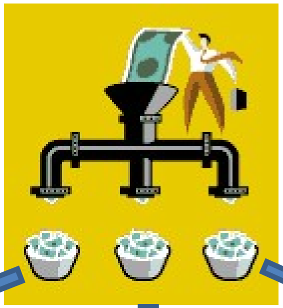
How to set up a Money Management system



Savings #1

Variable monthly expenses

- Groceries
- Gas
- Clothes
- Entertainment
- Eating out
-

Savings #2

Non-monthly expenses

- Car insurance
- Car registration
- Taxes
- Maintenance
-

Checking Account

Monthly fixed expenses

- Mortgage or rent
- Cell phone
- SDGE level billing
- Cable TV
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Savings #3

Personal spending #1

Savings #4

Personal spending #2

Money Management System Explained

- For young adults one of their challenges is to figure out how to manage their income and expenses and stay out of debt.
- Of the many approaches available this chart provides a visual example of how to create a plan that can work for them. It focuses on using cash (not credit cards) for most purchases, until they are able to pay of all their living expenses each month.
- The key concept to this approach is to help them see that having separate accounts (e.g. savings accounts vs. one checking account) is a way that can work for them.
- When income is deposited into the checking account they should set up automatic transactions to move all the money that is not required for "fixed" expenses (those expenses that are the same dollar amount every month) to one of several savings accounts, as described below.
- **Savings #1** – variable expenses (the dollar amount is not always the same each month) such as: groceries; gas; clothes; entertainment; eating out; etc.
- **Savings #2** – non-monthly expenses such as: car insurance and registration; maintenance; taxes; etc.
- **Savings #3** – personal spending for the individual (e.g. the allowance they have allocated for extras)
- **Savings #4** (if married) - personal spending for spouse (e.g. the allowance they have allocated for extras)
- **The GOAL:** draw cash from the specific savings accounts based on the category of expenses. When the account is empty they then have to make a conscious decision to use another account's money.
- **Suggestion:** have them give a "name" to each account, such as: Maintenance, Food, Savings etc.