



Serving those who serve South Carolina

be aware and prepare

Planning for Your Future *Part One: Creating a Budget*

A sure way to an unsure future is to put off planning for retirement.

Hi there! I'm Tiffany and I'll be taking you through PEBA's retirement readiness information series. The South Carolina Public Employee Benefit Authority has prepared this series to provide you with information that may help you take some important yet practical steps toward securing your financial future. Welcome to "Planning for Your Future, Part One: Creating a Budget."

Disclaimer



Before we get started, I'd like to take a minute to remind you that personal finance, as the name implies, is a highly individualized and personal matter. The information provided in this presentation, and in the other presentations in this series, is general educational information provided to illustrate certain financial ideas and concepts. This information does not take into account your personal situation and should not be considered personal financial or investment advice. In reviewing this presentation, you should consider whether the information presented is appropriate for your particular needs, and, where appropriate, you may wish to seek advice from a financial professional to determine what is best for your individual financial circumstances. PEBA does not make any guarantee or other promise as to any results that may be obtained from using the content of this presentation.

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Introduction



- You can take steps to help secure your financial future
- Create a personal financial plan you can use

In this presentation, we are going to talk about some of the steps you can take to help secure your financial future. We will start by creating a personal financial plan that you can use.



You do not have to create a complex plan to get solid results. Keeping it simple can work just as well and can be easier to stick with. Let's use the following four steps to create our plan:

First, we will create a budget. Before we can work on setting financial goals, building a financial safety net, and saving for your future we need to know how much money is coming in and how much is going out. We'll tackle those in the next presentation in this financial education series.

Looks like we have some work to do, so let's get started!

Creating a monthly budget



- List all of your income
- List all of your required expenses
- List other possible and variable expenses

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Budget. A lot of people twitch when they hear the word budget, but a budget is a great tool to help you achieve financial success. Much maligned as it may be, it is your best starting point.

When you set up a budget, you are basically documenting all of your income, required expenses such as a mortgage or rent payment, and other variable and potential expenses. Starting with the next slide, we're going to set up a monthly budget that will include common, required expenses that are due each month or can be broken down into monthly amounts.

Budget worksheet



Income	Budget amount	Actual amount	Difference
Salary (after tax)	\$4,000	\$4,000	
Interest/investment income	\$0	\$20	\$20
Miscellaneous (gifts, yard sales, etc.)	\$0	\$50	\$50
Income subtotal	\$4,000	\$4,070	\$70

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We're going to begin our budget using the budget worksheet you printed earlier. As we go through the next few slides, please try to be as detailed as possible as you complete the worksheet. The better you estimate your income and expenses now, the clearer the picture you will have for determining how much you need to save.

This slide should represent all of your current expected income. Take into consideration your current job, any additional employment and other financial ventures. The number in the "Income subtotal" row will be important later as we calculate your final budget. As you can see, we chose to not budget any additional income from interest or miscellaneous line items, but we did include income in the "Actual amount" column to indicate that money came from these sources this month. Doing this may help you budget if income from interest or miscellaneous sources tends to vary greatly from month to month.

If you have a joint-income household and will be calculating the following expenses which you and your significant other pay together, don't forget to include his or her salary in this portion of the budget.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Mortgage/rent	\$700	\$700	
Homeowners/renters insurance	\$600 (annual)/12=\$ 50	\$50	
Property taxes	\$1000 (annual)/12=\$ 83	\$83	
Home repairs/maintenance	\$100	\$70	\$30
Home improvements	\$50	\$50	

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Accurately budgeting for all expected and non-expected expenses will pay off later by helping to minimize any surprise costs. If you intend to pay more on your mortgage each month than is required, be sure to include that information in the first row.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Electricity/gas/oil	\$200	\$150	\$50
Water and sewer	\$50	\$52	(\$2)
Telephone (land line, mobile)	\$150	\$150	
Cable/satellite TV/Internet	\$80	\$80	
Internet	\$50	\$50	

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Although most utility bills vary from month to month, most electric companies provide average annual payment information to their customers. If your electric company does this, use an overall figure to determine this cost. If your company does not do this, you can estimate a monthly average by adding up the last 12 bills and dividing the total by 12.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Employer sponsored retirement plan contributions*			
Insurance (medical, dental, vision)	\$42	\$42	
Out-of-pocket medical expenses	\$50	\$70	(\$20)
Fitness (yoga, massage, gym)	\$35	\$35	

**Do not include your PEBA-administered retirement plan contributions in this row.*

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As you can see in the first row, we have not included employer sponsored retirement plan contributions. Members of the South Carolina Retirement System, the State Optional Retirement Program (State ORP) and the Police Officers Retirement System contribute a certain tax-deferred percentage of their gross pay. Because this is deducted from your pretax income and since we are using your net pay to determine your budget, you will not need to enter any information for this item as it has already been calculated for you on your pay statement. Be sure to include any contributions you and/or your significant other make to any other retirement account.

All of the expenses listed on this portion of your budget are additional, out-of-pocket fees you contribute in addition to any payments already taken out of your pay. For example, an employee who is enrolled in the State Health Plan has about \$98 deducted from his check each month for health insurance. If you have additional health insurance policies, you would list that expense here in the "Insurance" row. Keep in mind that if you are covered by the State Health Plan AND you participate in the MoneyPlus flexible benefits program, your premium is deducted from your income on a pretax basis. Participation in the pretax group insurance premium program is not automatic: you must enroll in the program; otherwise, your premiums will be withheld on an after-tax basis. For the second row in the budget, be sure to include additional premiums for any supplemental insurance plans you have.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Groceries	\$600	\$650	(\$50)
Eating out/lunches/snacks	\$50	\$40	\$10
Pet care (food/grooming/boarding/vet)	\$40	\$35	\$5
Household products, toiletries	\$100	\$100	

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Estimating your monthly groceries and allowance for eating out may seem easy enough, but incidental spending here and there can add up quickly. An easy way to get a better estimate of how much money you spend on these items is to keep track of your expenses for several weeks and then decide on a budget amount.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Car payments	\$250	\$250	
Fuel	\$160	\$200	(\$40)
Auto repairs/maintenance	\$35	\$30	\$5
Auto insurance	\$75	\$75	
Other (tolls, bus, taxi)			

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As you estimate the amount you will need for basic auto repairs and maintenance, don't forget to set enough aside for routine oil changes, new tires, annual property taxes and any other related costs.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Credit cards	\$100	\$150	(\$50)
Student loans	\$150	\$150	
Other loans			

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In these rows, you want to be sure to include all types of loans or debts on which you are currently making payments. If you plan to make an additional principal payment each month, include that information as well.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Entertainment	\$20	\$15	\$5
Computer expense	\$10	\$0	\$10
Hobbies	\$30	\$35	(\$5)
Subscriptions and dues			
Vacations	\$20	\$20	

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While all of the items on this slide could be considered discretionary items, it is still important to budget for any activities or purchases that are important to you or your family.

Budget worksheet



Expenses	Budget amount	Actual amount	Difference
Gifts/donations	\$50	\$50	
Personal care (hair, make-up, other)	\$40	\$40	
Miscellaneous expense	\$30	\$25	\$5

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If there are any monthly expenses you normally have that weren't specifically listed on the last few slides, be sure to include them in the last row entitled, "Miscellaneous expense."

Budget worksheet



Investments and savings	Budget amount	Actual amount	Difference
401(k), 457, 403(b), IRA*	\$20	\$20	
Stocks, bonds, mutual funds	\$20	\$20	
College fund	\$10	\$10	
Savings	\$10	\$10	
Emergency fund	\$20	\$20	

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This slide details all possible monthly payments to any investment or savings accounts. If you routinely deposit money into an emergency fund or other savings account, don't forget to add that information here.

*If you are enrolled in the South Carolina Deferred Compensation Program, only include your contributions in the first row if you participate in one of the after-tax Roth investment plans. Otherwise, your deferred compensation contributions are withheld on a tax-deferred basis and shouldn't be included here.

Budget worksheet



Category	Budget Amount	Actual Amount	Difference
Spendable income (from slide 5)	\$4,000	\$4,070	\$70
Total investments and expenses (from slides 6-14)	\$3,450	\$3,497	(\$47)
Surplus/shortage (spendable income minus expenses and investments)	\$550	\$573	\$23

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Now that we have compiled a detailed list of all money coming into and going out of your accounts, we can get an accurate picture of any surplus or shortage you may have. Enter into the top row of this slide the amount of spendable income from slide five. In the second row, enter the total amount you budgeted for your investments and expenses. This will be all of the numbers from slide six to slide 14.

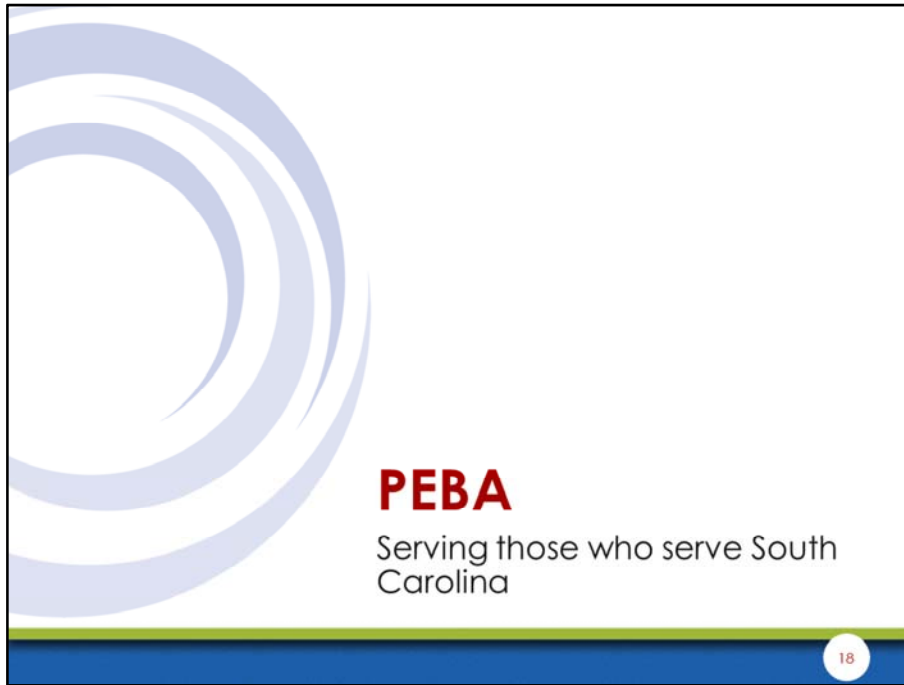
Is your spendable income greater than your total expenses? If so, you have a surplus you can use to invest for your retirement. If not, you may want to study your budget and find areas in which you can cut back to prevent yourself from spending more than you earn.

Other budgeting resources



- Take advantage of these free online budgeting planners to better track your spending and set your financial savings goals
 - [Mint](#)
 - [moneystrands](#)
 - [Budget Tracker](#)
 - [Bills.com](#)
 - [You Need A Budget](#)

There are several free online budgeting planners that can help you better track your spending and set your financial savings goals. All of these sites will allow you to import information about your finances and automatically categorize and track your transactions so that you can create a better budget.



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Thank you for viewing this presentation.