



Neighborhood Entrepreneur Law Project's Financial Empowerment Program

101: Personal Finance & Budgeting

June 2017

Table of contents

- Barclays Overview
- Personal Finance
 - Designing a personal budget
- Choosing the Right Bank Account(s)
- Paying Bills and Other Expenses
 - Online and mobile banking
- Understanding Credit and Credit Cards
 - Credit scores
- Protecting Your Money
 - Data privacy and cyber security
- Resources

Barclays Overview

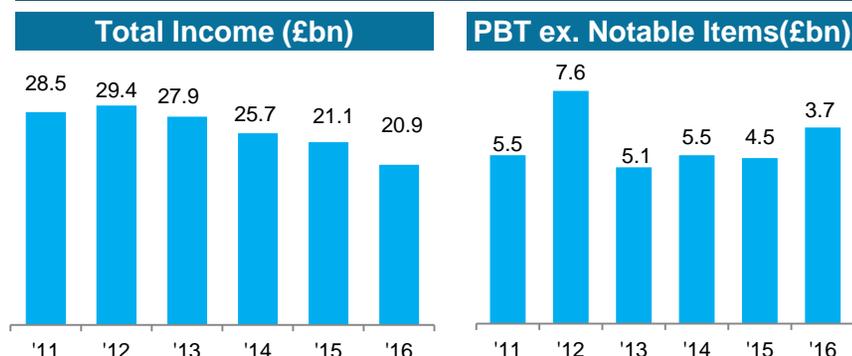
Barclays' structure and financial performance

Barclays is a transatlantic consumer, corporate and investment bank offering products, with a strong presence in our two home markets of the UK and the US

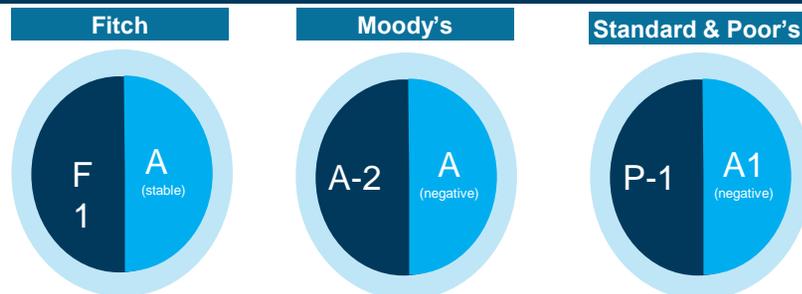
Snapshot

- Founded 1690
- Headquarters London, UK
- Employees ~120,000
- Global presence Operations in >40 countries

Financial profile¹



Barclays Bank PLC (Operating Company) Credit Ratings



The ratings reports are for information purposes only and are not intended as an offer or invitation with respect to the purchase or sale of securities. More information on credit ratings: <https://www.home.barclays/barclays-investor-relations/credit-ratings.html>

¹ Notable Items are considered to be significant but not representative of the underlying business, to provide a more consistent basis for comparing business performance between periods. Prior years info contain Africa Banking. Africa Banking is now considered a discontinued operation and represented in a separate line in the Income Statement.

Leadership



Jes Staley
CEO, Barclays



Tim Throsby
President, Barclays International



Ashok Vaswani
CEO, Barclays UK



John Mahon
CEO Corporate Banking

Group Structure

- **Barclays UK** is a personal and business banking franchise built around our customers' needs, with innovation at its core. It comprises our UK retail banking operations, our UK consumer credit cards business, our UK-based wealth offering, and banking for smaller businesses. With around 22 million retail customers, and almost one million business banking clients, we are a pre-eminent UK financial services provider. This division will become our UK ring-fenced bank by 2019.
- **Barclays International** is a diversified transatlantic business comprising our corporate banking franchise, our top-tier investment bank, a strong and growing US and international cards business, our international wealth offering, and leading payments capability. It will be housed within Barclays Bank PLC, the future non-ring-fenced bank. Barclays International has scale in wholesale banking and consumer lending, strength in our key markets, excellent growth potential, and good balance in its revenue streams, delivering further resilience and diversification.

Personal Finance

Personal finance

Personal finance

- Definition: the management of money and **financial** decisions for a person or family including budgeting, investments, retirement planning and investments.
- Personal financial planning generally involves analyzing your current financial position, predicting short-term and long-term needs and executing a plan to fulfill those need within individual financial constraints. It depends on one's expenses, income, living requirements and individual goals and desires.
- Among the most important aspects of personal finances are:
 - Assessing expected cash flow
 - Buying insurance
 - Calculating and filing taxes
 - Savings and investment
 - Retirement planning

Personal finance planning tips

1. Devise a budget
2. Create an emergency fund
3. Limit debt
4. Use credit cards wisely
5. Monitor your credit score
6. Consider your family
7. Pay off student loans
8. Plan (and Save) for retirement
9. Minimize tax consequence
10. Give yourself a break

Designing a personal budget

What is a budget?

- A budget is plan for managing your money in a way that best meets your personal (and professional) needs and wants

Following a practical budget can help you:

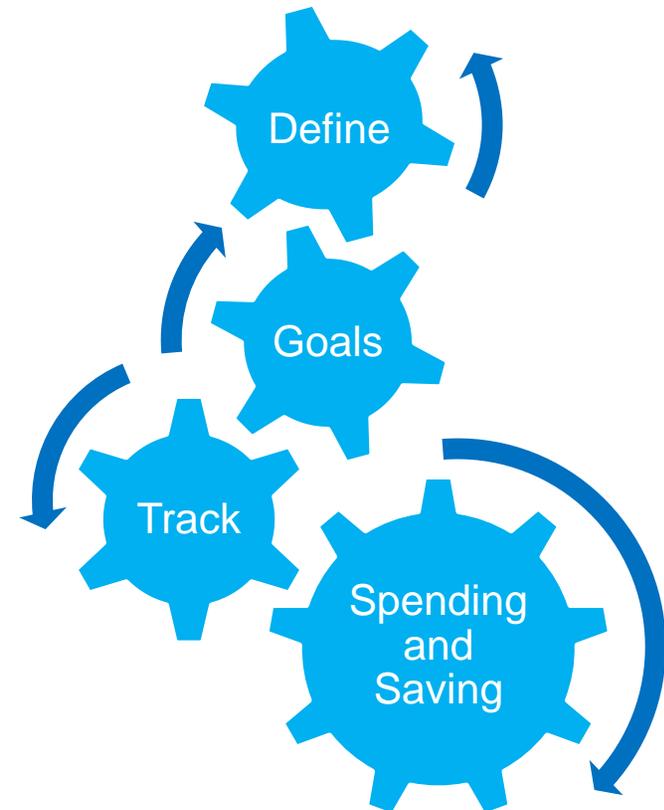
- Develop better financial habits
- Relieve emotional stress
- Assist you in achieving your financial goals

Why is a budget necessary?

- Identifies and defines your financial goals
- Manages your money
- Directs your money flow
- Increase your savings
- Avoids spending money unnecessarily
- Achieves your personal goals

Seven keys to effective budgeting

1. Identify and develop personal goals
2. Evaluate and record current trends, both income and expenses
3. Assign priorities
4. Develop a time line for the month
5. Keep it simple
6. Remain flexible
7. Review and revise



Designing a personal budget

Budgeting is effective money management

- Effective money management is planning how to get the most from your money
- Good money managers keep track of where their money goes so that they can make it go farther
- Effective money management includes:
 1. Developing personal financial goals
 2. Organizing personal financial records
 3. Creating a personal monthly budget
 4. Evaluating personal financial health

How do I create a budget?

- Creating a budget begins with a clear, accurate and well thought-out plan. This will allow you to be able to:
 1. Adjust plans, activities, and spending as needed
 2. Spend money cost-effectively
 3. Reach the specific goals you have set
 4. Strengthen internal control system

What is in a budget?

- Income: Money earned or contributed to your household from either personal finances or a business
- Expenses: Money that you spend, this includes anything you purchase. This includes both planned and unexpected expenses

Steps in budgeting

1. Set financial goals
2. Estimate your income
3. Record what you spend
4. Budget for actual and unexpected expenses
5. Review and evaluate monthly

Designing a personal budget

Set financial goals

- Identify and write them down
 - Short-term (within a year)
 - Long-term (1-5 years)
- Make them achievable, practical, and owned by everyone
 - Keep them in the forefront
 - Journal the process
 - Celebrate their completion
- Write them into your monthly budget
- Adjust them as necessary

Estimate your income

- Make a list of each income stream that you receive on a regular basis each month. The key is to only include that income you get every month
- Include both monthly wages earned from your job(s) as well as monthly supplemental income (i.e. child support)
- Calculate the monthly income total
- Record but do not include any periodic income you may receive at this point
- If your income is unpredictable then estimate what you will receive in the next month and adjust it down a little

Record what you spend

- Review the previous month's check book ledger, bank statements, etc and record your spending and income
- Record what you spend for the next month and write down your actual expense income

Budget for actual and unexpected expenses

- Actual expenses: Identify fixed expenses (i.e. housing – rent or mortgage; car – payment, up-keep, gas; insurance – health/medical, life, auto, home; food; household utilities; student loans; clothing; entertainment)
- Record the monthly payment deadline and plan according to your pay date date
- Variable expenses: Identify recurring expenses that fluctuate (monthly grocery, automobile, etc) and calculate an average based on previous months. Note: when in doubt, guess high!

Designing a personal budget

What else is in a budget?

- Student loan payments
- Insurance payments
- Entertainment (movies, books, magazines, toys, cable TV, Internet access)
- Incomes taxes in addition to those withheld from your pay check
- Child care
- Medical bills
- Savings (transfers to savings account, retirement fund or brokerage accounts)
- Vacations

Budget for actual and unexpected expenses

1. The first step is to create and maintain an Emergency Fund
2. Initially, the Emergency Fund should be \$500-\$1,000 depending on your income and debt load
3. Eventually you will need to increase this to 3-6 months worth of income
4. Develop a discipline this is only used for emergencies (unemployment, unexpected medical needs or financial crisis)
5. Should you have to use money in this fund for an emergency then the priority for the next month is to re-supply the fund

Budgeting terms

- Surplus occurs if you have a positive cash flow
- Deficit occurs if you have a negative cash flow
- Discretionary Income is the money you have left over after paying for essentials; it is used to evaluate the strength of a person's income; represents the money you can spend on wants

Designing a personal budget

Review and evaluate

1. Review on a monthly basis especially when you begin the process
2. Evaluate the budget against your personal financial goals
3. Monthly deficits need to be addressed immediately
4. Surplus needs to be added to savings
5. Do not get discouraged

Practical budget tips

- ✓ The budget must balance
 - ✓ The income must equal the expenses
 - ✓ If you have a surplus then it does not mean you must spend it – this is where a savings account adds value
- ✓ Plan carefully
 - ✓ Estimates should be based on some data
 - ✓ Cover all expenses
- ✓ Be practical
- ✓ Be flexible
- ✓ Write your budget down
- ✓ Be able to access your budget data easily

Budget resources – additional information

Financial Literacy for Everyone – <http://www.practicalmoneyskills.com>

The Zero Based Budget – <http://consumerist.com/consumer/tools/the-zero-based-budget-300076.php>

Sample budget template

Monthly income for the month of: _____

Item	Amount
Salary	
Spouse's salary	
Dividends	
Interest	
Investments	
Reimbursements	
Other	
Total	

Monthly expenses for the month of: _____

Item	Amount
Mortgage/Rent	
Car loan	
Car insurance	
House insurance	
Life insurance	
Childcare	
Charity	
Gas/electricity	
Telephone	
Cable	
Internet	
Food	
Gas/electricity	
Pet supplies	
Healthcare	
Entertainment	
Gifts	
Clothing	
Other	
Total	

Income vs. Expenses

Item	Amount
Monthly income	
Monthly expenses	
Difference	

Designing a personal budget

Bringing it all together

- ✓ *A variety of resources are available to help you design a personal budget*
 - *Consult with an advisor or representative at your bank*
 - *There are free online tools, app's and classes in the community (i.e. local library)*
 - *Experience is a good teacher – ask for insights from family and friends and trusted advisors*
- ✓ *Think about your future and your family*
 - *Marriage, kids, elder care*
 - *Retirement*
 - *Starting to save earlier than later is key to see the benefit of compound interest (“interest on interest”)*
- ✓ *If you are an entrepreneur, be mindful of separating work finances and personal finances*
 - *Avoid co-mingling of funds*
 - *Definition: the act of mixing the funds belonging to one party, especially when one party has responsibility to keep the funds separate for the other party*
- ✓ *Budget to enjoy life and have fun*
 - *“Quality of life” and work/life balance are key to good health*
- ✓ *When slips happen get back on the wagon*
 - *Patience, Perseverance and Persistence are the 3 P's to success*
 - *Being disciplined and tracking your budget on a monthly basis helps form good habits on managing your finances*

Choosing the Right Bank Account(s)

Types of bank accounts

Checking account

- A checking account offers easy access to your money for your daily transactional needs and helps keep your cash secure.

Savings account

- A savings account allows you to accumulate interest on funds you've saved for future needs. Interest rates can be compounded on a daily, weekly, monthly, or annual basis.

Certificate of deposit (CD)

- Certificates of deposit, or CDs, allow you to invest your money at a set interest rate for a pre-set period of time. CDs often have higher interest rates than traditional savings accounts because the money you deposit is tied up for the life of the certificate – which can range from a few months to several years.

Money market account

- Money market accounts are similar to savings accounts, but they require you to maintain a higher balance to avoid a monthly fee. Where savings accounts usually have a fixed interest rate, these accounts have rates that vary regularly based on money markets.

Individual retirement account (IRA)

- Individual retirement accounts, allow you to save independently for your retirement. These plans are useful if your employer doesn't offer retirement benefits or you want to save more than your employer-sponsored plan allows.

Compound interest

- Compound interest is the addition of interest to the principal sum of a loan or deposit, or in other words, "interest on interest".

Bringing it all together

- ✓ *A variety of accounts are available – consult with an advisor or representative at your bank for solutions that suit your needs*
- ✓ *When selecting an account(s) be sure to check the terms and conditions as well as the fees*
- ✓ *Internet and mobile banking tools are available to help you manage your account activity and track your statements*
- ✓ *Be mindful and do not share account details with any parties that appear suspicious*

*Source: Life And My Finances

Paying Bills and Other Expenses

Paying bills and other expenses

Online banking

- Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services.

Mobile banking

- Mobile banking refers to the use of a smart phone or other cellular device to perform online banking tasks while away from your home computer, such as monitoring account balances, transferring funds between accounts, bill payment and locating an ATM.

Reconciliation

- Reconciliation is an accounting process used to determine whether the money leaving an account matches the amount spent, ensuring the two values are balanced at the end of the recording period.

Account statement

- An account statement is a periodic summary of account activity with a beginning date and an ending date. The most commonly known are checking account statements, usually provided monthly, and brokerage account statements, which are provided monthly or quarterly.

Bringing it all together

- ✓ *Paying bills and other expenses on time is critical to fulfill your obligations*
- ✓ *Reconciling account statements is an important discipline to ensure finances are in order and to identify any potential suspicious activity*
- ✓ *Use of online and mobile banking are efficient means to remotely manage your expenses and monitor online account statements. It is important to carefully consider who has online access to accounts for data security*

Understanding Credit and Credit Cards

Credit and Credit Scores

Credit

- 1. The ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future.
- 2. An entry recording a sum received, listed on the right-hand side or column of an account.

Credit Score

- A credit score is a statistical number that depicts a person's creditworthiness. Lenders use a credit score to evaluate the probability that a person repays his debts. Companies generate a credit score for each person with a Social Security number using data from the person's previous credit history. A credit score is a three-digit number ranging from 300 to 850, with 850 as the highest score that a borrower can achieve. The higher the score, the more financially trustworthy a person is considered to be.

Fair Isaac Corporation (FICO)

- The Fair Isaac Corporation, also known as FICO, created the standard credit score model for use by financial institutions, and a FICO score is the most commonly used credit scoring system as of 2016. There are other providers of credit-scoring systems, such as the insurance and mortgage industries. Consumers can possess high scores by maintaining a long history of paying their bills on time and keeping a low amount of debt.

Score Factors

- When information is updated on a borrower's credit report, the borrower's credit score changes based on whether he makes a payment or misses a payment.
- The five main factors evaluated when calculating a credit score are payment history, total amount owed, length of credit history, types of credit and new credit. Payment history counts for 35% of a score and shows whether a person pays his obligations on time. Total amount owed counts for 30% of a score and shows the number of accounts a person has open and how much money he owes on each account. Length of credit history counts for 15% of a score and shows how long a person has had a credit history dating back to the first account opened.

Bringing it all together

- ✓ *Typically, six months' worth of on-time payment history provides enough data to generate a score*
- ✓ *It is important to proactively track your credit score – it can change over time*
- ✓ *If you suspect identity theft may be causing a low score then contact your bank immediately*

Card services

Credit card

- A credit card is a card issued by a financial company giving the holder an option to borrow funds, usually at point of sale. Credit cards charge interest and are primarily used for short-term financing. Interest usually begins one month after a purchase is made, and borrowing limits are pre-set according to the individual's credit rating.

Debit card

- A payment card that deducts money directly from a consumer's checking account to pay for a purchase. Debit cards eliminate the need to carry cash or physical checks to make purchases.

Credit card fraud

- Credit Card Fraud is a wide-ranging term for theft and fraud committed using or involving a payment card, such as a credit card or debit card, as a fraudulent source of funds in a transaction. The purpose may be to obtain goods without paying, or to obtain unauthorized funds from an account. Credit card fraud is also an adjunct to identity theft.

Bringing it all together

✓ *Credit and debit cards reduce the need to carry cash*

✓ *Reconciling account statements is an important discipline to ensure finances are in order and to identify any potential suspicious activity*

✓ *If you suspect identity theft may be causing a negative score then contact your bank immediately*

Protecting your Money

Data privacy and cyber security

Payment fraud

- Payment fraud refers to a fraud that takes place when fraudulent transactions are performed under a payment card. It occurs as a result of account takeover, or by the use of a counterfeit card with the customer's account number.

Phishing

- Phishing is the fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

Vishing

- Vishing is the fraudulent practice of making phone calls or leaving voice messages purporting to be from reputable companies in order to induce individuals to reveal personal information, such as bank details and credit card numbers.

Cyber security

- Cyber security is the state of being protected against the criminal or unauthorized use of electronic data, or the measures taken to achieve this.

Impersonation fraud

- Impersonation fraud is a type of identity theft that occurs when an individual utilizes the information and personal data of a deceased person in an attempt to fraudulently obtain credit, financial details, or other identity related criminal acts.

Bringing it all together

- ✓ *Being mindful of potential threats to your financial data is a first line of defense to keep your information safe*
- ✓ *When in doubt if a payment request is valid it is important to call the originator to verify all of the details before executing a transaction*
- ✓ *If a fraudulent payment has occurred then contact your bank immediately*

Resources

Useful links and references

Budgeting and Saving

- **Mint.com** (Free) – Automatically syncs your online bank accounts, credit cards, loans, and investment /retirement accounts. It provides a budgeting tool for monthly spending categories that you can track and stick to. You can also create savings goals and assign them to bank or investment accounts, so you can track your progress toward your goal.
 - Mint can be accessed on a computer or via an app.
 - You also have the option to track your credit score for free via Mint.
- Nerdwallet.com has also reviewed a number of online tools, such as Mint.com, Acorns, You Need A Budget, Level Money, etc.
 - <https://www.nerdwallet.com/blog/investing/budgeting-saving-tools/>

Saving for Retirement

- **Employer-sponsored 401(k)** – These are typically very easy to sign up for, and some employers provide “matched” contributions to your 401(k). Experts recommend saving as much as possible.
 - <https://www.irs.gov/retirement-plans/401k-plans>
- **Betterment.com** – One of the original “low-cost robo-advisers”; they offer both IRAs and taxable retirement accounts, as well as investment portfolios geared towards non-retirement life goals, such as saving for a house or car. This might be worth checking out for those without an employer-sponsored program.
- **Traditional banks** also offer retirement accounts – just ask!

Understanding Your Credit Report & Scores

- **Credit Scores:** There are 3 main credit bureaus, Equifax, Experian, and TransUnion. You could have different scores across all 3.
 - Free ways to check your credit score: Mint.com, some credit cards offer this for free as well.
- **Credit Report:** The Fair Credit Reporting Act (FCRA) requires each of the 3 nationwide credit reporting companies to provide you with a free copy of your credit report, at your request, once every 12 months. Experts recommend checking your report at least annually.
 - <https://www.consumer.ftc.gov/articles/0155-free-credit-reports>
 - <https://www.annualcreditreport.com>

Blogs and Other Resources

- **Nerdwallet.com** – Advice / reviews on credit cards, banking services, investing, mortgages, loans, and insurance. They do get paid when readers click to apply for products featured on the website.
- A lot of the online services have helpful blog posts; I’ve personally used some of the following:
 - Betterment: <https://www.betterment.com/resources/>
 - Personal Capital: <https://www.personalcapital.com/blog/>
 - Barclays US also offers online savings accounts and tools:
 - <https://www.banking.barclaysus.com/savings-assistant.html>

Disclaimer

This document has been prepared by Barclays Capital Inc. ("Barclays") for information purposes only. This document is confidential and is for the intended recipient and cannot be redistributed, published, reproduced or disclosed without the prior written permission from Barclays. Nothing herein shall be deemed to constitute investment, legal, tax, financial, accounting or other advice. The recipient is responsible for making its own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of any transaction or matter contemplated by this document and Barclays is not making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto. The decision to proceed with any action contemplated by this document must be made by the recipient in the light of its own commercial assessments and Barclays will not be responsible for such assessments. Barclays is not responsible for providing or arranging for the provision of any general financial, strategic or specialist advice, including legal, regulatory, accounting, model auditing or taxation advice or services or any other services in relation to the transaction and/or any related securities described herein. Neither Barclays nor any of its subsidiaries or affiliates, nor any of their respective officers, directors, employees or agents (Barclays together with such persons being the "Barclays Group") accepts any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this document or its contents or any reliance on the information contained herein. Barclays Group is not responsible for any specialist advice, including legal, regulatory, accounting, model accounting, tax, actuarial or other advice. This document does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or any of the businesses or assets described herein or an offer or recommendation to enter into any transaction described herein nor does this document constitute an offer or commitment to provide, arrange or underwrite any financing. Members of Barclays Group are involved in a wide range of commercial banking, investment banking and other activities out of which conflicting interests or duties may arise. Barclays Group operates in accordance with a conflicts of interest policy that identifies conflicts of interest Barclays Group faces in the ordinary course of its business, and establishes organizational and procedural measures to manage those conflicts where it is reasonably able to do so. Neither Barclays nor any other part of Barclays Group shall have any duty to disclose or utilize for the recipient's benefit any non-public information acquired in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business. This material has not been produced by Barclays' research department and does not constitute investment research or a research recommendation for the purposes of Financial Conduct Authority rules or a research report under U.S. law. Barclays' research analysts and research departments are independent from Barclays' banking business and are subject to certain regulations and internal policies. Barclays' research analysts may hold and make statements or investment recommendations and/or publish research reports with respect to any company referred to herein, the transactions contemplated herein or any person involved therein or related thereto that differ from or are inconsistent with the views or advice communicated by Barclays' banking business.

Barclays Capital Inc. is the United States investment bank of Barclays Bank PLC. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702). Registered in England. Registered No. 1026167. Registered office: 1 Churchill Place, London E14 5HP. Copyright Barclays Bank PLC, 2016 (all rights reserved).