BALANCING A BUDGET

These materials were created by DailyPay and not your employer. DailyPay is not a financial or investment advisor. The materials presented should be used for informational purposes only. Decisions based on information provided here are the sole responsibility of the reader.
THE B WORD


Money in, money out. How do we keep track of it all? But first, why would you keep track of it? Here are the...

**TOP (OF MANY) 5 REASONS TO BUDGET**

1. A budget ensures you don’t spend money you don’t have. Looking at your bank account, you might think you have enough for that big, new shiny object, but a budget can tell you how much is left after all the obligations that are coming up.

2. A budget helps you prepare for emergencies and unanticipated expenses.

3. A budget can help you get out of debt, keep you out of debt, and meet your savings goals to make your dreams come true.

4. A budget reveals areas where you’re spending too much money so you can refocus on your most important goals and free up money for the important things.

5. A budget helps relieve unnecessary financial stress.

**THE BASICS OF BUDGETING:**
Understand where you currently are

- Determine how much you bring home, after taxes and other deductions
- Map out your fixed expenses (rent, mortgage, car payments, etc.)
- Spotlight variable costs (utilities, groceries, gas, etc.)
- Do the math -- are you spending more than you earn or earning more than you spend?

**#DProTIP**

For hourly earners with variable income, you can get a quick glimpse into what you can expect from your paycheck by checking your DailyPay available balance. Then you’ll know if you’re under or over your expected income for the week and adjust accordingly.

**DO:**
Fill out the budgeting worksheet on page 5. If you like this budgeting worksheet, you can print it out at dailypay.com/financial_wellness

**DON’T:**
Worry about making your budget perfect or fudging things for the sake of your self-esteem. Budgets are living documents, and it might take a few months to get the hang of it, spot trends, and plug money leaks.

**BONUS:**
If you mostly spend with debit and credit cards, you can check those statements, print out an extra copy or two of the worksheet, and fill it out to reflect actual spending for the last month or two. This will help put unrealistic expectations in check.

dailypay.com
WHAT DOES A BALANCED BUDGET LOOK LIKE?

The simplest formula for assessing your spending habits and budget forecast is called the 50/20/30 rule.

Before creating your actual budget, draw up your imaginary budget following the above guidelines. Fill out the worksheet below:

1. What is your total monthly take-home income? __________________
2. What is half of your monthly income? * __________________
   * This number should be an estimate of your monthly fixed costs.

Now you have half of your money left, calculate 30% of the original amount. To do this, grab your calculator. Type in the original amount. For simplicity, let's say it's $100. Multiply this by 0.3, which will give you $30.

This is the “ideal” budget, though everyone is different and few will stick exactly to these percentage points. This exercise is just to give you an idea of what a balanced budget might look like.

Now it’s time to see where you actually are.
Consider this your starter kit. If this worksheet works for your purposes, keep using it from month to month. Feel free to find a flexible template that suits your lifestyle, whether it be an Excel template, budgeting software, app, or simple pen and paper. This is your budget, so make it your own.

**MONTHLY BUDGET**

<table>
<thead>
<tr>
<th>Month</th>
<th>Monthly Income</th>
<th>Monthly Expenses</th>
<th>Monthly Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EXPENSES**

**FIXED COSTS:**
- Rent/Mortgage: ____________________
- Car Payment: _____________________
- Car Insurance: ____________________
- Phone Bill: _______________________
- Internet: _________________________
- Insurance: ________________________

**TOTAL:** __________________________

**FLEXIBLE SPENDING:**
- Electric: _________________________
- Gas (Utilities): __________________
- Other Utilities: __________________
- Groceries: _______________________
- Gas (Vehicle): _____________________
- Childcare: _______________________
- Clothing: ________________________
- Restaurants: _____________________
- Medical: _________________________
- Entertainment: ____________________
- Cosmetics/Toiletries: ______________
- Kid Supplies: _____________________
- Spending Money: __________________

**TOTAL:** __________________________

**DEBTS:**
- Student Loan Payments: _____________
- Medical Bills: ______________________
- CC1: ______________________________
- CC2: ______________________________

**TOTAL:** __________________________

**SAVINGS & LONG-TERM SPENDING:**
- 401(K): ____________________________
- Other Retirement Account: __________
- Savings Account: __________________
- Investment Account: _______________
- Home Repairs: _____________________

**TOTAL:** __________________________
CHOOSING A BANK

These materials were created by DailyPay and not your employer. DailyPay is not a financial or investment advisor. The materials presented should be used for informational purposes only. Decisions based on information provided here are the sole responsibility of the reader.
CHOOSE A CHECKING ACCOUNT

- NO MONTHLY FEE
  Many banks charge maintenance fees. If yours does, call and ask to switch account types to avoid fees. If you can’t, find a fee-free account elsewhere.

- NO MINIMUM BALANCE REQUIREMENT
  Some accounts require that $100–$10,000 always be in the account, or they charge a fee. Don’t fall into this trap.

- NO TRANSACTION LIMITATIONS
  Stay away from transaction limitations like low ATM withdrawal limits or frequency limits on moving money between savings and checking.

- ATM REIMBURSEMENT
  Certain banks reimburse all ATM fees, and others participate in a network of free ATMs outside of branch locations. Be careful of out-of-network ATM fees!

CHOOSE A SAVINGS ACCOUNT

- COMPETITIVE INTEREST RATE
  In 2018, good rates are 1.0–1.6%. You might accept a lower rate if it’s through your amazing new bank that links to your checking account.

- EASY ACCESS TO FUNDS
  You should be able to get your money easily, anywhere. Don’t abuse it, but make sure your have easy access for emergencies.

- SUB ACCOUNTS
  If you’re saving for multiple things (emergencies, vacation, down payments), you should subdivide your account to easily see where you’re on track.

- ONLINE AND MOBILE ACCESS
  To keep up with your finances, you should always have access to your balance, bill pay, electronic deposits, and easy transfer between checking and savings.

Let’s talk about Overdraft Protection

This is so important, we’re spotlighting it in its own section.

Overdraft Fees (aka Non-sufficient Funds Fees or NSF fees) range from $25 to $38 and can cost you up to $200 per day. They’re big money for banks and terrible for consumers.

It’s important to find a bank that doesn’t charge these fees. If you’re stuck with your bank, open a savings account with them because the fee for an automated transfer from savings to checking in the event of overdraft is usually around $10.

Consider using your DailyPay account to avoid these nasty budget killers. NSF fees usually hit just before payday. Check your bank account balance regularly, and if you fear you’re in the danger zone, know that you can always transfer your earned but unpaid wages instantly or next day with the DAILYPAYTM.

dailypay.com
1. Emergencies
   No one can predict a natural disaster, car accident, or injury. Without emergency funds, you’re at the mercy of high-interest debt, which can greatly increase the initial bill.

2. Annual Expenses
   Certain things pop up every year. Holidays, subscriptions, insurance, auto registration, etc. It may be hard to save for all of these. A savings cushion can lessen the financial blow.

3. Retirement
   Life expectancy is rising, social security is volatile, and you probably hope to one day stop working or at least feel like you don’t need to. There’s only one way to retire well, and that’s by saving.

4. Upgrades/Maintenance
   Your heater breaks, transmission fails, car window isn’t rolling up, and you need to replace the couch. The things you own that need upkeep or upgrades need to be funded on an ongoing basis.

5. Big-Ticket Expenses
   New phone, kitchen remodels, vacation, and the finer things in life. With funds saved, not only will these expenses not shatter your budget, but you’ll be prepared to pounce on a sale or flash deal.
For DailyPay users, we’ve now added a feature for you to split your direct deposit between a checking account and a savings account. The pre-set amount you elect to send to your savings account will never appear in your Available Balance, but instead it will go to your savings account every payday. Set it and forget it; let the money pile up.

New Car/New House
If you plan to buy a new car or house, you’ll have to save up for a hefty down payment or risk high-interest loans that will only make these purchases more expensive than they need to be.

Education
For yourself and your children. The job market is competitive. College is expensive. Gaining valuable skills is the best investment because there’s no limit to your growth.

Job Loss or Injury
Even with unemployment benefits or workers comp, you’ll receive less than you would employed and productive. To maintain quality of life and avoid falling behind, a savings cushion is essential.

Stay Debt-Free
Credit cards have their place in a healthy financial life, but if you don’t pay the full balance monthly, high-interest credit cards can cost a lot. With savings, you can eliminate debt as it happens.

Peace of Mind
This is no small thing. Constant stress causes anxiety, depression, physical health problems, and relational tension, especially for couples. Removing this stress is step one to the good life.

dailypay.com
PLANNING FOR RETIREMENT

These materials were created by DailyPay and not your employer. DailyPay is not a financial or investment advisor. The materials presented should be used for informational purposes only. Decisions based on information provided here are the sole responsibility of the reader.
How to Plan for Retirement

Types of Retirement Accounts

**401(k)** is a retirement account offered by some employers that goes in untaxed but is taxed as income when you withdraw. If your employer offers a 401(k), it's an excellent way to get started.

**Roth IRA** is an investment account that you can contribute to post-tax, but when you withdraw much later in life, funds are untaxed. If you don’t have a 401(k) option, open a Roth IRA and start contributing what you can.

How much should I contribute per year?

It depends on your priorities and your current budget. Try to start putting away a little bit as soon as possible, even **$10 per month**.

As you win out over other more pressing financial goals like paying off debt, start putting that amount into your retirement savings. So if you put $200 per month toward paying off debt and you finish, think about putting all or a portion of that monthly amount toward retirement.

The maximum annual contribution for a **401(k)** is **$18,500**

The maximum annual contribution for **IRAs** for people under 50 is **$5,500**

The maximum annual contribution for **IRAs** for people over 50 is **$6,500**

How much do I need to retire?

There’s a principle known as the **4% rule**. Four percent is the recommended annual withdrawal rate for retirement years.

For example, to live on **$32,000** per year for 25 years, you would need **$800,000** saved.

But there’s good news! It’s called Compound Interest

Without overcomplicating things, retirement accounts give you the benefit of compound interest, which lets your money grow without you needing to do anything.

Let’s say that your retirement account (like the 401(k) or IRA described above) gives you an average **7% annual yield** (yield = growth rate).

If you were to put in $1000 and leave it, in 40 years that single contribution will have grown to $15,000.

If you put in $1000 annually ($83.33 per month), after 40 years, instead of having $40,000, you’d have $228,584.

dailypay.com
Financial Wellness Guide