PARTICIPANT'S GUIDE

The Budget Zone

Saving for Spring Break Without Breaking The Bank

Message to the Participant

As a community service, U.S. Bank has developed a series of learning modules to assist you in gaining an understanding of various banking and financial-related services, processes and concepts.

This module's objectives are:

- Setting Your Financial Goals
- Budgeting Your Income
- Understanding Interest and the Power of Investing

Typically, each of these sessions will last approximately one hour. Please feel free to ask questions throughout and to call upon your facilitator at a later date should you have further questions.

U.S. Bank strives to foster a strong relationship within every community in which U.S. Bank is fortunate enough to do business.

We hope you find this learning experience enlightening and helpful in your efforts to gain more knowledge about the financial world.

Plan Your Financial Goals

Envision your new life. It's hard to imagine where you'll be after high school and college, but it's time to start thinking about how you want to live once you're out in "the real world." Do you want to start your own small business? Or, are you looking forward to buying a house as soon as you graduate from college? Whatever your goals may be, plan for them now.

Set goals for yourself. Nobody ever got far with their financial goals without writing them down. There's something about seeing your goal in black and white that adds an air of finality to it.

Keep your goals top-of-mind. Out of sight, out of mind-right? If you aren't thinking about your financial goals, it's hard to stay on track. Post your written goal somewhere visible, a spot you look at every day. Or, better yet, use a visual to remind you of your goal. If your short-term financial goal is to save for a computer, clip a photo of a computer out of a magazine, and tape it to the inside of your day-planner, tack it on the front of your refrigerator, or a pin it to a message-board. Every time you're tempted to buy a new CD or a Starbucks Frappucino, seeing the picture of that computer will help you stay on course.

Pay yourself every month. No, you aren't paying yourself so you can buy that new DVD player you've had your eye on. The money you save will help you achieve long-term goals, or those extra funds could help you in an emergency situation - like if your car engine suddenly catches on fire. Typically, it's recommended that you save at least 10% of your monthly income (no matter how meager that sum may already seem). Most banks can set up a goal savings account that automatically transfers money from your checking account to your savings account bi-monthly, monthly, or as often as you like. This way, you won't even miss the money that's not there anymore.

Lay off the credit cards. Credit cards are great to have around for emergency situations, but they can wreak havoc on your budget. It can be too easy to make a purchase knowing you won't have to deal with the consequences until you receive your credit card statement. In general, it's best to leave your credit card at home.

Group Activity: Your Financial Goals

- Separate into groups.
- Share with each other your individual Overall Financial Goal.
- Share with each other your individual Savings Goal Amount by age 25, 35, 50, 65 etc.
- Share with each other your individual plans to achieve your Overall Financial Goal.
- Share with each other your individual plans to achieve your Savings Goal Amount.
- When you have completed this task, your facilitator will give you further instructions.

Overall Financial Goal _____

_____

_____

_____

Savings Goal Amount

Age 25 _____

Age 35 _____

Age 50 _____

Age 65 _____

Plan for Overall Financial Goal _____

_____

_____

_____

Plan for Savings Goal

_____

_____

_____

Budgeting Basics

Budgeting always gets a bad rap. Why? Because it seems like too much work for most people. The truth is, budgeting is all about setting priorities. Here are some tips to help you get started.

Track what's coming in. Use the budget worksheet on the following page as a guide. Include any loans, grants, or scholarships you will receive.

Remember to include any financial contributions from your parents. If your parents give money to you to pay for expenses, include this in your income. However, if your parents contribute by paying for certain expenses (for instance, if they send the check for your tuition directly to the bursar's office at your school), then subtract that amount of money from your expenses.

Track what's going out. Estimate how much you spend on the necessities. If you don't have the exact figures, that's okay. Just make your best guess. As noted earlier, always pay yourself first. That means you need to set aside at least 10% of your income to go to savings.

Budget how to spend the rest. Whatever funds you have left over is your discretionary money. This is the money you can spend on meals out, CDs, clothes, whatever.

Budget Worksheet

INCOME			
	Per Month	Per Semester	Total Year
Loans			
Employment			
Grants/Scholarships			
Interest			
Other			
Total			

ACADEMIC EXPENSE			
	Per Month	Per Semester	Total Year
Tuition and Fees			
Room and Board			
Books/Supplies			
Miscellaneous			
Subtotal			

PERSONAL EXPENSE			
	Per Month	Per Semester	Total Year
Contribution to Savings			
Meals			
Loan Payments			
Clothing			
Insurance Items			
Transportation			
Laundry			
Personal Needs			
Entertainment			
Miscellaneous			
Other			
Subtotal			

MOMENT OF TRUTH			
	Per Month	Per Semester	Total Year
TOTAL INCOME			
TOTAL EXPENSES			
VARIANCE			

The Power of Investing

It's never too early to start investing. In fact, the sooner you start investing, the longer your money will benefit from compound interest.

What is compound interest? We all know profitable investments add interest to your account. To understand the benefit of compound interest, let's first define the two different types of interest: simple and compound. For example, let's say you invest $1,000 in an investment vehicle earning 10% interest compounded annually. Let's illustrate how your money can grow through each of these types of interest.

Simple interest

Simple interest allows you to earn interest only on your original investment, or principal.

Formula:
Interest rate x principal = the interest to be added to your account

Year One: 10% x $1,000 = $100
Year Two: 10% x $1,000 = $100

Your Total Earnings:
$1,000 + $100 (the interest earned in year one) + $100 (the interest you earned in year two) = $1,200

Compound interest

Compound interest occurs when interest is earned on your original investment plus on the interest already earned on that account.

We will use the same formula we used in calculating simple interest.
Year One: 10% x $1,000 = $100
Year Two: 10% x $1,100 (the original principal plus the interest earned) = $110

Your Total Earnings:
$1,000 + $100 (the interest earned in year one) + $110 (the interest you earned in year two) = $1210

The Value of Compound Interest

Let's compare twin sisters and how they save their money over the course of their lifetimes. Try to determine which sister will make more money as a result of compound interest.

Maureen

At age 15, Maureen starts working at the local Swirly-Whirl ice cream shop. Every year for the next 10 years, she saves $1,000 and invests that money earning 12% per year on average. After those 10 years, Maureen decides to stop investing. However, she leaves her $10,000 nest egg alone.

Doreen

Now, consider Maureen's twin sister, Doreen. Ignoring her parents' financial advice, Doreen doesn't bother to save any money at all. This pattern follows her through her 20s and 30s. At age 40, Doreen picks up a magazine on smart finances and suddenly realizes the error of her ways. She starts saving $10,000 every year for the next 25 years.

Guess who has more money at age 65?

That's right, Maureen.

Maureen enjoyed the power of compound interest. She saved just $10,000 in 10 years - the same amount Doreen invested in just one year. Her net earnings? $1.6 million by age 65.

Now, back to Doreen. She painstakingly saved $10,000 each year for 25 years, investing a total of quarter-million dollars. Her earnings? Just under a million dollars.

Maureen's Swirly-Whirl money grew for 50 years, twice as long as Doreen's. Therefore, the amount of money you invest isn't always as important as how soon you start investing it.

"Value of Money"

When it comes to saving or investing, it really does pay to start early. This chart illustrates how $1,200 invested annually can grow over time, and how much less you'll have accumulated by age 65 if you wait 5 years, 10 years, 15 years or longer before starting to save or invest. This model assumes an annual return of 8%.

Begin at Age	Amount You'll Have Accumulated by Age							
	30	35	40	45	50	55	60	65
20	17,384	32,582	54,914	87,726	135,938	206,777	310,862	463,796
25	7,040	17,384	32,582	54,914	87,726	135,938	206,777	310,862
30	1,200	7,040	17,384	32,582	54,914	87,726	135,938	206,777
35		1,200	7,040	17,384	32,582	54,914	87,726	135,938
40			1,200	7,040	17,384	32,582	54,914	87,726
45				1,200	7,040	17,384	32,582	54,914
50					1,200	7,040	17,384	32,582
55						1,200	7,040	17,384
60							1,200	7,040
65								1,200

Monthly Budget
(Take-Home Worksheet)

EXPENSE	BUDGET	ACTUAL	VARIANCE
HOUSING			
Rent/Mortgage			
FOOD			
Groceries			
Eating Out			
UTILITIES			
Phone			
Gas/Oil			
Electric			
Cable			
TRANSPORTATION			
Auto Gas			
Parking			
CLOTHING			
Laundry/Dry Cleaning			
New			
LOAN PAYMENTS			
Student			
Car			
Cards			
INSURANCE			
Homeowners			
Car			
Life			
ENTERTAINMENT			
Events			
General			
MISCELLANEOUS			
Supplies			
Medical			
Other			
SAVINGS			
Banks			
OTHER			
Item 1			
Item 2			