

Financial Guide & Goal Setting Handbook



Family & Senior Homeless Initiative

Resourced by *Denver Rescue Mission* in partnership with the Metro Denver community and Denver's Road Home.

Introduction

We ask all families receiving housing assistance from *Family & Senior Homeless Initiative* (FSHI) to complete this financial handbook. We hope that you will find it helpful as a financial guide for you and your family.

Financial issues are a concern for most families, especially single-parent families. For many of us, financial planning may seem either overwhelming or unimportant, but experience has shown that careful financial planning can save us from many problems and give us a sense of control. If you follow the basic principles in this handbook, you will have a greater opportunity to experience financial stability, and keep more of the money that you earn.

Contrary to popular belief, financial independence rarely comes from lucky events, such as winning the lottery. These “get-rich-quick” enticements are usually a scam to take your hard-earned money. Another misconception is that financial independence is dependent on one’s income. The fact is that financial independence only comes by disciplined spending and a commitment to live within your means.



Table of Contents

Financial Independence.....	4
Living Within Your Means	5
Setting Goals.....	8
Five Financial Rules That Work	12
Managing Your Taxes	13
Managing Your Debt	13
Potential Trouble Spots to Avoid.....	14
Answers to Wants & Needs Questions.....	16
Budget Worksheet.....	17



Financial Independence

When in need, there are two wrong responses and one right response.

1st Wrong Response

Being too proud to ask for help.

- ◆ We all need a helping hand at times and should not feel ashamed to ask for help.
- ◆ FSHI mentoring teams are comprised of caring friends who want to be that helping hand.

2nd Wrong Response

Becoming dependent on outside assistance.

- ◆ Depending on outside assistance robs a person of self-respect as well as the respect of others.
- ◆ *“Make it your ambition to live a peaceful life, to mind your own business and work hard...so that you will earn respect and be dependent on no one.”*

The Right Response

Accepting help when needed, but moving toward financial independence.

- ◆ Financial independence will naturally follow when you follow the principles outlined in this .
- ◆ Financial crises will come if you neglect the principles outlined in this Financial Guide & Goal Setting Handbook.



Living Within Your Means

How do millionaires become bankrupt? They do not live within their means. In order to live within your means, you must realize that all of us have *needs*, *wants*, and *desires*. Knowing the difference between them, and knowing how to use these categories to make decisions about your spending habits, will be powerful tools that will keep you financially independent—even when your income decreases.

Needs

Items identified as needs should fulfill a basic life-sustaining requirement. Examples of needs include:

- ✓ Food
- ✓ Clothing
- ✓ Housing
- ✓ Medical coverage
- ✓ Other similar necessities

“And if we have food and shelter, we will be content.”

Wants & Desires

Wants involve making purchase-decisions based on *quality* for an item that is a legitimate need. Examples of want-based purchases include:

- ✓ Buying new clothes instead of used clothes
- ✓ Buying new furniture instead of used furniture
- ✓ Buying an expensive newer car instead of a cheaper used car
- ✓ Dining out instead of eating at home
- ✓ Ordering a steak instead of a hamburger

Desires involve making choices to spend money on things that are not required for our survival, but that usually make our lives more convenient or bring us pleasure. Only surplus funds should be used for desires. Examples of desire-driven purchases include:

- ✓ Purchasing cable TV service
- ✓ Buying a stereo
- ✓ Buying video games/movies
- ✓ Taking a vacation

Identify the following items as *needs* or *wants* (*desires*):

- New car payments that exceed \$200 a month: _____
- Buying only favorite snacks and food at the grocery store: _____
- Clothes at a quality thrift store: _____
- Purchasing video games/movies vs. occasional rentals: _____
- Opening a savings account: _____
- Rent-to-own furniture: _____
- New large TV and stereo: _____
- Getting food through a food pantry program: _____
- Furniture from yard sales and discount stores: _____
- Cable TV: _____
- Cell phone: _____
- Eating out at least once a week: _____
- Purchasing a bus pass at the beginning of each month: _____
- Renting a personal computer: _____
- Buying only name brand clothes: _____
- Lottery tickets: _____
- New entertainment unit: _____
- Giving to your congregation or a charity: _____
- Bringing a sack lunch to work verses eating out: _____
- Gambling on races, sports games, slot machines: _____

The answers are located on page 15 at the back of this Financial Guide & Goal Setting Handbook.

First, prior to your first meeting, review the family budget that you received when assigned a family. Second, Review the family budget with the family. Third, do a revised budget with the family. (A Budget Worksheet is in the back of the handbook)

On the Budget Worksheet, be sure to list everything that you spend in one month, including the following:

- ◆ Needs/fixed expenses that you must pay each month, such as rent and food.
- ◆ Variable expenses will most likely change from month to month.

Evaluating Your Financial Stability

Circle the number from each of the following two categories in order to identify your financial status.

Excess Income (<i>from Budget</i>)		Amount of Debt (<i>list all debts</i>)	
1	\$0 - \$100	5	\$0 - \$1000
2	\$100 - \$200	4	\$ 1000 - \$1500
3	\$200 - \$300	3	\$1500 - \$2000
4	\$300- \$600	2	\$2000- \$3000
5	\$600 +	1	\$3000 +
___ Your number		___ Your number	

Excess Income Column # + Amount of Debt Column # = _____

Rate yourself on the Financial Stability Gauge.

Financial Stability Gauge		
2-3	Financial Crisis	Requires extreme changes in financial planning
4-5	Financial Trouble	Requires maximum changes in financial planning
6-7	Financial Caution	Requires major changes in financial planning
8-9	Financial Stability	Requires basic changes in financial planning
10	Financial Strength	Represents positive balance between income to debt ratio

Important Note: In order to obtain financial stability, making important money management and spending changes will be important to the future success of your family. As you continue to read through the Financial Guide & Goal Setting Handbook you will learn more about how to secure financial stability and obtain your greatest goals.

Setting Goals

An essential part of achieving financial stability is setting and achieving goals. In order to achieve goals;

Goals should be: **S M A R T**

S **Steps:** What are the steps I need to take to reach this goal?

M **Money:** Does this coincide with my current budget?

A **Adjustments:** What changes must I make if this goal does not coincide with my current budget?

R **Realistic:** Is this an attainable goal according to my current circumstances?

T **Time:** By what date do I expect to achieve my goal?

Writing down your goals will help you to achieve them. Write three **S M A R T** goals in the space on the following pages for your family, work and yourself.



Examples of Goals

Short-term Goals

- ✓ Getting a pay raise
- ✓ Finding a better paying job
- ✓ Moving into a nicer apartment
- ✓ Building a savings/opening a savings account
- ✓ Going on a vacation
- ✓ Buying a new household item
- ✓ Planning an entertainment activity
- ✓ Buying new clothes
- ✓ Buying presents for your children
- ✓ Continuing higher education
- ✓ Receiving counseling
- ✓ Finding affordable/higher quality childcare
- ✓ Establishing an allowance for your children
- ✓ Receiving child support
- ✓ Getting dental/medical help or finding better health insurance
- ✓ Sending donations/tithes/gifts to others

Long-term Goals

- ✓ Buying a newer car
- ✓ Putting a down payment on a house
- ✓ Enrolling in college/trade school
- ✓ Saving for your children's education
- ✓ Establishing yourself in a better career

What is one family goal? _____

S Steps: What steps must I take to reach this goal? *(This may require weekly assignments that you fulfill until the goal is achieved.)*

1. _____
2. _____
3. _____

M Money: Does this coincide with my current budget?

Yes No

A Adjustments: What changes must I make if this goal does not coincide with my current budget? _____

R Realistic: Is this goal attainable according to my current circumstances? Yes No

T Time: Date I desire to achieve goal: _____

What is one work goal? _____

S Steps: What steps must I take to reach this goal? *(This may require weekly assignments that you fulfill until the goal is achieved.)*

1. _____
2. _____
3. _____

M Money: Does this coincide with my current budget?

Yes No

A Adjustments: What changes must I make if this goal does not coincide with my current budget? _____

R Realistic: Is this goal attainable according to my current circumstances? () Yes () No

T Time: Date I desire to achieve goal: _____

What is one personal goal? _____

S Steps: What steps must I take to reach this goal? (*This may require weekly assignments that you fulfill until the goal is achieved.*)

1. _____
2. _____
3. _____

M Money: Does this coincide with my current budget?

() Yes () No

A Adjustments: What changes must I make if this goal does not coincide with my current budget? _____

R Realistic: Is this goal attainable according to my current circumstances? () Yes () No

T Time: Date I desire to achieve goal: _____

How to Achieve Your Goals

- ◆ You can find the motivation to achieve your goals from the support and guidance of your mentoring team and friends.
 - Share your progress with your mentoring team and friends.
 - Ask your mentoring team and friends to keep you accountable.
- ◆ Be willing to make positive changes and be disciplined about following through with those changes.
- ◆ Remind yourself that you're setting these goals in order to be able to provide financial stability for your children.
- ◆ If you fail, try again—learn from your mistakes and press on.
- ◆ Nurture your spiritual life.



In the following sections, look for the seven **WHY?** questions. Answer these questions and then check your answers. The correct answers will help you reach financial stability.

Five Financial Rules That Work

1. Save for an emergency reserve fund.

- ◆ Save a portion of the money you earn. Begin by saving one hour of your hourly pay per week (or 1% of your total income).
 - **This amount is \$ _____**
- ◆ Continue to increase this amount as much as possible—even up to 10%.

2. Save your money in a bank.

- ◆ Do not keep your savings at home.
 - **WHY?** _____
- ◆ Try to save the equivalent of three to four months of your monthly living expenses.
 - **This amount would be \$ _____**
- ◆ After you save beyond this amount, you might want use some of the surplus to meet other needs, but you should try to keep saving as much as possible.
- ◆ Family & Senior Homeless Initiative and your mentoring team will show you how to open a bank account.

3. Give to your congregation or a charity at least one hour of your hourly pay per week.

“It is better to give than to receive”

4. Avoid using credit cards or borrowing.

WHY? _____

!! WARNING WARNING WARNING !!

To Avoid Financial Crisis, Do Not Break the Fifth Financial Rule:

5. Live within your income! Your expenses cannot exceed your income!

Managing Your Taxes

Keep as much money as possible in your take home pay.

WHY? _____

If you receive a tax refund over \$600, you should submit a W-4 form to claim another dependent. This allows you to earn interest from money saved.



Managing Your Debt

1) Contact creditors and make arrangements to pay off even a small portion of your debt. (They are normally willing to work with you.)

2) “Should I pay off debt before I start to save money in the bank?”

Answer: Do both at the same time

3) Prioritize your debts so that you pay them off in the following order:

- a. Debts that might cause the elimination of a vital service such as your utilities.
- b. The smallest debts so that you can eliminate them as quickly as possible.
- c. Debts charging the highest interest.



4) If possible, repay your debts using a good payment plan. However, you may find it necessary to file for bankruptcy. Consider bankruptcy only when your paychecks are being garnished or your creditors are pressing you for payments that you are unable to pay.

Potential Trouble Spots to Avoid

1. Avoid making hasty decisions about adding debt, such as:

- ◆ Car payments
- ◆ Rent-to-own furniture

Avoid rent-to-own furniture at all costs.

WHY? _____

- Rent-to-own furniture is a sure way to add up unneeded debts!
- You will end up spending 10 times more money on the furniture than if you saved and bought the furniture outright.
- ◆ Your mentors can help you locate resources that will help you avoid adding debt.

2. Avoid going to the mall or grocery store more than once a week.

WHY? _____

3. Never leave a job before you have a new one.

WHY? _____

This is the fastest way to lose your home. (Your rent and bills will still need to be paid.)

4. Avoid seasonal or temporary jobs.

WHY? _____

5. Save any additional money you receive, such as:

- ◆ Income tax refunds
- ◆ Overtime pay
- ◆ Holiday bonus checks
- ◆ Other unexpected sources of income
 - You might need this extra income for a financial emergency in the future.
 - Don't waste any additional income on unnecessary desires.

Conclusion

We hope that this Financial Guide & Goal Setting Handbook was a useful tool for you and your family. Financial stability can be difficult and it often requires discipline and maturity. However, it is achievable and we hope that you will make the right decisions to do so. Follow the principles outlined in this handbook, consider its principles, and never be afraid to ask your mentoring team for help; that is what they are there for!



Answers to the Needs & Wants Questions

- ◆ *New car payments that exceed \$200 a month:* **Want**
- ◆ *Buying only favorite snacks and food at the grocery store:* **Want**
- ◆ *Clothes at a quality thrift store:* **Need**
- ◆ *Purchasing video games/movies vs. occasional rentals:* **Want**
- ◆ *Opening a savings account:* **Need**
- ◆ *Rent-to-own furniture:* **Want**
- ◆ *New large TV and stereo:* **Want**
- ◆ *Getting food through a food pantry program:* **Need**
- ◆ *Furniture from yard sales and discount stores:* **Need**
- ◆ *Cable TV:* **Want**
- ◆ *phone:* **Need**
- ◆ *Eating out at least once a week:* **Want**
- ◆ *Purchasing a bus pass at the beginning of each month:* **Need**
- ◆ *Renting a personal computer:* **Want**
- ◆ *Buying only name brand clothes:* **Want**
- ◆ *Lottery tickets:* **Want**
- ◆ *New entertainment set:* **Want**
- ◆ *Giving to your congregation or charity:* **Need**
- ◆ *Bringing a sack lunch to work vs. eating out:* **Need**
- ◆ *Gambling on races, sports games, slot machines:* **Want**

How many questions did you answer correctly? _____

Budget Worksheet

Please estimate your expenses in each column based on when you move into housing.

Family Name:		Team member (s):	
Needs/Fixed Expenses	Monthly cost \$\$\$	Want /Variable Expenses	Monthly cost \$\$\$
Savings	\$	Food at work	\$
Rent	\$	Dining out	\$
Utilities	\$	School lunches	\$
Groceries	\$	Long distance phone calls	\$
Car Payment	\$	Pager or cell phone	\$
Child Care	\$	Postage	\$
Child Support	\$	Clothing	\$
Legal / Court Fees	\$	Laundry / Dry Cleaning	\$
Monthly Debt Reduction	\$	Personal Items	\$
Student Loans	\$	Barber / Hair Stylist	\$
Diapers / Baby Supplies	\$	Tobacco / Alcohol	\$
Water / Trash	\$	Tuition / School Supplies	\$
Basic Telephone	\$	Recreation / Entertainment	\$
Gasoline	\$	Pet Expenses	\$
Bus Fees / Parking	\$	Lessons / Membership Fees	\$
Donations / Tithe / Gifts	\$	Baby Sitting	\$
Medical / Dental / Optical	\$	Children's Allowance	\$
Medications / Prescriptions	\$	Home Repair / Maintenance	\$
Health Insurance	\$	Car Repairs	\$
Auto Insurance	\$	Other:	\$
Auto Tags	\$	Other:	\$
Net income chart		Please total income and expenses	
Hourly pay	\$	Net Income	\$
Hours per week	#	Other Income:	\$
Dependents claimed	#	Other Income:	\$
Pay X Hours X 4.3 X (.83 - .86)	\$	Total Monthly Income	\$
Net income divided by 1/2	\$	Total Monthly Expenses	\$
Your monthly rent cost cannot exceed 50-60% of your net income in order to pay all your total monthly expenses.		Total Excess	\$
		Total Shortage	\$