

MANAGING YOUR MONEY

A PERSONAL BUDGET EXERCISE



The cover is a **BENJAMIN FRANKLIN** portrait created by the artist Joseph Duplessis in 1778.

Benjamin Franklin was born on January 17, 1706. Franklin was an American polymath (a smart person with knowledge in several different areas). He was a writer, scientist, inventor, statesman, diplomat, printer, publisher, political philosopher, a world traveler who loved to go to parties. Among the leading intellectuals of his time, Franklin was one of the Founding Fathers of the United States, a drafter and signer of the *Declaration of Independence*, and the first postmaster general.

Franklin had an exceptional personal *BRAND*.

His *STORYTELLING* and *NETWORKING* skills were renowned.

Franklin was a **serial entrepreneur**. He started his career as a printer and book publisher. He founded the *Pennsylvania Gazette*, a successful newspaper and also published the famous “*Poor Richard’s Almanack*.” His printing business was a very successful entrepreneurial venture. Franklin also started several other businesses, including the Library Company of Philadelphia, one of the **first subscription libraries** in America, and the Philadelphia Contributionship, **an insurance company**. He is famous for his experiments with **electricity**, which led to the discovery of the lightning rod. He also invented various practical devices, such as **bifocal glasses** and the **Franklin stove**. He helped establish **fire departments, paving and cleaning services**, and educational institutions in Philadelphia. In addition to his **newspapers** and **almanacs**, Franklin wrote and published books and essays. **His autobiography**, for example, became a **successful publication and is still popular today**.

Benjamin Franklin hated excessive borrowing.

He would be **furious** about TODAY’S **government debt** and America’s **government LEADERS** (*Presidents and Congress men and women*) who **CHOSE to borrow money rather than spend less**. Franklin advised against incurring debt, especially for non-essential purposes. He believed that individuals should avoid borrowing money unless it was absolutely necessary. He famously wrote, “*A penny saved is a penny earned*,” emphasizing the value of saving and prudent money management. He cautioned against accumulating debt that today would create low credit scores and paying high interest rates. Franklin also believed in paying debts/bills ON TIME.

While cautious about debt, he acknowledged that **credit could have a useful purpose if used wisely and for productive purposes, such as starting a business**. However, **he always emphasized responsible borrowing and avoiding excessive debt**. He believed that individuals should strive to be free from the burden of debt and the need to rely on others for financial support.

Benjamin Franklin had amassed so much **WEALTH** he essentially **retired** from running his businesses in his **early 40s**. At the time of his death in 1790,

his estate was valued at *\$400,000* in 18th-century U.S. dollars.

Some suggest *\$400,000* in 1790 could be equivalent to

HUNDREDS OF MILLIONS of dollars in 2023.

GLOSSARY OF KEY TERMS:

PERSPECTIVE INTERPRETATION

“This text is not fact, rather the view of one author; consequently, it should not be automatically accepted as ‘truth.’ Two time Pulitzer Prize winning historian and author, Barbara Tuchman, stated ‘there is no such thing as a neutral or purely objective historian.... without an opinion, a historian would simply be a ticking clock....’ Your mission should be to determine the ‘truth.’ Your challenge will be to explain why anyone should believe you.”

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CREDIBILITY BELIEVABILITY

“It’s not a given, we acquiesce too quickly. Be respectfully skeptical. Do your homework; check the record and the resume. Ask the question – ‘should I trust this person as a credible source for the truth?’ Make it a prerequisite before embracing the claims of anyone who professes to have the ‘answers.’”

QUESTIONS about Budgeting

1. **WHAT** is a BUDGET?
2. **WHO / WHAT** CREATES A BUDGET?
3. **WHY** would a person have a budget?
4. ARE THERE **BENEFITS** with having a budget AND, IF so, WHAT ARE THE **BENEFITS**?
5. **WHAT** SHOULD BE THE **GOAL**(s) of a BUDGET?
 - should there be LONG TERM goals and SHORT TERM goals in a budget? YES **OR** NO and WHY



6. **HOW** does someone create a BUDGET?
7. **WHAT** DOES **INCOME** MEAN?
8. WHAT DOES **REVENUE** MEAN?
9. **WHAT** DOES **EXPENSE** (s) MEAN?
 - WHAT IS A **FIXED EXPENSE**?
 - WHAT IS A **VARIABLE EXPENSE**
10. ARE THERE **BENEFITS FOR SETTING GOALS** WHEN CREATING A BUDGET?
11. WHO IS **THE BEST** at establishing and following a budget?
12. WHO IS **THE WORST** at establishing and following a budget?



13. WHAT IS A **CREDIT SCORE** and HOW DOES A CREDIT SCORE AFFECT WHAT **A PERSON PAYS** FOR A CAR OR A HOME ?
14. WHAT IS A **CREDIT RATING FOR A COUNTRY OR COMPANY** AND HOW DOES A COUNTRY OR COUNTRY'S CREDIT RATING AFFECT WHAT **A COUNTRY OR COUNTRY PAYS** TO BORROW MONEY? _____
15. **OTHER QUESTIONS** - because QUESTIONS ARE ALWAYS MORE IMPORTANT THAN ANSWERS!

ANSWERS about Budgeting

1. A **BUDGET** is **a PLAN** created to help INDIVIDUALS, FAMILIES, COMPANIES, ORGANIZATIONS, COUNTRIES, STATES / PROVINCES, CITIES / MUNICIPALITIES / TOWNS, organize and keep track of their income (the money earned / collected) and expenses (the money spent on 'stuff').
 2. **WHO** or **WHAT CREATES a BUDGET?**
 - **individuals** - like **YOU**
 - **families** - Cronin, Garcia, Barone, Chang, Wilson, etc
 - **countries** - e.g. United States, Dominican Republic, China, Ukraine, Israel, etc
 - **states / estados / provinces** - **USA**: Rhode Island, Massachusetts, North Carolina, etc **Canada**: British Columbia, Saskatchewan, Quebec, etc **Mexico**: Veracruz, Jalisco, etc
 - **cities / towns** - **Providence**, RI; **Cranston**, RI, USA; **Charlotte**, NC, USA; **Baltimore**, MD, USA, **New York**, NY, USA; **Quebec City**, Quebec, CANADA; **Santo Domingo**, capital city of DR; **Nuevo Laredo**, Tamaulipas, MEX;
 - **organizations / businesses** - YMCA, NAACP, Boys & Girls Club, **PROVIDENCE School Department**, etc / Nike, Amazon, McDonalds, Apple, Netflix, etc
 3. The **PURPOSE of a BUDGET** is to provide ACCURATE information to the person / country / family creating and managing their budget to help them make logical, fact based decisions for the best ways to spend their money to achieve their goals and the success the person / family / country / state / city / organization they aspire to.
 4. WHAT are the **most often used WORDS** in a BUDGET?
 - **INCOME** - often referred to as "net income" or "profit," is the amount of money a company earns after deducting / subtracting the amount of all expenses, taxes, and other costs from the money it collects from customers..
 - **REVENUE** - refers to the total amount of money a company collects from selling the goods / products it makes and sells (e.g cars, computers, jewelry, etc) and services (printing, cable TV, etc).
 - **EXPENSES** - 'stuff' a company or person spends their money on
 - **FIXED EXPENSE** - 'stuff' like rent, credit card payments, food, etc a person must have
 - **VARIABLE EXPENSE** - stuff like going to a restaurant, jewelry, Netflix, **savings**, investments, etc (is regularly saving money important?? If 'yes', WHY? If 'no', WHY NOT? If 'yes', should you then make savings a Fixed expense??)
 - **DEFICIT** - having less income or profit than a company or person originally expected
 - **SURPLUS** - having more total income or profit than a company or person originally expected
 - **BALANCED (BUDGET)** - income is equal to the total of all expenses

5. The **BENEFITS** of a BUDGET can only be realized IF THE BUDGET is **based on FACTS** as well as a COMMITMENT to follow your budget plan. For example, a budget helps you **only spend** the amount of money you have collected or have been paid.. In other words, YOU DON'T SPEND MORE THAN YOU MAKE / EARN / COLLECT. The **BENEFIT** of a BUDGET is having a REALISTIC PLAN to help you manage your expenses and profits so you don't spend more money than you collect.
6. THE **GOAL** of the BUDGET is to **COMMIT TO THE BUDGET (PLAN) YOU CREATE**. That is, make sure you EARN / MAKE / COLLECT the amount of money you said you would AND ONLY SPEND the amount of money on expenses you have planned to spend. **IF** you find out you are not earning / making / collecting the amount of money you thought you would, **THEN** you must SPEND LESS than what you originally planned to spend. **FOR EXAMPLE, IF** you planned on spending \$100 a month on food and snacks and you're making / earning / collecting **LESS** money **THAN YOU BUDGETED, THEN** you should **SPEND LESS** than the \$100 you planned on spending when you originally created your budget **OR, earn more money!!!** You must adjust your budget to achieve your goals of becoming what / who you aspire to be.
7. WHO IS **THE WORST** at establishing and following a budget? There are many families, cities, states and countries all over the world that are terrible at **creating and following** a realistic **budget**. Here are a few examples - The country of Argentina. The American state of California. The country of the United States of America.

- ♦ **Argentina** - Argentina once faced repeated economic challenges and financial crises in the past which has forced **Argentinian leaders to borrow from other countries** and the **WORLD BANK to stabilize its economy and pay its bills**. Argentina's financial challenges had created **high inflation**, currency devaluation, lots of debt and borrowing, and fiscal deficits (spending more money than the Argentinian government collects in taxes). **CONSEQUENTLY, INFLATION** REMAINED A SIGNIFICANT PROBLEM IN **ARGENTINA**. **FOR EXAMPLE, if a loaf of bread was \$30 in 2022, the next year, inflation caused the same loaf of bread, in 2023, was \$60.** The **Consumer Price Index (CPI)** keeps track of price changes for a basket of goods and services over a defined time period. In Argentina, the **CPI in January 2023** was 99% higher than the one calculated in the same month of the previous year, with this figure being the largest monthly **inflation rate** since the beginning of 2018.
- ♦ **California** - has a **\$32 billion dollar budget DEFICIT** for the year 2023. In other words, the state of California spent \$32 billion dollars MORE than they collected in taxes for the year 2023. California has a **balanced budget law** as stipulated in its state constitution. The California Constitution, Article 4, Section 12, mandates **CALIFORNIA'S state BUDGET MUST BE BALANCED**. This means that the state government **CANNOT SPEND MORE MONEY THAN IT COLLECTS IN TAXES** and fees in any fiscal year. **If California does spend more than it collects in taxes, California must cut expenses and / or raise taxes to balance their state budget for the following year.**

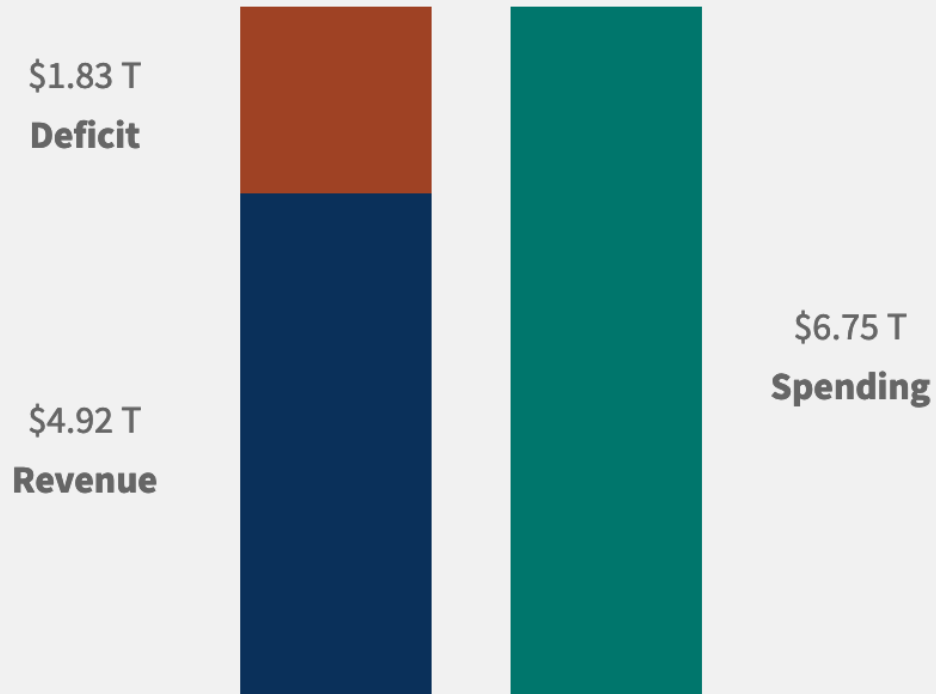
THE STATE OF CALIFORNIA IS IN RED ON THIS MAP OF THE UNITED STATES



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- The **United States of America**. The **T** in the graph below stands for **TRILLIONS** of dollars!

U.S. Deficit Compared to Revenue and Spending, FY 2024

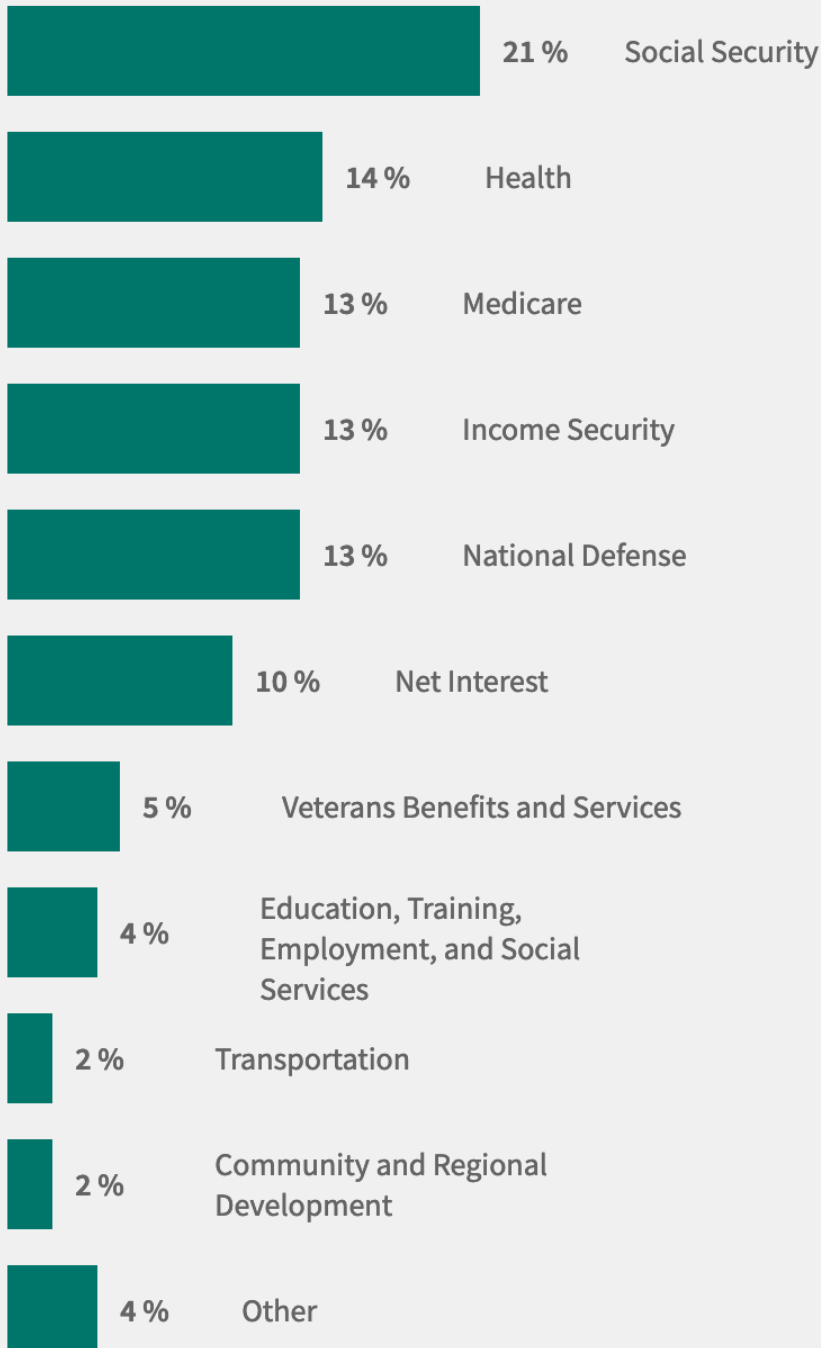


U.S. Government Spending, FYTD 2023

Top 10 Spending by Category and Agency

Category **Agency**

Percentage Dollars

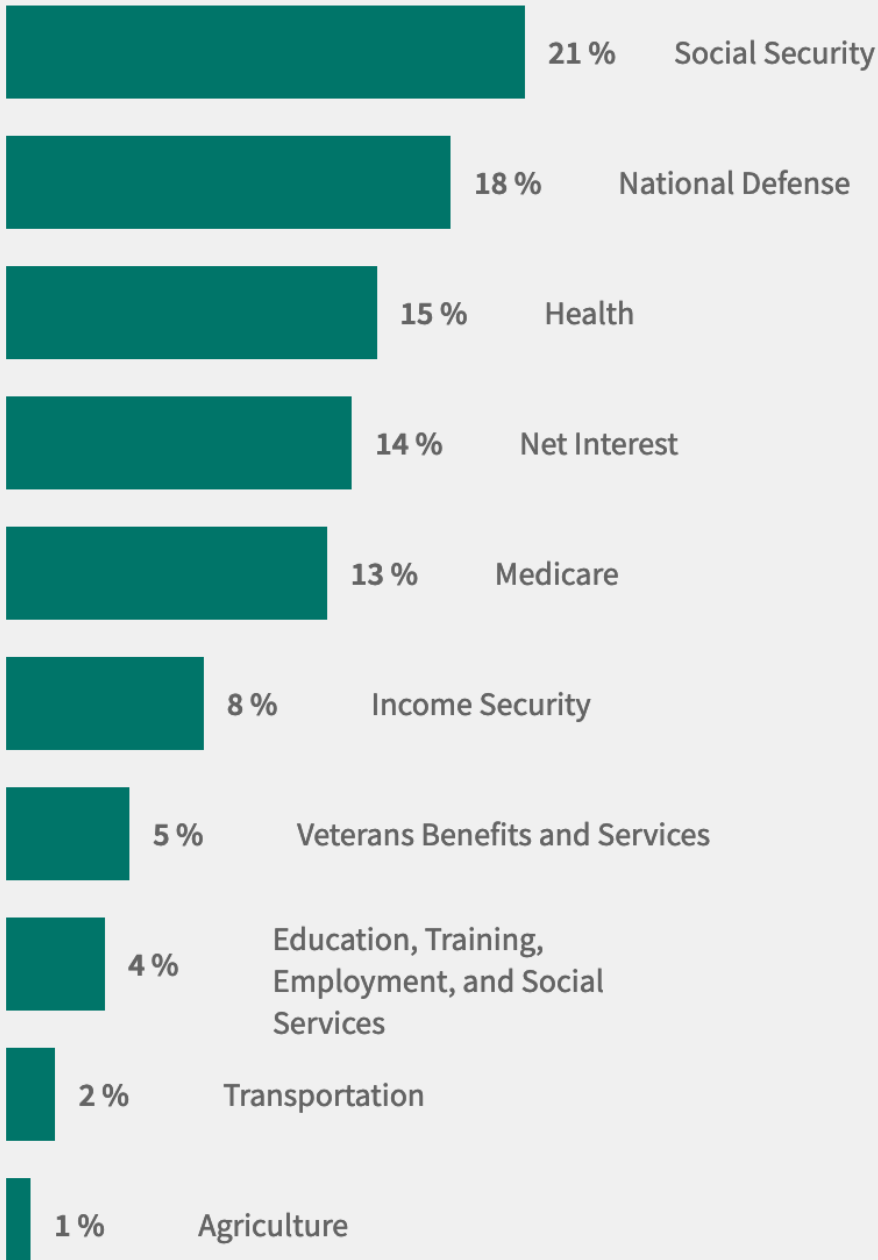


U.S. Government Spending, FYTD 2025

Top 10 Spending by Category and Agency

Category	Agency
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Percentage Dollars



As you can see in the GRAPH ON THE **PAGE 7**,
the **United States FEDERAL government** in Washington, D.C.
SPENDS MORE MONEY THAN IT COLLECTS IN TAXES.
The FEDERAL GOVERNMENT OF AMERICA DOES NOT HAVE
A BALANCED BUDGET REQUIREMENT.

A **BUDGET DEFICIT** occurs when money going out (spending) exceeds money coming in (revenue collected or earned). THIS IS DANGEROUS. AMERICA'S federal government spent \$6.27 trillion and ONLY collected \$4.90 trillion in revenue from tax collections, **resulting in a deficit.** WHEN **spending exceeds revenue**, there is **deficit spending.** American government leaders continue to **CHOOSE** to spend MORE AND MORE money than the government collects in taxes. America's government leaders **CHOOSE TO BORROW MORE** than **CHOOSING TO SPEND LESS.** COULD YOU RUN YOUR FAMILY BUDGET THE WAY AMERICAN GOVERNMENT LEADERS RUN OUR AMERICAN GOVERNMENT BUDGET? **DOES THIS MAKE SENSE TO YOU?** **Companies / businesses that run deficits, i.e. they spend more money than they collect in sales revenue from their customers, are not profitable and soon go out of business / close.**

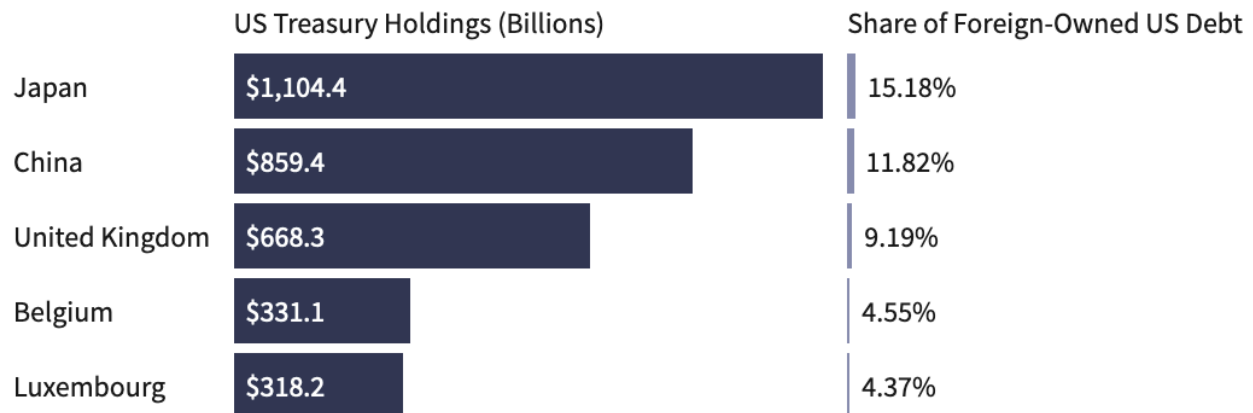
The opposite of a budget deficit is a **BUDGET SURPLUS** which occurs when the federal government collects more money in taxes than it spends. A budget surplus for a company usually means the company is profitable; i.e. the company made more money than it spent. The U.S. has experienced a fiscal year-end budget surplus five times in the last 50 years, most recently in 2001.

UNITED STATES OF AMERICA **FEDERAL GOVERNMENT LEADERS CHOOSE**
to accept a BUDGET DEFICIT.

As a result, the **US Government MUST BORROW MONEY** TO **PAY AMERICA'S BILLS.**

Borrowing money creates **extra payments** for INTEREST charges **plus repaying the borrowed money.**

Top Foreign Owners of US National Debt



Data as of January 2023.

Source: [U.S. Department of the Treasury](#) • [Get the data](#) • [Add this chart to your site](#)



WHERE AMERICA'S FEDERAL GOVERNMENT GETS ITS MONEY!

Sources of Revenue for the U.S. Federal Government, FYTD 2023
Revenue by Source Categories

Individual Income Taxes

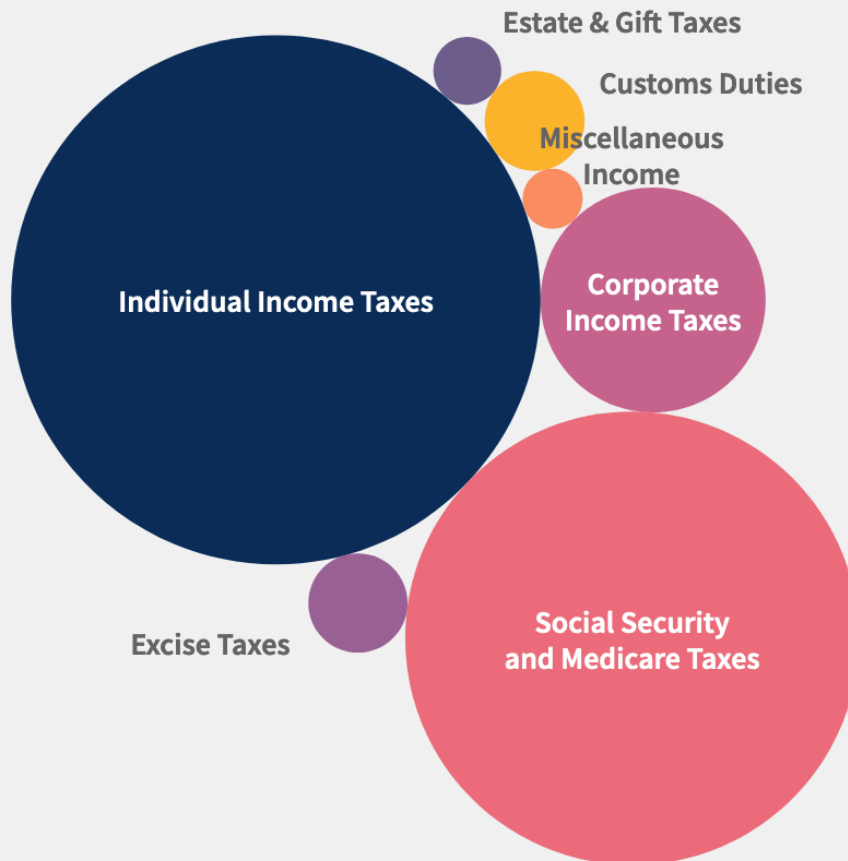
Category

\$1.69 T

Revenue Amount

50%

% of Total Revenue

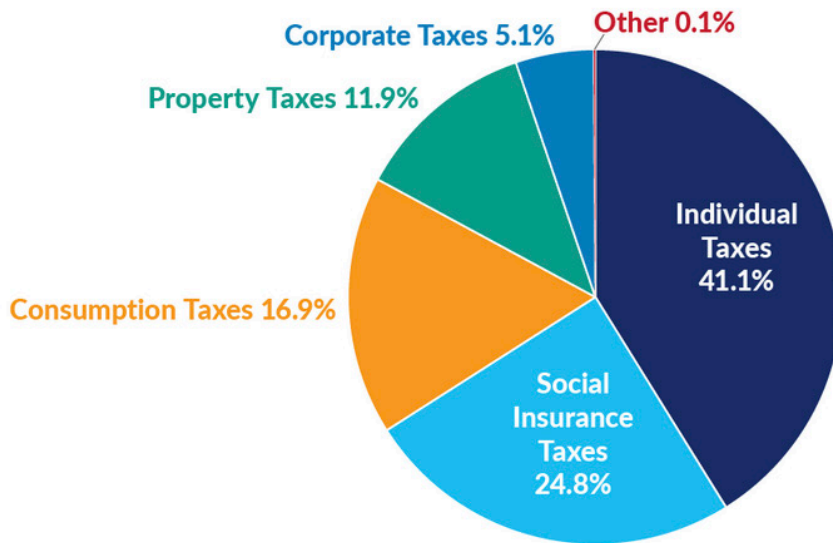


Total Revenue: \$3.41 T



Individual Taxes Are the Most Important Tax Revenue Source for the United States

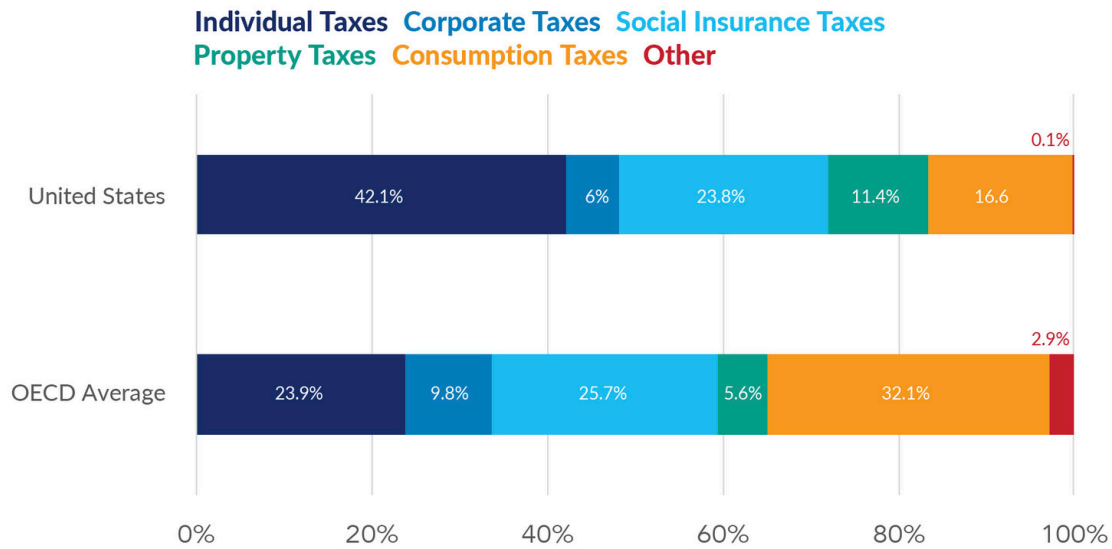
Sources of Tax Revenue in the United States, 2020



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The United States Relies More on Individual and Property Taxes Compared to the OECD Average

Sources of Tax Revenue in the United States Compared to the OECD Average, 2021



Source: OECD, "Revenue Statistics - OECD Countries Comparative Tables."

The **OECD** (Organization for Economic Co-operation and Development) is an organization of 38 countries founded in 1961 to promote trade among countries and stimulate economic growth. OECD member countries include: United States of America, France, Australia, Colombia, Japan, South Korea, Iceland, Mexico, Canada, Turkey, Germany, and more. Most OECD member countries have 'successful' economies supported by successful, highly profitable companies like Microsoft, Google, Nvidia, Apple, Meta (Facebook), Tesla, BYD, Alibaba, Lego, BMW, Mercedes, BP, Rolls Royce, and more. The collective populations of OECD is 1.38 billion people with an average life expectancy of 80 years and a current median age of 40, against a global average of 30 years old.

Glossary / Definition of Terms

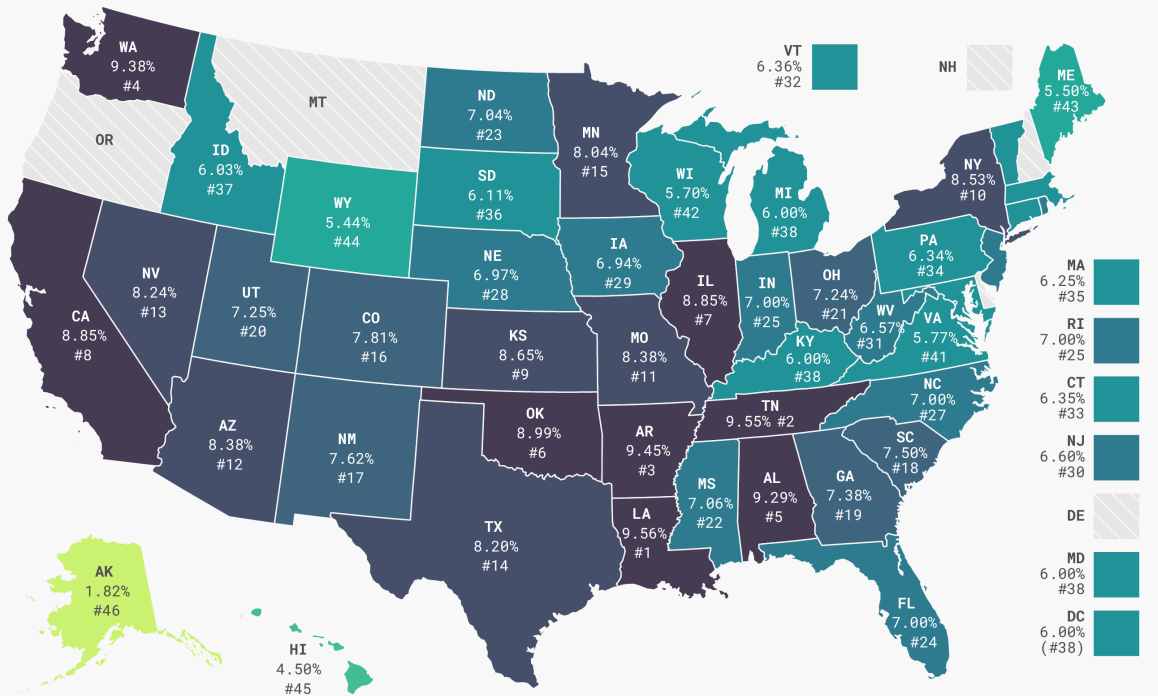
WHAT IS A / CONSUMPTION / SALES TAX?

A sales tax is **an extra charge on 'stuff' you buy** like *cars, cigarettes, clothing, restaurant food, TVs and other appliances, toys, books, furniture, and other goods*. For example, if you purchase a new television for \$400 and live in an area where the sales tax is 7%, you would pay an additional \$28 in sales tax. Many governments exempt some goods considered essential like groceries.

In the United States, retail sales taxes are a significant source of money / revenue for states, cities and towns. All United States of America states **EXCEPT Alaska, Delaware, Montana, New Hampshire, and Oregon** collect statewide sales taxes. Alaska allows cities and towns to charge local sales taxes. As of 2024, local sales taxes were collected in 38 states. In some cases, local sales tax rates can rival or even exceed state rates.

How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 2024



Notes: City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites.



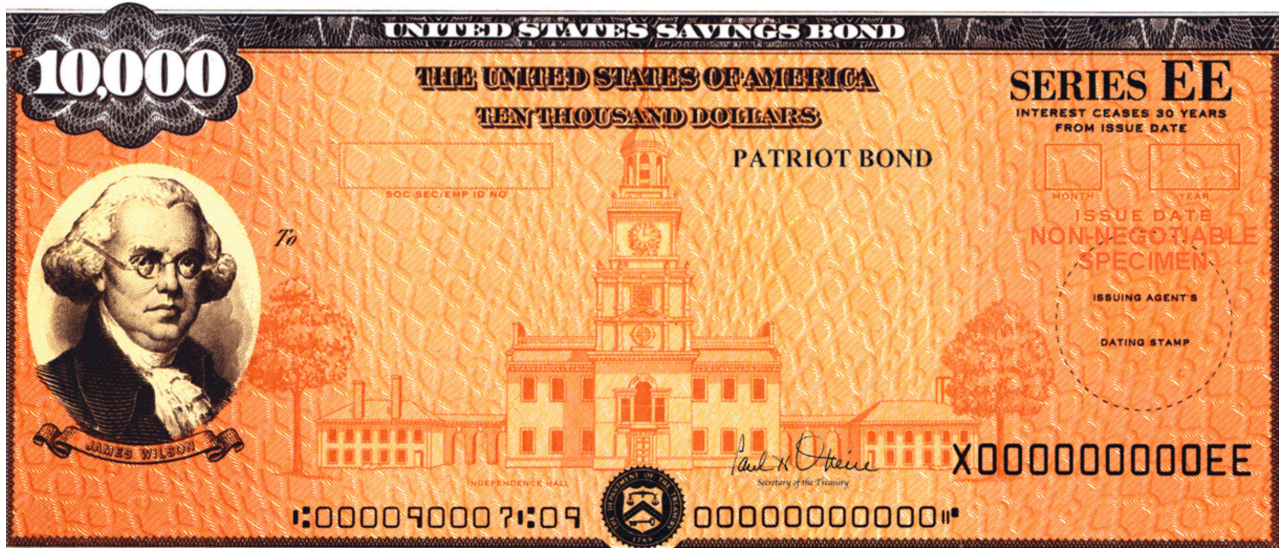
WHAT ARE INDIVIDUAL TAXES? a charge on the wages, salaries, dividends, interest, and other income a person earns.

WHAT ARE CORPORATE TAXES? a charge on the money businesses make after expenses are subtracted from revenues (money charged for products and services sold)

WHAT ARE PROPERTY TAXES? quarterly, semiannual or annual charge levied by a local government and paid by the owners of **real estate / property / homes / buildings** owned by individual or companies.

WHAT ARE SOCIAL INSURANCE TAXES? money deducted from a person's pay check by the FEDERAL government in Washington, DC for a special savings account; this government savings account is paid to people when they retire.

America Must Borrow Money Every Year to Pay America's Bills



BECAUSE America's **POLITICIANS CHOOSE TO BORROW MONEY** RATHER THAN ONLY SPENDING THE AMOUNT OF MONEY THE GOVERNMENT COLLECTS IN TAXES AND FEES, the United States government must **BORROW** money to pay its bills.

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Here's how the government borrows:

The Treasury Division of **America's** federal **government sells IOUs** (called *securities also called bonds*) which essentially means the government promises the organization it borrows from to pay back the amount it borrows PLUS INTEREST CHARGES. **Interest charges are extra money that must be paid just for borrowing money; interest payments have nothing to do with repaying the actual amount of money borrowed.** There are different types of IOU / security / bond promises. Some government securities / bonds promise to pay back lenders in a few days to 1 year. Other securities are promised to be paid back in 2 to 10 years and others 20 to 30 years.

America borrows money from foreign countries like China and Japan AS WELL AS borrowing money from itself - e.g. the United States of America Social Security Retirement Savings account, Medicare, America's Post Office department, etc. The American government ALSO sells *securities / bonds* (IOUs) to private banks and investors. America promises to repay the money borrowed by a specific date AND WITH INTEREST.

The government sells its IOUs (securities / bonds) in an AUCTION. The interest charges are determined by the demand for these securities; in other words, the more foreign countries, private banks, investment companies or government agencies which want to buy the government IOUs, the lower the interest rate. If the demand is low, interest payments are set higher to attract more buyers.

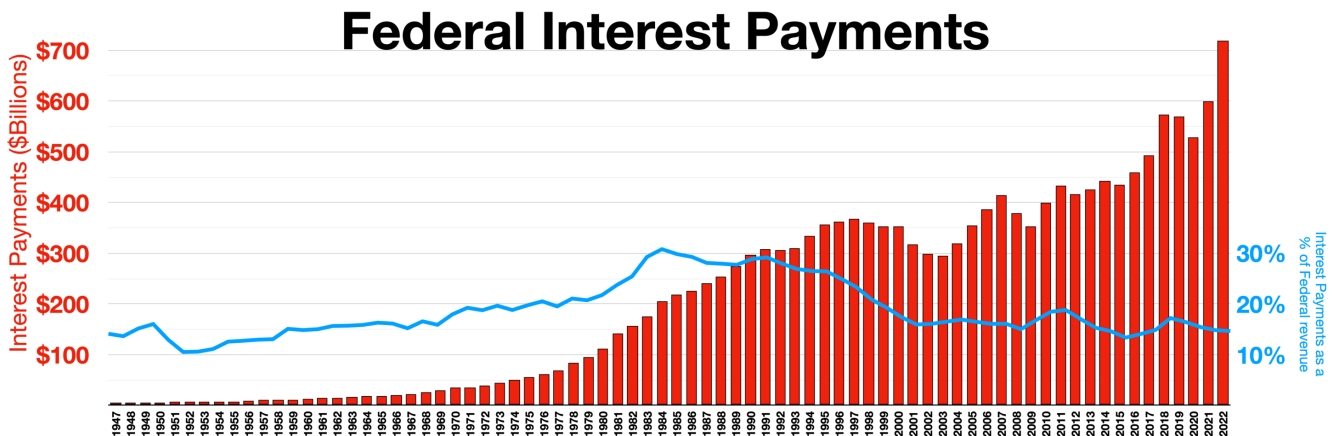
The money from the sale of government Treasury securities are used to pay **government bills like paying the salaries of men and women in the army, navy and other military branches, salaries for Congress men and women, National Parks service, construction and highway maintenance equipment, buildings, and livestock, to research, education, and training. and for other federal programs and obligations including Social Security benefits and Medicare.**

What is an INTEREST PAYMENT when BORROWING MONEY ?

Your interest payment is an EXTRA FEE you pay to whomever you borrow money from. WHEN YOU BORROW MONEY, YOU MUST PAY BACK THE AMOUNT OF MONEY YOU'VE BORROWED TO THE LENDER (bank, etc) **PLUS** AN EXTRA FEE / COST to the lender, i.e. **INTEREST**. **Imagine** - you borrow some money from a friend or a bank, and the friend or bank agrees to lend the money to you, but they want a little extra back to pay for their effort for letting you borrow the money. That 'extra' they want is the '*interest payment*' when we talk about debt." **This chart below shows the American government has been borrowing more and more money over many years and paying more and more interest (BILLIONS OF DOLLARS) to borrow money to pay its bills.**

The **Congressional Budget Office's (CBO)** is a federal agency of the United States government responsible for providing **honest, objective and nonpartisan analysis** of economic and budgetary matters to **AMERICA'S GOVERNMENT LEADERS**. **The CBO's purpose** is to provide government leaders **OBJECTIVE, UNBIASED** information on the United States federal budget and the US economy to help the **LEADERS** of the American Congress AND the United States PRESIDENT make FACT BASED decisions IN THE BEST INTEREST OF ALL AMERICANS.

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The CBO report infers

the **United States federal government LEADERS do a poor job managing it's budget.**

The government paid \$400 BILLION on interest payments - (interest is **the cost to borrow** money NOT the payment on the amount of money you actually borrowed (i.e. the 'principal') **in 2022.**

That's equal to a charge of \$3,055 per household in America!

FACTS:

- United States government **LEADERS** have always **borrowed** and had **debt** except during the Presidency of **ANDREW JACKSON**. (wikipedia)

- American government **leaders do not always have to borrow money**. Government leaders CHOOSE to borrow rather than spending less OR increasing taxes on Americans to balance the American federal government budget.
- The total amount of money America's GOVERNMENT LEADERS have **chosen to borrow** has been **RAPIDLY INCREASING** since 2008.
- **The U.S. NATIONAL DEBT** (the money America owes the many lenders (countries, banks, investors, etc), stood at **\$33.17 trillion in 2023**.

OPINION (Stephen Cronin):

- American FEDERAL government leaders in the United States are jeopardizing the long term success of the country by refusing to establish a *balanced budget requirement*.
- Some times in life there are good reasons to borrow money. FOR EXAMPLE, to buy a home or car, to buy military supplies / technology / weapons to protect a country during war, to buy a computer, a new boiler to heat your home or home smoke alarms to protect your family from fire. But, **the amount of money you borrow should NEVER EXCEED the amount of money you earn**. **UNLIKE THE AMERICAN GOVERNMENT**, when a person can't pay back their loans on time all the time, **the lender** (usually the bank you borrowed from) **will take your home, computer, car, and maybe the boiler**.

QUESTION #1 - do you think American government LEADERS (President, Congress men and women) should do something different to pay its bills than continuing to borrow MORE and MORE MONEY (\$33 BILLION -as of 2023 AND \$683 BILLION for interest/borrowing fees in 2023 alone) to pay federal government bills? **yes OR no**

QUESTION 2 -

- if **'YES'**, why is it NOT a good idea for American political leaders to keep borrowing so much money for so many years to pay America's bills? (America's **FEDERAL debt** as of 2023 was **\$33 TRILLION** and the interest fee/bill America paid to its lenders in 2023 alone was **\$683 BILLION**).

- if **'YES'**, what suggestion(S) would you make to **FEDERAL GOVERNMENT POLITICAL LEADERS** (**SENATORS, CONGRESSMEN AND WOMEN who represent our state in Washington**,

DC) so the **FEDERAL GOVERNMENT** would NOT have to borrow MONEY to pay its **FEDERAL GOVERNMENT** BILLS? _____ **what would happen if the foreign countries and banks which lend money to the American FEDERAL government STOPPED LENDING AMERICA MONEY?** Please **explain** these consequences in a well written paragraph with perfect spelling, good grammar and short, succinct sentences. Thank you. (See page 14 in this text for the process the American FEDERAL government follows to get foreign countries and banks to lend America money.) _____

- If '**NO**', please explain the benefits when government **LEADERS** continuously **CHOOSE** to spend more money than the government collects in taxes and is forced to borrow money at significantly high interest payments. _____

THE UNITED STATES FEDERAL GOVERNMENT has a DEBT PROBLEM;

in other words,

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**government political leaders keep spending more money than
the government collects in taxes and fees.**

Consequently, the US government is forced to **BORROW MONEY** from other countries like Japan and China **AND** from American citizens to pay its bills.

ONE SOLUTION is collect **MORE** money in taxes & fees from American citizens and businesses **OR** spend less **OR** a combination of both.

What do you recommend?

Credit Ratings: For People and Governments

CREDIT RATINGS and CREDIT SCORES are issued by companies that evaluate the likelihood of a person, company, country / state / city will pay their bills / debts; a debt is something to be paid to others for what has been borrowed including interest payments. THE CREDIT RATING AND CREDIT SCORE COMPANIES ASSIGN A SCORE / RATING that indicates the likelihood of a borrower paying their debt / loan.

CREDIT RATINGS are usually expressed in letters like "AAA", "AA", "BB", "CCC", etc. "AAA" rating is the highest, meaning best score, making it easier and less expensive to get loans / credit. Credit ratings estimate the level of risk lending money to a business or other entity, including national and state governments and government agencies. **Moody's Investors Service** and **Standard & Poor's (S&P)** together control 80% of the global credit rating business and **Fitch Ratings** controls a further 15%. Countries are issued "sovereign" credit ratings. This rating analyzes the "creditworthiness" of a country's government. A country's credit rating analyzes the suc-

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cess of countries' economies, including how honest the country is about its ability to pay its debts / bills. Credit Ratings also assess a country's overall political and economic conditions, i.e. if politicians are able to put aside political differences to collaborate and compromise to get things done. **On August 1, 2023, Fitch Ratings, one of the country's three major credit rating agencies, announced that it had downgraded the United States credit rating from AAA to AA+ because of America's rising debt and also the continuous arguing and divisiveness between politicians in Congress.** Investors rely on credit ratings to decide whether to lend or invest in a country / state/ city, etc. Rating downgrades lead to negative publicity for a company or city / state / national government which means higher interest charges if it is able to borrow money. When an issuer of debt has its credit rating downgraded, they pay higher interest rates because of the fear lenders have of the country defaulting (not paying) on its loans.

CREDIT SCORES are expressed as numbers ranging from 850 to 300. The average credit score in the United States is 718, according to the latest FICO data from April 2023. By law, a person can get a free credit report each year from three major credit reporting agencies: **Equifax, Experian, and TransUnion**. Their reports contain information about a person, company, and country / municipality's payment history - how much credit they have

EQUIFAX



and use, whether they have and still pay the loans ON TIME, ALL THE TIME and other information. The closer the score comes to 850, the more creditworthy the person, country, city, state, etc is and consequently, the easier it is to get a loan with the lowest possible interest charge.

The best way to establish a good credit rating is having a credit card and paying your monthly bill ON TIME, ALL THE TIME. Late credit card payments or missing payments cause low / poor credit scores making it difficult to get a loan and, if you are able to get a loan with a low credit rating, the higher interests fees will increase the cost you pay for your car, home, and any other investment loan.

QUESTION 3 - NEXT - What is 'INTEREST INCOME' WHEN YOU SAVE MONEY?

When you put money in a savings account, the holder of your savings, usually **a bank, pays you a fee, an interest payment, for using your money in your savings account to lend to other people.** It's very important you place your savings in a bank that is government **insured (FDIC)** so that if the bank is robbed or goes out of business, government insurance will pay you the money you've lost.

8. BUILDING YOUR PERSONAL BUDGET. You can **CREATE YOUR BUDGET BY** following these instructions:

1. First, identify a **LIFESTYLE** you wish to live. That means, you should decide if you wish to own a house or condo? do they wish to own a car? do they want to save for retirement? do they wish to take a 2 week vacation each year? do they wish to buy nice clothes? do they wish to have a family and provide the family with a great education at a excellent school? etc. **DECIDE THE LIFESTYLE YOU WISH TO LIVE** AND, **then, ACKNOWLEDGE THE COSTS WHICH MUST BE PAID TO SUPPORT THIS LIFESTYLE.**
2. **NEXT, PREDICT a REALISTIC amount of money you will earn / collect each month / year to pay for the things you want in your LIFESTYLE.** **WE CALL THIS FIXED INCOME** for YOUR budget. For example, **FIXED INCOME IS** money earned from your job and investments; if you own property / real estate, payments the people who rent your property pay to you each month; if you have social media sponsor payments, etc. **MAKE SURE YOUR NET FIXED INCOME IS ENOUGH MONEY TO PAY FOR YOUR EXPENSES.**
3. **THEN, identify EXPENSES YOU WILL PAY TO SUPPORT THE LIFESTYLE YOU WANT TO LIVE. There are 2 kinds of expenses -**
 - identify a **FIXED EXPENSE**, i.e. an **amount** of money you must **PAY ON TIME**, weekly, monthly. For example, identify **FIXED EXPENSES** you **MUST** pay like rent, food, CREDIT CARD payment, TAXES, transportation (gas, Uber, etc), mobile phone, Mother Day gifts, etc
 - THEN, **VARIABLE EXPENSES, i.e other expenses** not required but you spend on extra things because you simply like - entertainment, Netflix, savings, investments, prom tickets, birthday card for your teacher, or an emergency fund to pay for unexpected events like replacing a lost or damaged phone, etc

- **STEP TWO** - list your **FIXED MONTHLY EXPENSES..** (Name each FIXED expense and the amount of money for each FIXED expense - **for example**, \$50 for your monthly CREDIT CARD payment; TAXES to be paid the city or town where you live every 3 months if you own a home; \$50 mobile phone; \$100 car payment to the bank or institution you borrowed money from for the purchase of your car; car insurance \$70; rent \$40, etc):

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

- **STEP THREE** - list **VARIABLE MONTHLY EXPENSES** (name each variable expense and the amount of money for each variable expense - for example, fun \$20, snacks \$30, Netflix \$17, savings \$5 at an FDIC bank, \$5 investment in stocks, bonds, crypto, commodities like pork or soybeans, minerals like lithium, nickel, energy like oil, natural gas, coal, wind, hydro, collectibles like baseball cards, vinyl, etc)

1. _____
2. _____
3. _____
4. _____
5. _____

- **STEP FOUR** - **IDENTIFY YOUR NET FIXED INCOME**- (income / earnings from a job, investments (dividend payments from stocks you own, rent from the tenants of a building you own and rent to tenants, etc)

- JOB - \$ _____
- DIVIDENDS / PAYMENTS from INVESTMENT(s) like rental property you own; stock dividends, selling 'stuff' on EBAY, etc \$ _____
- INTEREST EARNED ON SAVINGS ACCOUNT(s) \$ _____

Examining information on a pay check.

Please answer THE FOLLOWING

questions after examining the pay check summary below:

<u>Earnings</u>	<u>rate</u>	<u>hours/units</u>	<u>this period</u>	<u>year to date</u>	<u>Other Benefits and Information</u>	<u>this period</u>	<u>year to date</u>
Regular		40.00	0.00	0.00	*ADP RS employer match	46.67	1941.12
AutoTx			0.00	7000.00	Total Hours Worked	40.00	1640.00
Commission		0.00	2333.79	90761.78			
Gross Pay			\$2,333.79	\$97,761.78			
Statutory Deductions				this period	year to date		
Federal Income				-230.08	9579.15		
Social Security				-144.21	6041.05		
Medicare				-33.73	1412.83		
Rhode Island State Income				-88.04	3639.07		
Rhode Island State DI				0.00	924.00		
Voluntary Deductions				this period	year to date		
*ADP RS employee				-175.03	7279.38		
*Dental pre-tax				-7.94	325.54		
Net Pay			\$1,654.76				

<u>Deposits account number</u>	<u>transit/ABA</u>	<u>amount</u>
XXXXXX3567	XXXXXXXXXX	1654.76

<u>Important Notes</u>
Basis of pay: Salaried

- **GROSS TOTAL INCOME** for this pay period: \$ _____
- **GROSS TOTAL INCOME year to date** (income for the first 39 weeks of the year) _____
- **NET INCOME** for this pay period: \$ _____
- Explain **WHY there is a difference** between the GROSS INCOME and NET INCOME on this person's pay stub. _____
- What is the amount of this difference between this person's gross income and net income/ \$ _____
- IDENTIFY THE NAME OF THE **LARGEST DEDUCTION** IN THIS PERSON'S PAY for this pay period?

- WHAT IS THE **\$ AMOUNT** OF THE LARGEST **FEDERAL** DEDUCTION IN THIS PERSON'S PAY? ____
- WHAT IS THE **\$ AMOUNT** OF THE LARGEST **STATE** DEDUCTION IN THIS PERSON'S PAY? _____
- Please explain what the **ADP RS employee deduction** for this pay period shown on this pay stub is. _____
- Please explain what the **benefit deduction of \$46.67 is** for this pay period shown on this pay stub. _____

- **LET'S BUILD A PERSONAL BUDGET** Please *follow the instructions below*.

1. **Organize into groups of 2 people.** **COLLABORATION** is an activity where groups of people come together to examine / analyze data (*information*) THEN discuss the data being examined. **FINALLY, they** make decisions based on the data examined / analyzed. **The CHALLENGE** faced by all collaboration groups is their ability and willingness to **COMPROMISE**. **A compromise is** finding a middle ground or making a deal when two people or groups have different ideas or wants and are willing to work things out so that both sides are okay with the outcome, even if it means giving up a little bit of what they originally wanted. It's like meeting in the middle to make everyone a little happy but not completely happy. **Compromises** are often used in everyday life, like when you and your friend want to watch different movies, so you compromise by picking a movie that both of you can enjoy. **Compromise** is the way **successful companies, families** and **governments can achieve** their **goals**; **unsuccessful companies, families and governments rarely compromise** and this is one of the **main reasons they are 'unsuccessful'**. Successful **compromise means everyone accepts less than what they originally wanted so the ENTIRE company (employees and owners), family (parents and kids) or government (ALL CITIZENS) can eventually achieve their goals.**



2. **AFTER setting up your collaboration group, IMAGINE your group as ONE FAMILY or BUSINESS.**

3. **Identify a leader** for your group. The best leaders listen to everyone in the family. YET, leaders realize someone must make sure decisions are made on a timely basis, i.e. decisions are made 'on time'. The best decisions are often made through collaboration and compromise. The best **Leaders** create an environment where each person in a collaboration group feels comfortable and respected when expressing their opinions and ideas. Establishing **THIS KIND OF COLLABORATION ENVIRONMENT IS IMPORTANT FOR A LEADER** and group or organization they lead. The best ideas often come from someone a group least expects.

4. **EACH GROUP will collaborate** to **identify** and **prioritize** the **LIFESTYLE** they wish to experience as they create their budget; i.e. does the family group wish to own a house or condo? do they wish to own a car? do they want to save for retirement? do they wish to take a 2 week vacation each year? do they wish to buy nice clothes? do they wish to have a family and provide the family with a great education at a excellent school? etc. **DECIDE THE LIFESTYLE YOU WISH TO LIVE** AND, as a result, **AC-KNOWLEDGE THE COSTS WHICH MUST BE PAID TO SUPPORT THIS LIFESTYLE. IMPORTANT - when determining REAL EXPENSE COSTS, google what something will actually cost in the city or town you want to live in.**

LIFESTYLE SURVEY:

- **?** DO YOU WISH TO **OWN OR RENT** A HOUSE/CONDO/ OFFICE BUILDING -
 - if **OWN** - list the associated costs:
 - home/condo **purchase price** - \$ _____ (how much will the house cost?)
 - mortgage - **interest rate** ___% (the borrowing rate the bank will charge to borrow the money to buy the house)
 - what is your **credit score** that affects the interest rate the bank charges you to borrow money?___
 - monthly **mortgage payment** \$_____ (how much you pay the bank for the money borrowed)
 - homeowners/condo MONTHLY **insurance** payment \$_____
 - monthly **property tax** payment \$_____
 - **utilities payments:** heat, electricity, water, etc \$ _____
 - home **maintenance** costs (grass cut, fixing things when broke, etc) \$_____
 - **OR** condo fee **HOA** (home owners association fee) - \$ _____
 - If **RENT** - MONTHLY RENT COST - \$ _____ (in this activity, utilities to be included in rent)
Explain WHY you owned or rented a place to live _____

- **?** **OWN OR LEASE A CAR** - YES or NO
 - What is your monthly **car payment** _____
 - what is your **credit score** that affects the interest rate the bank charges you to borrow money?_____
- **?** **Clothing expense** (monthly **buying of new clothes** and regular **dry cleaning**) \$ _____
- **?** **Retirement/ savings/investments** - Monthly \$ _____
- **?** **FOOD** - per month \$_____
- **?** **Vacation** - yes OR no = if yes, expenses \$ _____
- **?** **OTHER LIFESTYLE CHOICES** and their expenses -- name & monthly cost:
 - 1) _____ \$_____
 - 2) _____ \$_____
 - 3) _____ \$_____

5. **NET INCOME:** the income / money you hope to earn after taxes and other deductions that will support the **Lifestyle** you hope to enjoy AND the **INCOME** you intend to earn in

name of the JOBS/CAREERS of each person in the group- #1 _____ #2. _____

ANNUAL NET INCOME from each JOB/CAREER - #1. \$ _____ #2 \$ _____

TOTAL NET ANNUAL INCOME FROM BOTH JOBS - \$ _____

6. **EXPENSES - FIXED EXPENSES vs VARIABLE EXPENSES -**

a) IDENTIFY the most IMPORTANT **FIXED expenses (PRIORITIZE your list of at least 7)**

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____
5. _____ \$ _____
6. _____ \$ _____
7. _____ \$ _____
8. _____ \$ _____
9. _____ \$ _____
10. _____ \$ _____
11. _____ \$ _____
12. _____ \$ _____

b) IDENTIFY **VARIABLE EXPENSES** _____ (prioritize at least 5)

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____
5. _____ \$ _____
6. _____ \$ _____
7. _____ \$ _____

c) EACH GROUP to ANNOUNCE TO THE CLASS WHETHER THEIR BUDGET will be **BALANCED or** have a **SURPLUS. DEFICIT BUDGETS ARE UNACCEPTABLE**

d). **FINALLY** - each **group leader will present their budget** to the class. The **entire class will vote** on which GROUP has THE **MOST 'REALISTIC' BUDGET**. i.e. most realistic fixed and variable expenses AS WELL AS the most realistic NET INCOME projection.

Personal MONTHLY budget Worksheet - Personal MONTHLY budget Worksheet

Please imagine supporting yourself living on your own **or** with a roommate(s) **AND** being responsible to earn enough money to support the lifestyle you wish to live. Please fill in THE EXPENSE SECTION your **FIXED and VARIABLE EXPENSES**. **THEN**, fill in the INCOME SECTION the amount of money you will earn to pay all your expenses. Remember, your BUDGET MUST BE BALANCED OR HAVE A SURPLUS. **NO DEFICIT SPENDING!!!!** Research realistic expenses. For example, if you are renting an apartment in Providence, RI, Google what the rent for a one room or two room apartment is today. If you are buying a car, google the COST of the kind of car you want to buy, what the monthly loan from the bank would be **BASED ON YOUR CREDIT RATING**, **AND** what the monthly insurance cost would be. You also need to determine how much gas you'll need to buy based on the amount of miles you'll drive your car each month. Feel free to ask me questions. Remember, questions are always more important than answers.

PERSONAL BUDGET

Your **MONTHLY** FINANCIAL PLAN

INCOME (NET)		BUDGET
primary job		\$
2nd job		\$
other income		\$
investment		\$
Total Income		\$
EXPENSES		
rent		\$
food		\$
savings		\$
WiFi		\$
car insurance (if your own car)		\$
transportation costs: gas, UBER, etc		\$
credit card		\$
phone		\$
netflix		\$
education/tuition		\$
cosmetics/beauty		\$
buy clothes		\$
laundry /dryclean		\$
other		\$
		\$
		\$
Total Expenses		\$
BUDGET BALANCE		BALANCED OR SURPLUS

STEP FOUR: Examine this company / organization's FINANCIAL REPORT below.

The chart below is a sample of a monthly **financial report**. It shows the plan (**budget**) the leadership team of a company or organization (CEO - chief executive officer, CFO, - chief financial officer, and others) collaborated to create showing the **income/revenue the company leadership hoped to earn**, the fixed and variable **expenses they thought they'd spend** and **the PROFIT they hope to make**. **PROFIT is** the money the company has after paying expenses. This FINANCIAL REPORT also shows the **ACTUAL revenue / income** the company **earned**, the **company's ACTUAL** fixed and variable **expenses AND** the difference between the ACTUAL and the BUDGET in THE **DIFF** COLUMN. The report finally shows how much the company made (PROFIT) after paying expenses. **YTD** is how their income, expenses, and, **most importantly, PROFITS**, accumulate / add up after each month through the year.

COMPANY/ORGANIZATION BUDGET -- APRIL Financial report

INCOME (NET)	BUDGET	ACTUAL	DIFF	BUDGET YTD	ACTUAL YTD	DIFF YTD
sales (income/revenue)	\$10,000	\$16,200	\$6,200	\$40,000	\$37,400	-2,600
other income	\$200	\$500	\$300	\$800	\$1,400	\$600
investment(s) - \$						
Total revenue/income	\$10,200	\$16,700	\$6,500	\$40,800	\$38,800	(\$2,000)
EXPENSES						
office rent	\$1,000	\$1,000	0	\$4,000	\$3,200	\$800
loans	\$440	\$400	\$40	\$1,760	\$1,660	\$100
data security soft	\$100	\$100	0	\$400	\$400	0
car payment	\$350	\$350	0	\$40	\$40	0
truck rental payment	\$2,000	\$2,000	\$0	\$8,000	\$8,000	\$0
credit card	\$1,000	\$800	\$200	\$4,000	\$4,500	(\$500)
phone	\$50	\$50	0	\$200	\$200	0
WiFi/ cable TV	\$300	\$300	0	\$1,200	\$1,200	0
employee training	\$100	\$200	\$100	\$400	\$500	(\$100)
Gym membership	\$100	\$100	0	\$400	\$400	\$0
landscaping	\$50	\$50	0	\$200	\$225	(\$25)
office cleaning	\$50	\$50	\$0	\$200	\$200	\$0
employee food	\$100	\$200	\$100	\$400	\$600	(\$200)
marketing	\$200	\$2,500	(\$2,300)	\$800	\$50,000	(\$3,900)
OTHER	\$100	\$1,000	(\$900)	\$400	\$1,300	(\$900)
Total Expenses	\$4,260	\$9,100	(\$4,840)	\$22,400	\$26,375	(\$4,725)
PROFIT / (LOSS)	\$5,940	\$7,600	\$1,660	\$18,400	\$17,725	(\$675)

NOTES - MARCH AND APRIL started unbudgeted marketing plan - META & Joe Rogan podcast advertising new services
Other expenses for APRIL include employee training on new software application
OTHER INCOME - sub leasing extra office space

BUSINESS BUDGET SURVEY

ANSWER THE FOLLOWING QUESTIONS about THE FINANCIAL REPORT ON PAGE 26.

1. What was the **NET INCOME** (not profit) this company actually earned in the **month of April** according to the financial report on the previous page? _____
2. HOW MUCH net **income did this company plan (budget) to earn in April** according to their budget when they created their 2024 BUDGET in December (2023)? _____
3. Did this company achieve a PROFIT just in the MONTH OF APRIL? yes **OR** no
 - If YES (profitable in April), what was the profit? \$_____
 - If NO, the company lost money in April, how much money did the company lose in April? \$_____
4. Did this company achieve a **BUDGET SURPLUS, BUDGET DEFICIT or a BALANCED BUDGET for the month of April ONLY**? _____
5. What was the **largest BUDGETED EXPENSE** this company planned for the month of **APRIL**? _____
6. What was the **largest ACTUAL EXPENSE** for the month of **APRIL**? _____
7. Did this company **spend LESS on any expense** than it **planned in their budget YTD**? Please identify the expense - _____

8. Does this company achieve a **SURPLUS, DEFICIT or a BALANCED BUDGET YTD (year to date) at the end of April**? **Circle one:** SURPLUS - DEFICIT - BALANCED
 - According to this financial report, **is this company profitable YTD**? yes **OR** no
 - **If no**, please explain WHY this company was NOT PROFITABLE **APRIL YTD** _____

 - **if yes**, WHAT WAS THE **APRIL YTD** PROFIT of this company? \$_____
 1. Please explain WHY this company is PROFITABLE YTD APRIL? _____
 - Please offer **2 SUGGESTIONS** HOW this company can INCREASE PROFITABILITY -
 - _____
 - _____
8. If you could ask the CHIEF OPERATING OFFICER (**CEO - the head of the company**) **ONE QUESTION** about the company budget AND this April report on the previous page, what would that question be? _____

“The second vice is lying. The first is running in debt.”

—Benjamin Franklin