

COUNTING THE COST

Saving, Spending, and Budgeting

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PREVIEW

4. Counting the Cost: Saving, Spending, and Budgeting

5. Trading the Talents: Principles on Investing

6. Establishing Our Plans: The Financial Planning Pyramid

FINANCIAL FREEDOM SEMINAR

Audio Recordings and Slides:

<https://audiover.se/3Ji3dr6>



For which of you, desiring to build a tower, does not **first sit down and count the cost, whether he has enough to complete it?** Otherwise, when he has laid a foundation and is not able to finish, all who see it begin to mock him, saying, **‘This man began to build and was not able to finish.’**

–Luke 14:28-30 ESV

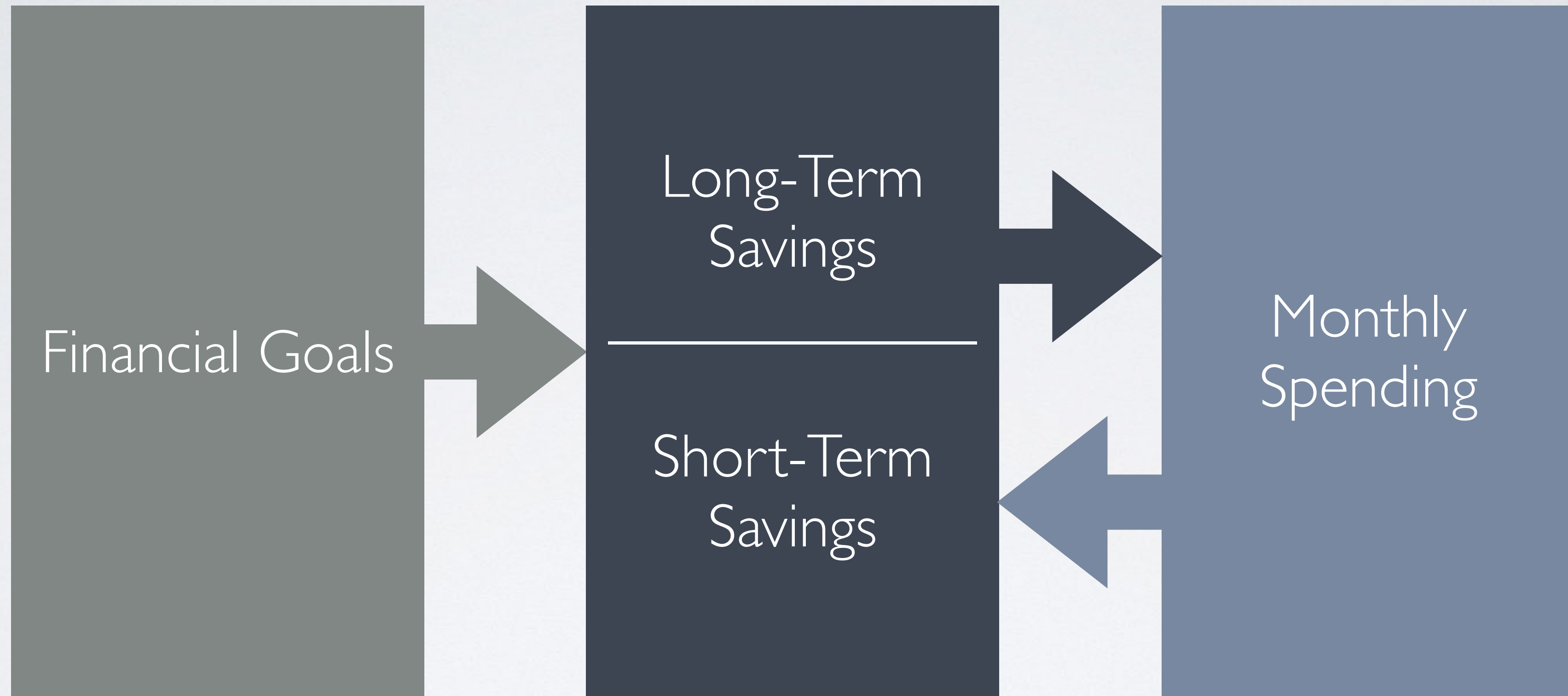
YOU MUST HAVE A PLAN!

Start with the End in Mind

TYPES OF PLANS

1. Financial Goals
2. Long & Short-term Savings Plans
3. Monthly Spending Plan (“Budget”)

HOW THEY RELATE



FINANCIAL GOALS

FINANCIAL GOALS

- College/Career
- Wedding
- Home Purchase
- Car Purchase
- Vacations
- Having a Baby
- Debt Payoff
- Mission Work
- Children's Education
- Retirement

QUESTIONS TO ANSWER

1. How much money will it cost?
(What can I afford?)
2. When do I need this money?
3. How much do I need to start saving now? (Monthly)

2022: \$30,000

Average Wedding Costs

LOCATION & TRANSPORT



Reception venue
\$11,200



Transportation
\$980

ATTIRE



Wedding dress/attire
\$1,900



Hair/makeup
\$250

VENDORS



Wedding/event planner
\$1,900



Photographer
\$2,600



Florist
\$2,400



Videographer
\$2,100

FOOD



Rehearsal dinner
\$2,400



Wedding cake
\$510



Catering (per person)
\$75

ENTERTAINMENT



Live band
\$3,900



Reception DJ
\$1,500

MISCELLANEOUS



Invitations
\$510



Favors
\$440

Sources: The Knot's 2022 Real Weddings Study

\$3,000

Our Wedding



LONG-TERM SAVINGS PLAN
&
SHORT-TERM SAVINGS PLAN

SAVINGS PLANS

- Financial goals determine what to save for.
- Helps to keep the end in mind.
- Prevents the need to resort to debt.
- It gives us a target for what to save, rather than simply what not to spend.

GOALS & SAVINGS



LONG-TERM VS. SHORT-TERM

Long-term Savings

Short-term Savings

More than 5 years

5 years or less

In higher yielding investments

In insured accounts
(FDIC/NCUA)

Regular monthly savings

Saved in order of priority

LONG-TERM VS. SHORT-TERM

Long-term Savings	Short-term Savings
Larger Debts	Smaller Debts
College Fund	Emergency Fund
House Downpayment	Weddings/Vacations/Trips
Retirement	Cars/Toys/Gadgets/Big Purchases



MEET NURSE FANNY

FANNY'S LONG-TERM SAVINGS

Long-term Goals	Amount	Needed by	Monthly Savings
1. Student Loans	\$35,000	10 years	\$390
2. House Downpayment	\$20,000	10 years	\$160
3. Retirement	\$750,000	40 years	\$220
Total	\$805,000		\$770/ month

BOTTOM LINE

She must save a minimum of **\$770 each month** to reach her long-term goals.

FANNY'S SHORT-TERM SAVINGS

Short-term Goals	Amount	Needed by	Monthly
1. Credit Card Debt	\$6,000	ASAP	?
2. Emergency Fund	\$10,000	ASAP	?
3. Wedding	\$3,000	8 months	\$375
4. Mission Trip	\$500	10 months	\$50
5. Car Loan	\$5,000	1 year	\$450
6. New Computer	\$1,500	5 years	\$25
Total:	\$26,000		

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FANNY'S CAR

- Honda Accord
- Worth \$24,000
- Owes \$5,000
- What to do?



FANNY'S CAR

Sale	\$24,000
Loan	-\$5,000
Temporary Car	-\$5,000
Remaining	\$14,000



FANNY'S SHORT-TERM SAVINGS

Short-term Goals	Amount	Needed by	Save Monthly
1. Credit Card Debt	\$6,000	ASAP	?
2. Emergency Fund	\$2,000	ASAP	?
3. Wedding	\$3,000	8 months	\$375
4. Mission Trip	\$500	10 months	\$50
5. Car Loan	\$5,000	1 year	\$450
5. New Car	\$5,000	1 year*	\$420
6. New Computer	\$1,500	5 years	\$25
Total:	\$12,000		

WHAT ABOUT THAT EMERGENCY FUND?

- Garage Sale
- eBay/FB Marketplace/Craigslist
- Overtime
- Side jobs
- Get Creative!

FANNY'S SHORT-TERM SAVINGS

Short-term Goals	Amount	Needed by	Save Monthly
1. Credit Card Debt	\$6,000	ASAP	?
2. Emergency Fund	\$15,000	ASAP	?
3. Wedding	\$3,000	8 months	\$375
4. Mission Trip	\$500	10 months	\$50
5. Car Loan	\$5,000	1 year	\$450
5. New Car	\$5,000	1 year	\$420
6. New Computer	\$1,500	5 years	\$25
Total:	\$10,000		

BOTTOM LINE

- **Short-term:** Get to **\$10,000** ASAP
- **Long-term:** Save **\$770** each month

FANNY'S SAVINGS PLAN

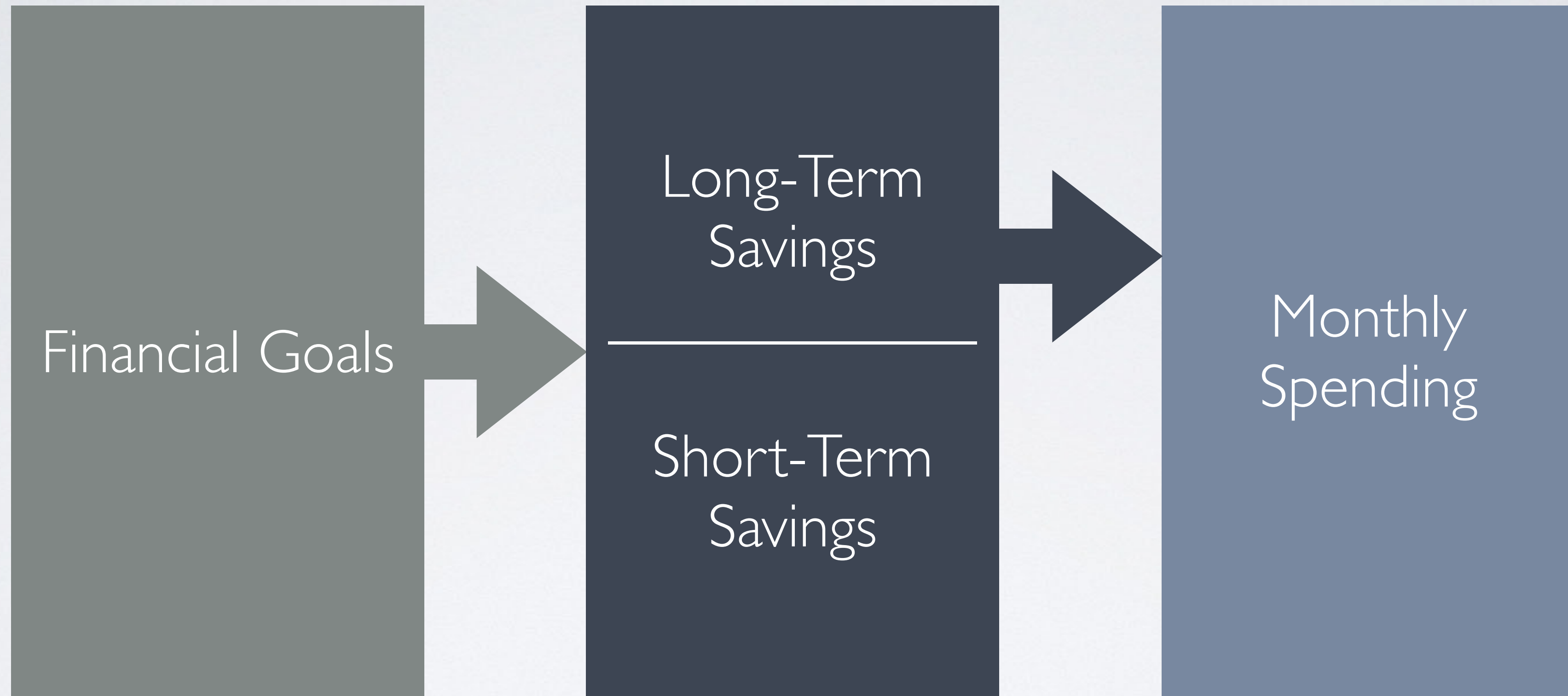
- Reveals clear priorities in her life.
- All “extra” money has a place to go, instead of being spent.
- It gives a target number to save in monthly spending plan.
- It gives “final” target number for total savings. Helps define how much is “enough.”

“A budget is telling your money where to go instead of wondering where it went.”

—John Maxwell

MONTHLY SPENDING PLAN

MONTHLY SPENDING PLAN



MONTHLY SPENDING PLAN

- List projected monthly income.
- List projected monthly expenses. (From expense tracking)
- Assign dollar amounts to each category of expenses for the next month.
- Goal is to reduce spending so as much can go toward savings as possible. (\$0 spending is ideal!)
- Aim is to hit targets from savings plans.
- Review monthly to make sure you don't spend more than what you've allocated, and adjust for the next month.

FANNY'S CURRENT SPENDING

Categories	Amounts	% of Income	Totals
Income		100%	\$3,600
Expenses		90%	\$3,240
Tithe/Offerings	\$540	15%	
Rent	\$800	22%	
Utilities & Cellphone	\$330	9%	
Food	\$300	8%	
Transportation	\$350	10%	
Insurance	\$330	9%	
Household/Supplies	\$340	9%	
Recreation	\$250	7%	
Net Income/Savings		10%	\$360

REVIEW THE SAVINGS GOALS

10% Savings Rate	
Net Savings	\$360
Long-Term Savings \$770/month	\$360
Short-Term Savings \$10,000	\$0
Years to \$10,000	Never

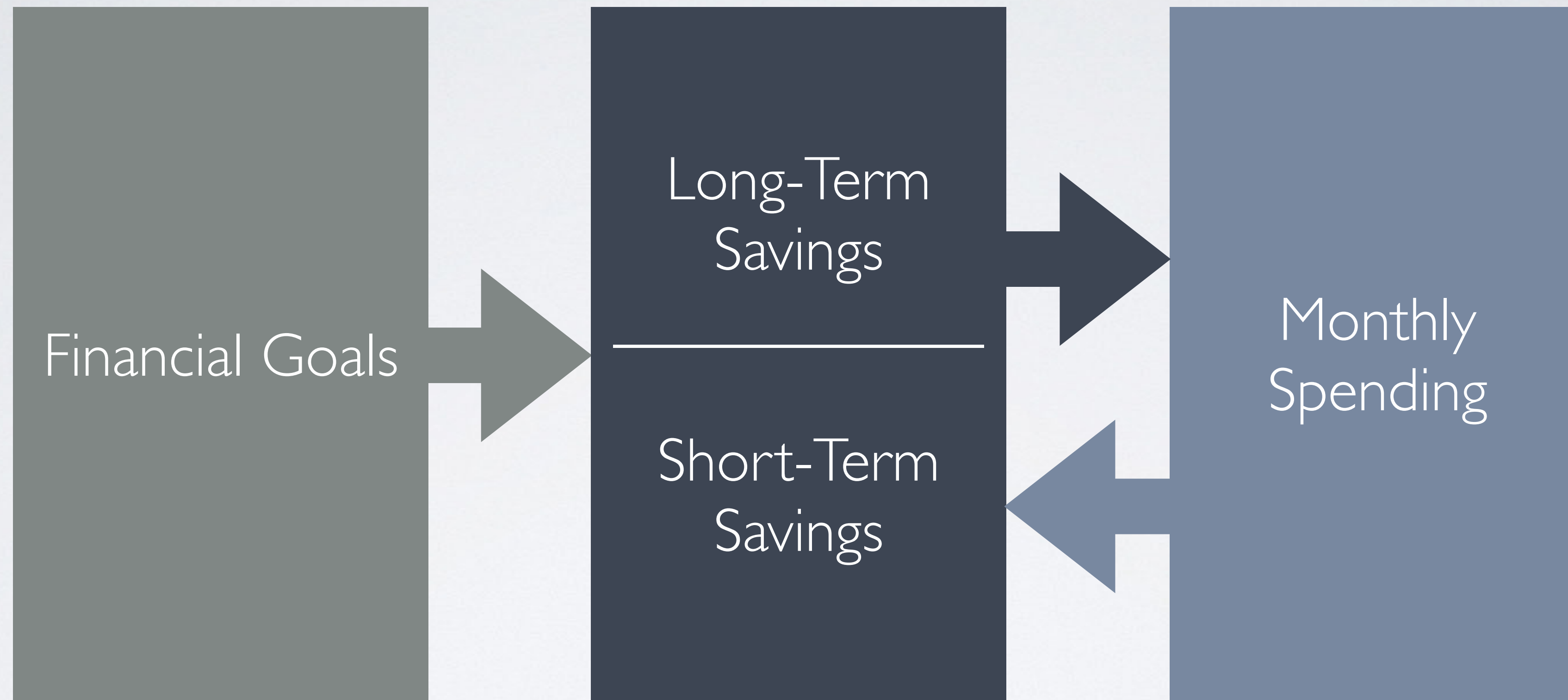
FANNY HAS SEVERAL OPTIONS:

1. Adjust her savings goals.
2. Increase her income.
3. Cut spending.
4. Do a combination of these.
5. NO DEBT!

SAVINGS-DRIVEN SPENDING

	10% Savings Rate	30% Savings Rate
Net Savings	\$360	\$1,080
Long-Term Savings \$770/mo.	\$770	\$770
Short-Term Savings \$10,000	\$0	\$310
Years to \$10,000	Never	3

SAVINGS FROM MONTHLY BUDGET



WHAT THIS MEANS

An extra **\$720 per month**

That's just **\$24 per day**

NEW SPENDING PLAN (30% TARGET)

Categories	Amounts	% of Income	Totals
Income		100%	\$3,600
Expenses		70%	\$2,520
Tithe/Offerings	\$540	15%	
Rent	\$500	14%	-\$300
Utilities & Cellphone	\$230	6%	-\$100
Food	\$250	7%	-\$50
Transportation	\$300	8%	-\$50
Insurance	\$200	6%	-\$80
Household/Supplies	\$300	8%	-\$40
Recreation	\$200	6%	-\$50
Net Income/Savings		30%	\$1,080
Long-term Savings			\$770
Short-term Savings			\$310

WE VIEW BUDGETS DIFFERENTLY



- Spending Control vs. Savings Maximization
- Answers the question of “WHY?”
- The Means vs. The End
- Keeps focus on the Savings Rate
- Achieving goals makes budgeting more motivating

BUDGETING TIPS

- If you're married, you have become "one flesh"—that means your money too.
- Assign one person be the primary financial caretaker. (Pick the nerd!)
- But create and review your savings and spending plans TOGETHER. Agree on your goals!
- Set a dollar amount over which no purchase occurs without joint discussion.

BUDGETING TIPS

- Expect at least 3 months to ramp up.
- Include “fun” money in the budget for each other.
- Celebrate the victories together.
- Make the finances a point of unity for the family rather than a point of conflict.

PERSONAL FINANCE TEMPLATE

Link: <https://tinyurl.com/53r8xur7>

- MS Excel / Google Sheet
- Goals
- Balance Sheet (Net Worth)
- Income Statement (Spending/
Saving)
- Snapshot



MONEY SAVING TIPS

HOW TO SAVE THE MOST

- **Start with your largest expenses:** \$500 on housing vs. \$5 on groceries x 100.
- **Single decisions that create recurring savings:** Cancel unused subscriptions, cable, gym, season passes, switch insurance providers, cellphone carriers, etc.
- **Buy used (esp. bigger purchases):** Cars, appliances, electronics, tools, books, clothes, etc. Thrift stores are treasure troves.
- **Sleep on it:** Wait a few days before buying something big.

RANDOM TIPS

- **Prepaid cellphone plans (MVNOs):** They run on the same major networks for a lot less.
- **Learn to cut hair:** Keep saving as long as your hair keeps growing!
- **Optimize your insurance:** Insure only what you need, shop for the best rates.
- **Go plant-based:** Cutting back and eating less meat is good for the wallet.
- **Reconsider pets:** Those fur babies cost a lot of money!
- **Embrace the weird:** Don't be driven by what others may think.

SOMETIMES WE SIMPLY NEED
MORE INCOME.

OTHER INCOME IDEAS

1. Work overtime
2. Sell things you don't need
3. Upgrade your skills, get promoted
4. Rental property
5. Start a business
6. Side hustles, odd jobs, hobbies that pay.
 - Uber driver
 - Pizza delivery
 - Substitute teaching/tutoring
 - Photography
 - Build websites
 - Sell garden produce
 - Thrift store arbitrage

RESIST THE TEMPTATION TO GAMBLE OR SPECULATE!

But my God shall supply all your need according
to his riches in glory by Christ Jesus.

–Philippians 4:19

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