

Bling on a Budget *(and much more)*



SMARTPATH

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EMORY
UNIVERSITY

Kurt Salmon ✨



HARVARD
BUSINESS SCHOOL

BAIN & COMPANY ⌚



What is the most important number in your financial life?



Take home pay
- Expenses

Financial FUEL

7 Tank System

- 1 Retirement Match
- 2 1-Month Emergency Fund
- 3 Payoff Bad Debt
- 4 3-6 Month Emergency Fund
- 5 20% Gross to Retirement
- 6 College Savings*
- 7 Bucket List*

Agenda

What Budgeting Really Means

Budgeting Process

Pitfalls and Tips

Getting Started

Restrictive

Her Thing

Awareness

Envelopes

Spending plan

Fun

Frugal

Save

Stressful

Arguments

Calculation	Example
Your Monthly Income ¹	\$ 5,000
(minus) Your Monthly Expenses	\$ 4,500
= Your Monthly Financial Fuel	\$ 500

¹After taxes, insurance, etc. Only cash that hits your account

Did you get your projected Fuel? =
Budget

Fuel does not care where you spend your moneyit only cares how much

Envelopes	
Last Sync: <1m ago	All Envelopes: 808.34
Monthly Envelopes	500.00
Cell Phone	0.00
Groceries	100.00
Rent	0.00
Eating Out	70.00
Gas	20.00
Entertainment	25.00
Clothing/Accessories	-5.00

Active budgeting is about knowing 'what's left' to stay on track



You need data to make decisions

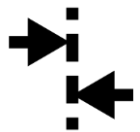
7th of the month



Removes emotion



Allows you to 'fix' the situation



Gives boundaries (*eyes wide open*)

Agenda

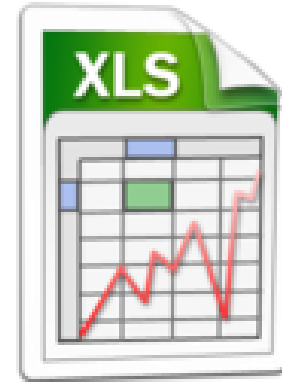
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How do you budget?



B Budget: Set your budget

A Actual: Track 'transactions'

R Remaining: Adjust/Adapt

Monthly Budget

	<i>% of Budget</i>	<i>Example</i>
Take Home Pay		\$6,000
Mortgage	30%	\$1,800
Car	5%	\$300
Financial Fuel	10%	\$600
For Everything Else	55%	\$3,300

Income (take home)

- Fixed Expenses
- Fuel
- Everything else

= 0

Category	Amount
Income	\$6,000
(minus) Fixed Expenses	
Mortgage	\$1,800
Car + Insurance	\$450
Utilities	\$250
Cell Phone	\$150
(minus) Financial Fuel	
Fuel	\$600
(minus) Everything else	
Groceries	\$1,050
Eating out and clothing	\$1,200
Vacation savings	\$500
= ZERO	\$0

B Example: Couples

BEFORE

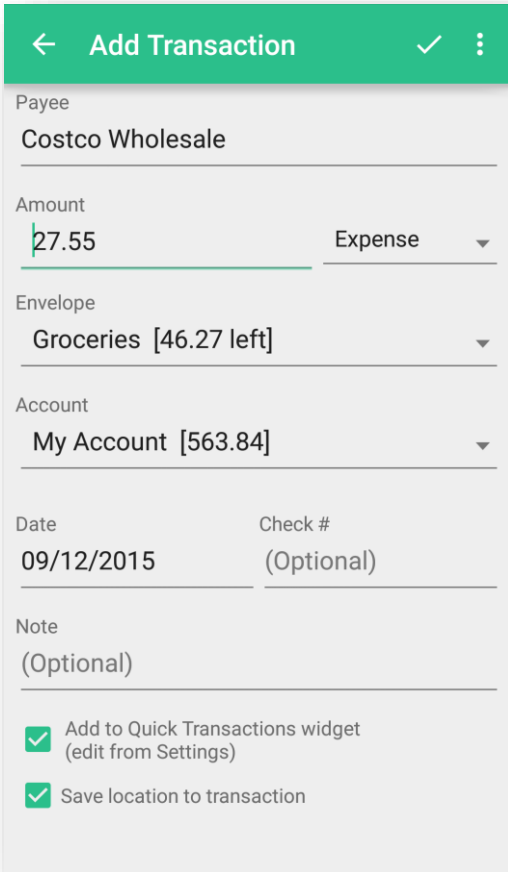
Item	Amount
Mortgage	\$1,500
Utilities	\$250
Cell Phone	\$150
Groceries	\$500
Bills / Debt	\$225
Entertainment	\$400
Clothing	\$200
Eating Out	\$300



AFTER

Item	Amount
Mortgage	\$1,500
Utilities	\$250
Cell Phone	\$150
Groceries	\$500
Bills / Debt	\$225
Maria	\$450
Chris	\$450

Discretionary budgets for each other



← Add Transaction ✓ ⋮

Payee
Costco Wholesale

Amount
27.55 Expense ▾

Envelope
Groceries [46.27 left] ▾

Account
My Account [563.84] ▾

Date
09/12/2015

Check #
(Optional)

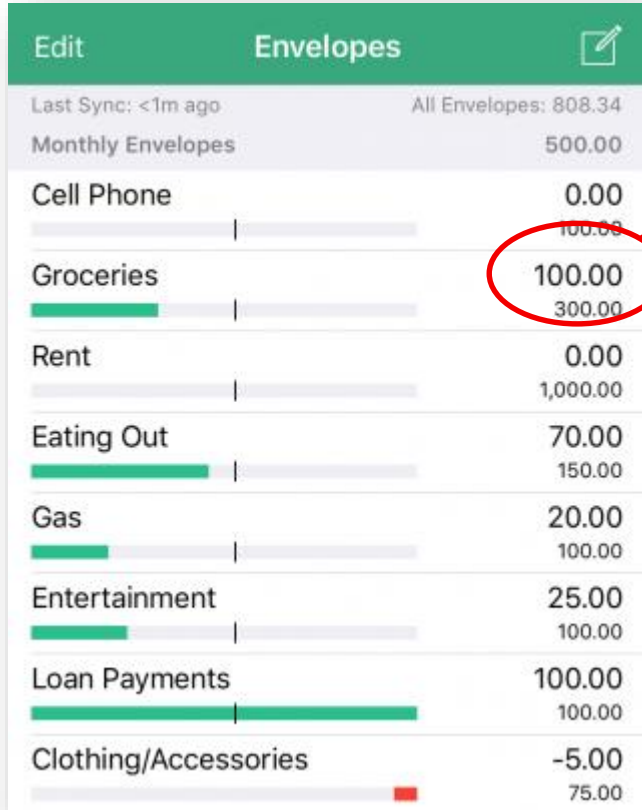
Note
(Optional)

Add to Quick Transactions widget
(edit from Settings)

Save location to transaction

Enter amount, description
and category

Automate or manual?



Envelopes	
Last Sync: <1m ago	All Envelopes: 808.34
Monthly Envelopes	500.00
Cell Phone	0.00
Groceries	100.00
Rent	0.00
Eating Out	70.00
Gas	20.00
Entertainment	25.00
Loan Payments	100.00
Clothing/Accessories	-5.00

- Reduce food purchases
- Lower another category
- Make more
- Do nothing

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EMERGENCIES



USING CASH



SPLIT EXPENSES



REIMBURSEABLES



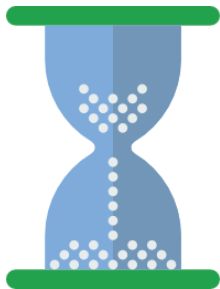
IRREGULAR PAYMENTS



AUTOSAVE



FOCUS ON HOW MUCH



1 MIN / DAY



SHORTEN TIMEFRAMES

Track weekly; debit/cash only

	Transaction	Amount	Balance
1/24	Beginning		\$205
1/25	Lunch (\$10) Gas for car (\$20)	(\$10)	\$195
1/25	Gas for car	(\$20)	\$175
1/26	Payday	+\$800	\$975
...	1/31		\$350

↑ Income

- Work overtime
- Sell stuff
- Uber?
- Invoice to your kids

↓ Expenses

- Cable (internet only)
- Cell phone (\$60/month/adult)
- Eating out
- Vacation (Airbnb)

Financial sacrifices are temporary.
Financial freedom is forever.

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YNAB.

digit 



Dollarbird

 prism

honeyfi 



**POCKET
GUARD**

PERSONAL CAPITAL®



BUDGT

Appendix



Client: I'm trying to plan for retirement.
How much do I need to save?



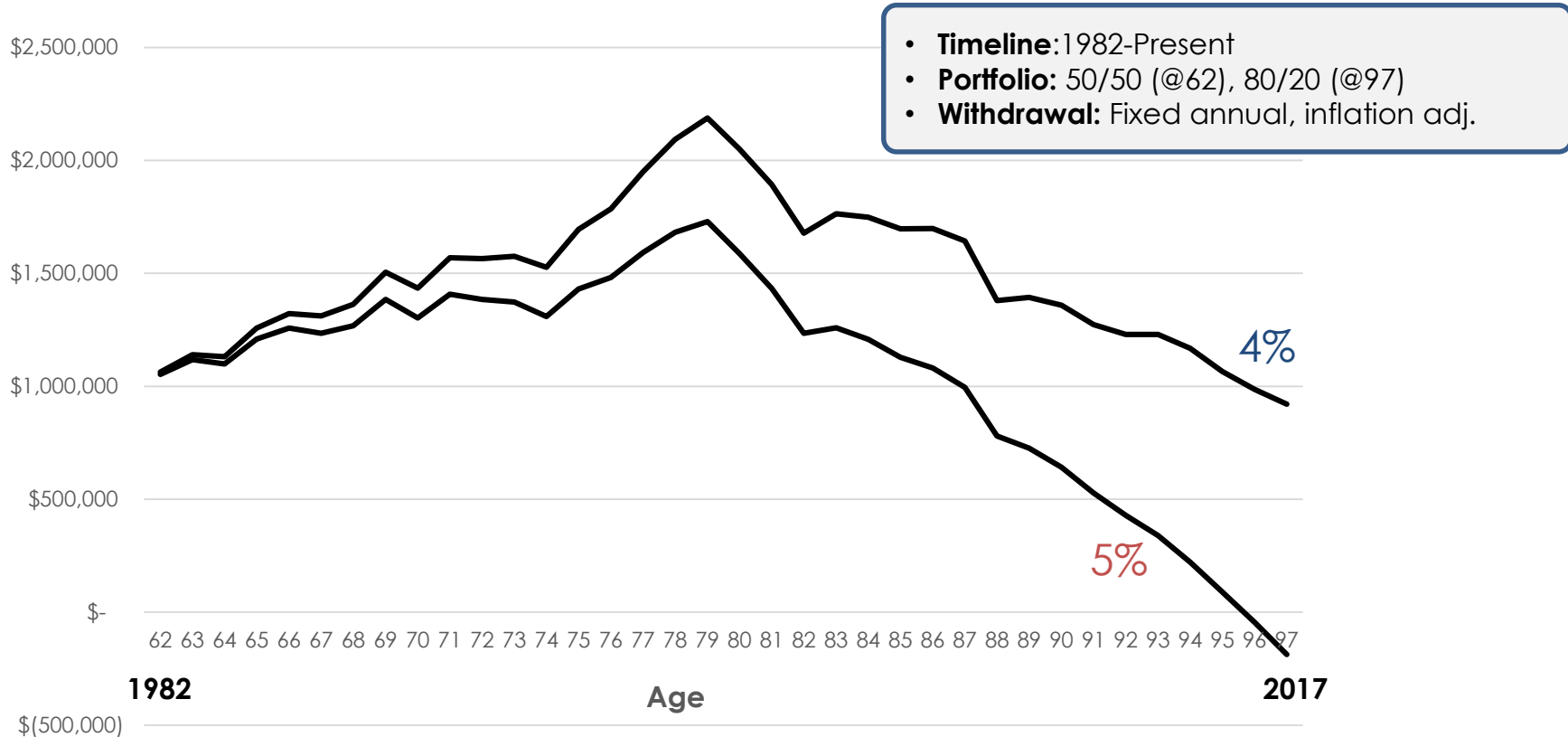
Advisor: No problem. Just tell me when
you're going to die.

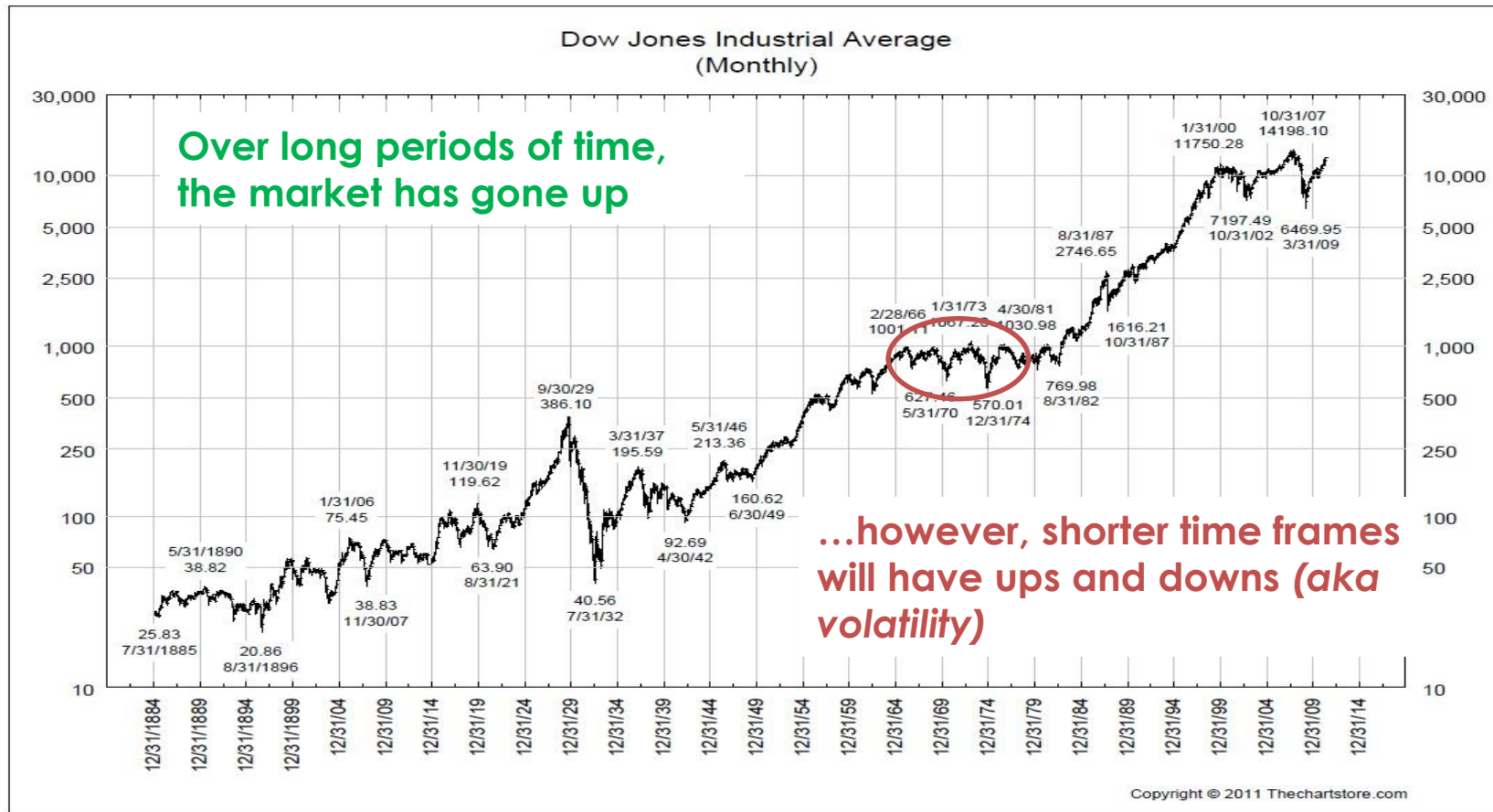
Source	Monthly Amount (for life)
Social Security	
Pension	
Your Savings	
Working	
Passive Income / Other	
Total Income	



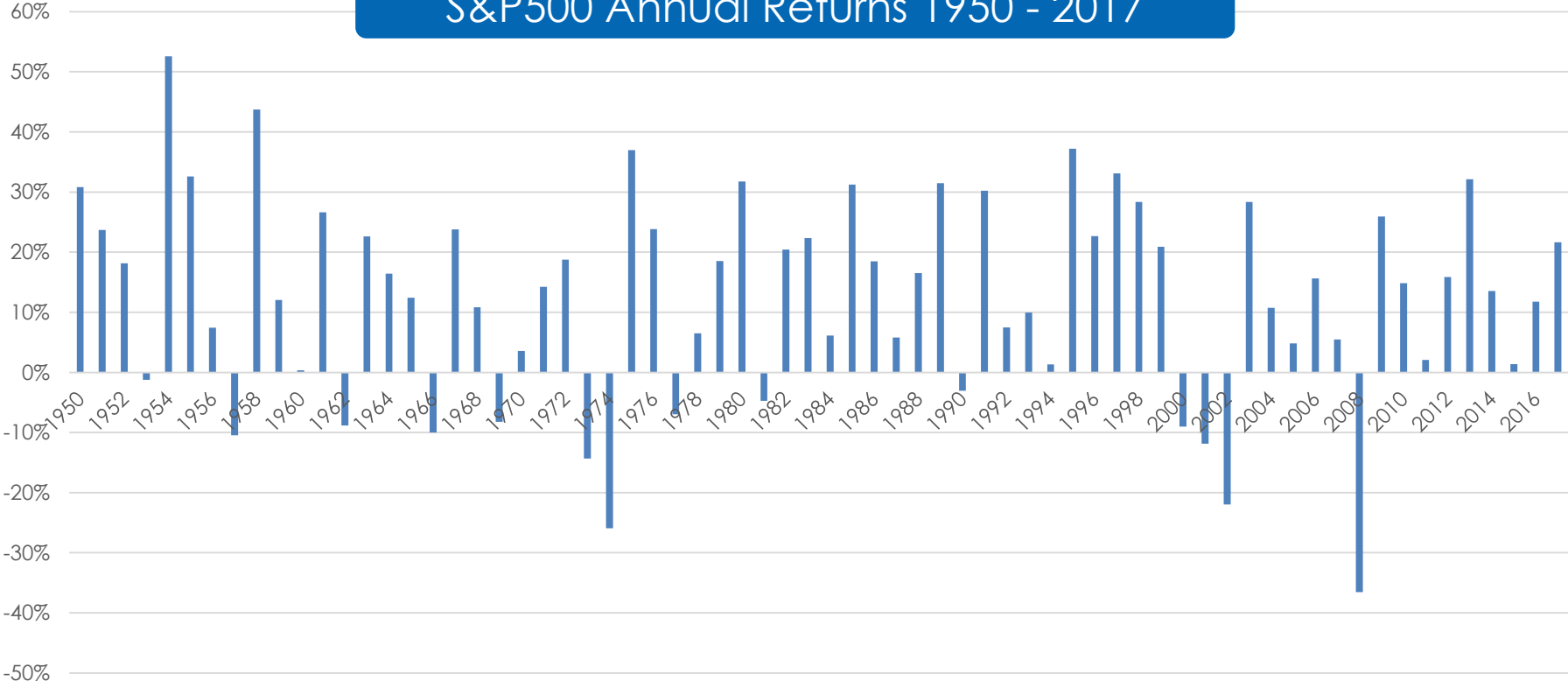
Savings Today	\$100,000
+ Estimated Future Savings (contributions + growth)	\$200,000
<hr/>	
= Total Savings at Retirement	\$300,000
X Safe Withdrawal Rate	4%
<hr/>	
= Annual withdrawal to spend	\$12,000
/ Months per year	12
<hr/>	
= Monthly withdrawal to spend	\$1,000

Understanding 4% Rule



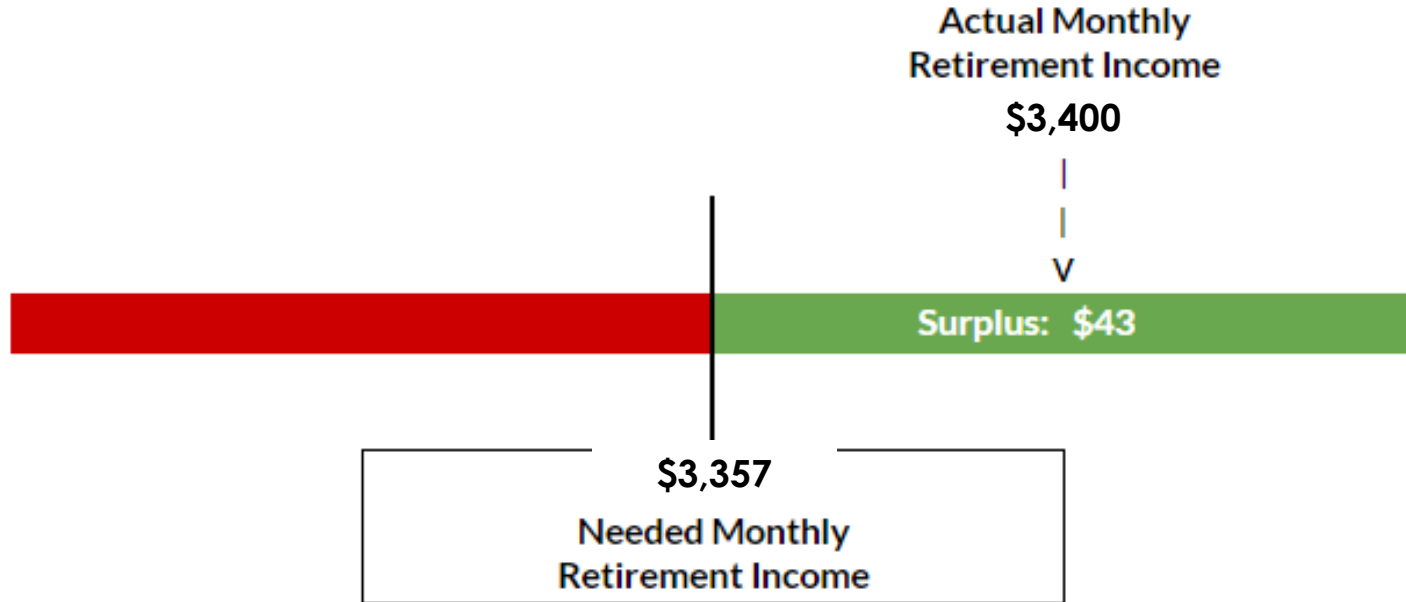


S&P500 Annual Returns 1950 - 2017



Source	Monthly Amount (for life)
Social Security	\$1,800
Pension	\$600
Your Savings	\$1,000
Working	\$0
Passive Income / Other	\$0
Total Income	\$3,400....for life

Expense	Consideration
Housing	Remove Principal + Interest payment if mortgage will be paid off
Debt	Remove debt payments if you will be debt free
Utilities	Assume the same
Food / Entertainment	Assume the same
Transportation	Remove car payment if car will be paid off; assume same for gas & insurance
Travel	Your choice
Medical	Add \$700/household
Total Expenses	Average = 75% of current expenses





Cut expenses + save more → *Eliminate debt, budget to 80%*



Wait a few years → *8% increase per year*



Side hustle in retirement → *Consulting; passive income*



Withdraw more → *5% early; re-evaluate every 3 yrs*



Riskier portfolio → *More equities*



Reverse mortgage → *Low mortgage; last resort*

Question	Ideal Answer
What do you do?	Ideally concise and easy to understand. If you get lost at this point, understand it may not get much better
How do you get paid? (fee structure)	Easy to understand. Direct. Expect 1% of investable assets or ~\$200-250 per hour
What do you believe is the purpose of money?	Must match yours. You will likely pass down wealth. It's important you and your advisor agree on the purpose of money as you make those decisions.
More tactical stuff	<ol style="list-style-type: none">1.Process with clients (timeline)2.Referral (to other support) network3.Things they don't do



Investments, drawdown strategies, minimize taxes, etc.

Money to grow

Don't lose my money

Let my money work for me

Don't lose my money

Maximize returns

Don't lose my money

Retire comfortably

Don't lose my money

Build wealth

Don't lose my money



Segment your money



Time Horizon

<1yr

1-3 yrs

1 month: <1 yr
6 month: >5 yrs

By age

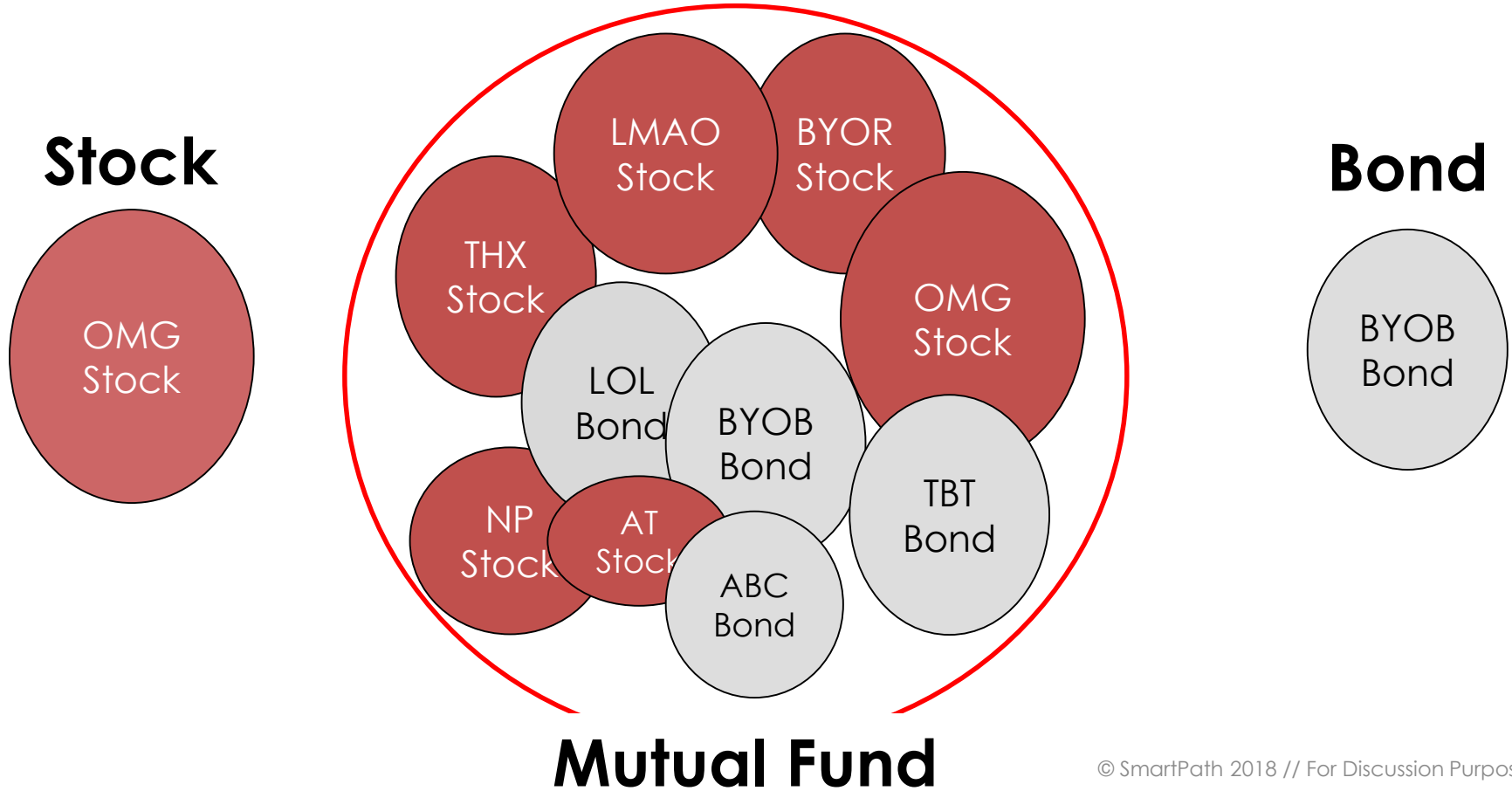
Risk Level

Low

Low

**Low and
moderate**

High to Low



(1) Which type of retirement account?



(2) Which investments are best for you?

Employer Plan vs. IRA
Roth vs. Traditional

Safe vs. Risky
Fees

- 1 Decide on your **'risk' level**
- 2 Get **risk and fees** for each **fund**
- 4 Select your **investments**
- 5 **Buy** monthly

Collective
Goals

Individual
Freedom



Shared Control

Goal

Suggestion

1 Shared strategy



Fuel & 7-Tank System

2 Avoid house poor



PITI < 30% of take home pay

3 Payoff bad debt



All except mortgage and car

4 Number of kids



Cost per child

5 Save for retirement



Match + 20% of Gross

6 Vacations



Define an annual budget

BEFORE

Item	Amount
Mortgage	\$1,500
Utilities	\$250
Cell Phone	\$150
Groceries	\$500
Bills / Debt	\$225
Entertainment	\$400
Clothing	\$200
Eating Out	\$300



AFTER

Item	Amount
Mortgage	\$1,500
Utilities	\$250
Cell Phone	\$150
Groceries	\$500
Bills / Debt	\$225
Maria	\$450
Chris	\$450

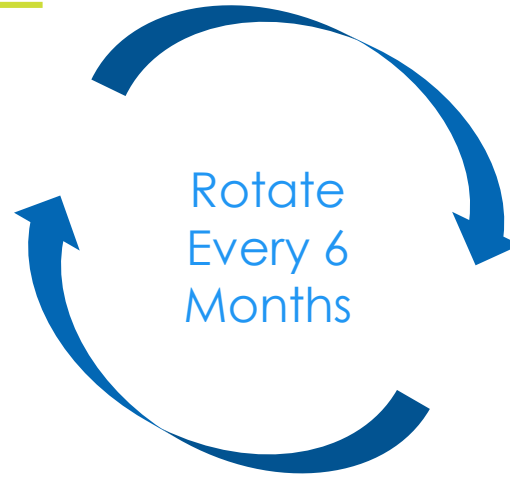
Discretionary budgets for each other

CFO

Pay bills

Set budget

Control bank accounts



CEO

Research key purchases

Review key documents (e.g.,
credit report)

Review SDIE

Which one is it?



Gift



No strings
attached



Loan



Write down
the terms
(sign it)



Investment



Expectations
and
Reporting