

The background features a repeating pattern of circles in various colors (green, red, orange, purple) arranged in a grid. Each circle contains two horizontal lines, resembling a stylized 'H' or a simplified representation of a house. The colors of the circles and lines alternate in a regular pattern across the grid.

Homebuyer Education  
Section 2  
Money Management

# Money Management

## Attaining and Maintaining Your Own Home

### Steps to managing your money

1. Understand your spending habits and take control of them
2. Set goals for what you want to achieve with your finances
3. Develop a plan to achieve those goals
4. Use your financial plan (budget) to get what you want

# Money Management

## Attaining and Maintaining Your Own Home

### Understand your money habits

#### You may be a tightwad if

- You don't buy without shopping everywhere for the best price
- You drive long distances in order to utilize coupons or buy on sale
- You keep everything past its usefulness
- You set the thermostat too cold in the winter and too hot in the summer
- You feel secure because you have money saved
- You feel anxious when you have to spend money

# Money Management

## Attaining and Maintaining Your Own Home

### Understand your money habits

#### You may be a conservative if

- You don't enjoy shopping
- You bring lunch to work most days instead of eating out
- You never buy something new when the old is still useable
- You never buy on credit; you save money until you can afford to pay cash
- You want money so that you can have things in the future

# Money Management

## Attaining and Maintaining Your Own Home

### Understand your money habits

#### You may be a carefree spender if

- You want nice things, and you think about them until you can get them
- You are always paying off at least one major debt
- You buy as much as you make; if you make more you spend it
- You pay your bills on time but you have little to no savings
- You feel you earned it so you can enjoy spending it

# Money Management

## Attaining and Maintaining Your Own Home

### Understand your money habits

#### You may be a heavy spender if

- You buy almost everything on credit and you are always up to your credit limits
- You can't resist a bargain
- You take a lot of vacations
- You buy new clothes because of the fashion has changed and you want the latest style
- You frequently spend money on others
- You want things NOW, but you are willing to work to pay for them
- You feel good when you spend money

# Money Management

## Attaining and Maintaining Your Own Home

### **Understand your money habits**

#### **You may be a out of control spender if**

- You have to consolidate your debts and give up your credit cards
- You cant pay your taxes when they are due
- You move around depending on how much money you have
- You buy things when you don't have the money to pay for them
- You feel important when you spend money
- You pretend you do not have money problems

# Understand why you spend money

## Good reason to spend money

- Providing for basic needs; food, shelter, and clothing
- Providing for reasonable amounts for recreation
- Helping others within your ability to do so

## Bad Reason to Spend Money

- It's a great deal
- Pressure from salespeople
- Status-impressing others
- Out of habit or boredom
- You believe advertisements without testing the product
- It makes you feel better

## **Homeownership Affects Spending**

- Homeownership is a major financial responsibility
- Homeownership changes your lifestyle
- If you will have to change your spending habits to afford a home

## **Setting Goals: What's Important to You**

- Goals change with times and circumstances
- Different household members see things differently
- Financial goals can be divided by how long they will take:
- Long term- goals you wish to reach in more than 5 years
- Intermediate goals- goals you aim to reach in 2-5 years
- Short-term or immediate goals

# Five Rules for Setting Goals

1. The goal must be realistic
2. The goals must be worthwhile
3. The goal must be your own
  - You won't work hard for what someone else wants you to do
4. The goal must be specific
5. The goal must have an appropriate timeframe

# The Advantages of Setting Goals

**Give direction-** must know where you're going to get there

**Reflect our values-** learn what is important to us when setting goals

**Bring us together-** shared goals mean shared work and purpose

**Give us purpose-** tell us what we need to be doing each day

**Give us fulfillment-** when we reach our goals

## **Set other goals besides home ownership and financial stability**

- Accomplishing personal goals
- Accomplished shared goals
- Accomplishing smaller goals leads to accomplishing larger goals

# Making Financial plans to Achieve Goals

- Figure Your Net Incomes
- Determine your family's total net income
- Defining income
- Types of Income Considered by Lenders
- Employment Income
- Benefit Income
- Investment Income
- Other Income
- Add up to the sources and determine your income per month

# Determine Monthly Expenses

- Don't estimate- keep good records
- Note your fixed expenses
- Note your variable expenses
- Total monthly income minus total monthly expense is net  
income

## If you have Negative Net Income

- Work both sides of equation to achieve positive net
  - Adjusting income:
    - Work more hours or extra shifts
    - Add a part-time or second job
    - Pick up occasional jobs
    - Change position or job
    - Trading skills-repair a neighbor's car in exchange for babysitting
  - Use additional income to pay off credit cards, car loans, and other debts

## If you have Negative Net Income

### ➤ Adjusting expenses:

- Write down ALL spending-you will automatically spend less
- Limit what you spend in particular category
- Don't borrow or use credit cards-it costs more
- Avoid finance charges by saving for periodic expenses and emergencies
- Pay bills on time to avoid late charges
- Don't carry much cash- you will lose track of where it goes
- Find free recreational activities instead of spending cash on entertainment
- Car pool, share rides, walk or ride bike on short trips
- Lower the thermostat a couple degrees

## If you have Positive Net Income

- Budget a regular monthly amount into savings for emergencies and irregular expenses
- Then budget monthly amounts towards goals
- Use budget to achieve your goals
  - Review plan every month
  - Remind yourself what you are working for
    - ❖ Talk about your goals together
    - ❖ Adjust them if your feelings change
  - Review how budgeting is going and how it affects your goals
- Involve entire family in budget process