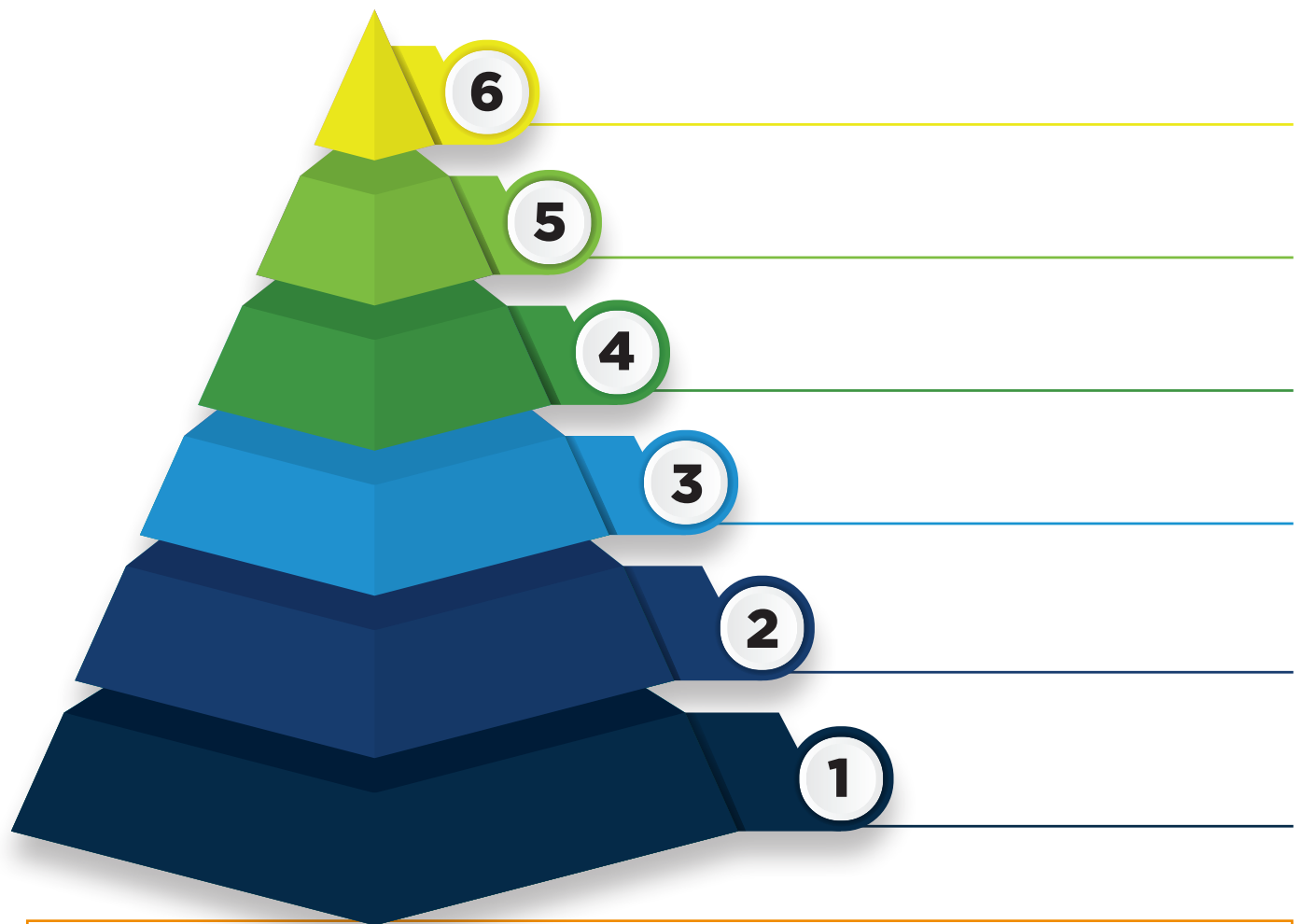
Look back at your historical monthly spending habits from page 2. Categorize your expenditures as either fixed or variable below:

Fixed

Variable

Budgeting Pyramid

On this page, you will find a budgeting pyramid. Below the pyramid, there are six expenditure examples. Arrange the six expenses into the pyramid in order of their importance, with 1 being the most essential expense, and 6 being the least essential expense.



- Grocery Bill
- Credit Card Payment
- Rent or Mortgage Payment
- Emergency Fund Contribution
- New Video Game Console
- Savings Account Contribution

Steps of Creating a Budget



Step 1: Calculate Your Net Income

The foundation of an effective budget is your net income. Also referred to as your take-home pay, this is your total pay minus taxes and deductions. If you were to focus on your total salary (gross income) instead of your net income, you could overspend--thinking you have more available money than you do.



Step 2: Track Your Spending

Track and categorize your expenses to see where your money is going, what can be reduced, and what can be eliminated. Start with your fixed expenses, such as your rent or mortgage, car payment, and insurance premiums. After that, list your variable expenses, such as groceries, gasoline, and dining out. Next, prioritize your expenses based on what might happen if you don't pay them. For example, if you didn't pay your rent, you could lose your housing. Having a roof over your head is a need, so that would be a high priority expense.



Step 3: Set Goals

Before you start pulling your budget together, make a list of both short- and long-term goals. These goals can keep you accountable and motivated to stick to your budget.



Step 4: Make Your Plan

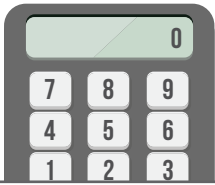
Look at the expenses you tracked to get a sense of what you'll be spending in the coming months. Using the example budget sheet on the next page, prioritize your expenses and set yourself realistic spending limits for each category. Reference this sheet before any expenditures and compare your actual spending against what you intended to spend.



Step 5: Adjust Accordingly

Now that your income and expenses are documented in one place, look to see if adjustments are needed. If your spending exceeds your income, look at your wants category to see what you can reduce or eliminate. Next, look at your fixed expenses. Could you, perhaps, save money by shopping around for a better rate or negotiating? Even if you aren't spending more than your income, are you saving enough away each month? A good rule of thumb is saving away 10% of any money you earn or receive.

An example of a budget sheet can be found on page 10.



Example Budget Sheet



Income	Planned	Actual
Paycheck		
Additional Income		
Total Income		

Fixed Expenses	Planned	Actual

Variable Expenses	Planned	Actual

Total Expenses		
-----------------------	--	--

Which Budget is the Most Successful?

Review the example budgets below and determine the most successful budget and the least successful budget.

Income	Planned	Actual
Paycheck	\$800	\$800.00
Additional Income	\$0	\$0
Total Income	\$800	\$800
Fixed Expenses		
Saving for a car	\$200	\$0
Cell Phone	\$75	\$100
Car Payment to Parents	\$100	\$100
Variable Expenses		
Personal Shopping	\$50	\$150
Entertainment	\$100	\$165
Dining Out	\$100	\$150
Occasional Spending (gifts, repairs, etc.)	\$100	\$135
Total Expenses	\$725	\$800

Lincoln is a junior in high school. He works 15 hours a week at the mall, earning a monthly net income of \$800.

He lives with his parents, so he doesn't pay for housing, utilities, or food. Lincoln's parents let him borrow their family vehicle for \$100 a month so he can get to work, but he wants his own car, so he puts any leftover money toward his "car fund."

He pays for his cell phone, personal expenses, hobbies, and entertainment.

Income	Planned	Actual
Paycheck	\$3,500	\$3,500
Additional Income	\$0	\$0
Total Income	\$3,500	\$3,500
Fixed Expenses		
Saving for a house	\$500	\$500
Rent	\$700	\$700
Car payment	\$350	\$350
Car Insurance	\$100	\$100
Internet/streaming	\$125	\$125
Cell Phone	\$75	\$75
Student Loans	\$400	\$400
Emergency Fund	\$100	\$100
Variable Expenses		
Personal Shopping	\$50	\$150
Entertainment	\$100	\$150
Dining Out	\$100	\$150
Occasional Spending (gifts, repairs, etc.)	\$100	\$100
Groceries	\$350	\$375
Gas	\$100	\$110
Utilities	\$300	\$315
Total Expenses	\$3,450	\$3,500

Sam just graduated from UMaine and accepted her first job, where her net income is \$3,500 per month.

She just moved into a one-bedroom apartment and is responsible for rent, utilities, food, and other household expenses.

She also needs to pay off her student loans, as well as her car loan.

While Sam is currently renting, she does hope to someday own her own home.

Most successful: _____

Least successful: _____

Post-Lesson Survey



Please answer these questions:

1.

Electricity is a fixed expense.

True False

2.

Discretionary income is the income you're left with after taxes and essential expenses have been paid for.

True False

3.

Gross income is:

- A. An individual's "take-home" pay after taxes, health insurance, retirement contributions, and other applicable deductions have been subtracted.
- B. An individual's total income from all sources--including wages, investments, interest, and other forms of income--before the subtraction of any taxes or deductions.
- C. Income considered money earned without actively working for it. Examples include rental income, alimony, child support, unemployment benefits, Social Security benefits, and worker's compensation.
- D. None of the above

4.

Which of these is not considered a variable expense?

- A. Groceries
- B. Gasoline
- C. Rent
- D. Medical Care

5.

How confident do I feel about my ability to create and follow a budget?

1 2 3 4 5 6 7 8 9 10

Take Control of Your Money With Maine Credit Unions!

Do you feel overwhelmed by managing your money? You're not alone—and Maine credit unions are here to help. Whether you're just starting to figure out your finances or need guidance on budgeting, income, or expenses, we're here to make it simple and stress-free.

- **Learn the Basics:** Free resources and tools to help you understand budgeting, saving, and spending.
- **Personalized Support:** Friendly experts ready to answer your questions—no judgment, just help.
- **Step-by-Step Guidance:** Start small and grow your financial confidence.
- **Convenient Services:** Access your money anytime with digital banking, Shared Branching, and SURF surcharge-free ATMs.

It's never too late to take control of your finances, and we'll be with you every step of the way.

Visit www.mainecreditunions.org to get started.



Presented By

Thank you!

Thank you for participating. We hope you found it educational, insightful, and even fun!

Do you want to learn more about money? Scan this QR to head to the Maine Credit Unions website, where you can learn more about finances and preparing for your future!



© 2024 Maine Credit Union League



mainecreditunions.org