The important of Taking Control of Your Finances

Manage personal spending under control

Keep track of your \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Keys Terms: Cash flow, budget, bank balance, debit, credit, and impulse purchase

* Cash flow - the total amount of money being transferred into and out of a business, especially as affecting liquidity. The amount of money you earn and how much you spend that effect you’re the amount of money you can save.
* Budget - an estimate of income and expenditure (expense) for a set period of time.
* Bank balance - the amount of money held in a bank account at a given moment.
* Debit - an entry recording an amount owed, listed on the left-hand side or column of an account. Remove money from your account.
* Credit - an entry recording a sum received, listed on the right-hand side or column of an account. Add money to your account.
* Impulse purchase - an unplanned decision to buy a product or service, made just before a purchase. One who tends to make such purchases is referred to as an impulse purchaser or impulse buyer.

Cash flow = Income – Expenses/spending

 Monthly cash flow = monthly income – monthly expenses/spending

 Yearly cash flow = yearly income – yearly expenses/spending.

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Example 1. College Student Budget



\_\_\_\_\_\_\_\_\_\_cash flow = Monthly \_\_\_\_\_\_\_\_\_\_ – monthly \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Monthly cash flow = Total Monthly Income – Total Monthly Expenses

 Income = $1600 per month from work and $3000 yearly scholarship

 **Total monthly income** = $\_\_\_\_\_+ $3000/\_\_ = $1600 + $250 = **$\_\_\_\_\_\_\_**

Other yearly expenses

 (College, gifts, vacation, cloth, charity) = ($12,000+$1000+$1500+$800+$600) = $15,900

 Monthly expenses

 Rent = $\_\_\_\_\_

 Gas = $\_\_\_\_\_

 Health Ins. = $\_\_\_\_\_

 Auto Ins. = $\_\_\_\_\_\_

 Rental Ins. = $\_\_\_\_\_\_

 Phone bill = $\_\_\_\_\_\_\_\_

 Groceries = $\_\_\_\_\_\_

 Other expenses = $15,900/\_\_\_ = $1325

 **Total monthly expenses** = **$\_\_\_\_\_\_\_**

 **Monthly cash flow = $\_\_\_\_\_\_ - $\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_**

Example 2. Latte Money



 Drink One a day =>\_\_\_\_\_ in a year = \_\_\_\_\_\_lattes

 A second latte every 3 day = 365/\_\_ = 122 more (rounding up)

 In total 365 + 122 = \_\_\_\_\_\_ lattes

 Cost for a latte: $\_\_\_\_\_

 \_\_\_\_\_ x $\_\_\_ = $\_\_\_\_\_\_\_\_a year on lattes

Practice: Work individually, pair or group of 4





Example 3. Cost of Car



He drives \_\_\_\_\_ miles/week

 For a year, 250 x \_\_\_\_weeks = \_\_\_\_\_\_\_ miles

 Current car, \_\_\_\_\_miles/gallon of gas

 13,000/18 = \_\_\_\_gallon per year

 Assume gas costs $3/gal, 720 x $3 = $\_\_\_\_\_\_for gas

 Hybrid \_\_\_\_\_miles/gallon of gas

 13,000/54 = app. \_\_\_\_\_\_gallon per year

 \_\_\_\_x $\_\_\_\_ = $720 for gas

 Jorge will save $1440: $\_\_\_\_\_\_\_\_ - $ \_\_\_\_\_\_\_\_ = $1440

He also saves $\_\_\_\_\_\_\_\_ on yearly repair. Total saving = $\_\_\_\_\_\_\_ + $\_\_\_\_\_\_\_\_= $3240.

 For the next 5 yrs, total saving on gas and repair is $3240 x 5 = $\_\_\_\_\_\_\_\_\_

 The cost of new hybrid car with maintenance free is $25,000.

 Does it worth getting a new car? Depend on your reason.

Example 4. Credit Card Interest



 Annual percent interest rate: \_\_\_\_%

 Average monthly rate: 24/\_\_\_\_ = \_\_\_\_%

 At 2% monthly interest with $\_\_\_\_\_\_ balance

 Monthly interest accrual: $\_\_\_\_\_\_x\_\_\_\_\_\_ = $22

 Yearly interest accrual: $22x12 months = $264

Homework due next class. Wednesday 8/12/2015