



Budgeting & savings guide

Investor education

Success starts here

PART I Build your skills

Why you should budget	4
Meet your savings goals	5–7
Manage debt responsibly	8–9
Establish a budget	10

PART II Apply your skills

Test your knowledge	14–15
Create your plan	16

PART III Grow your skills

Additional resources	19
Budget & goals worksheets	20–21



A woman with braided hair, wearing a blue dress, is smiling as she measures a black mannequin with a pink measuring tape. The mannequin is wearing a light blue top and a green skirt. The scene is set in a well-lit room with a window in the background. The text "Build your skills" is overlaid in white on a semi-transparent dark blue band across the center of the image.

Build your skills

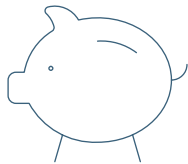
Why you should budget?

While budgeting may not sound exciting, it provides a framework to ensure you meet your goals without overextending your finances.

Know your balance!

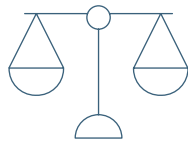


Meet your savings goals



Why save?

- Achieves financial security. And wouldn't that be nice?
- Creates peace of mind ... so money doesn't keep you up at night
- Provides a cushion for unexpected life events—both good and bad
- Puts your money to work for you! Choosing appropriate investments can help lead to financial freedom.



Guidelines for savings

- Spend less than you earn
- Budget before you borrow
- Plan ahead for all expected expenses
- No long-term debt for short-term purchases
- Recognize onetime debt (i.e., home loan) versus recurring debt (i.e., credit cards)



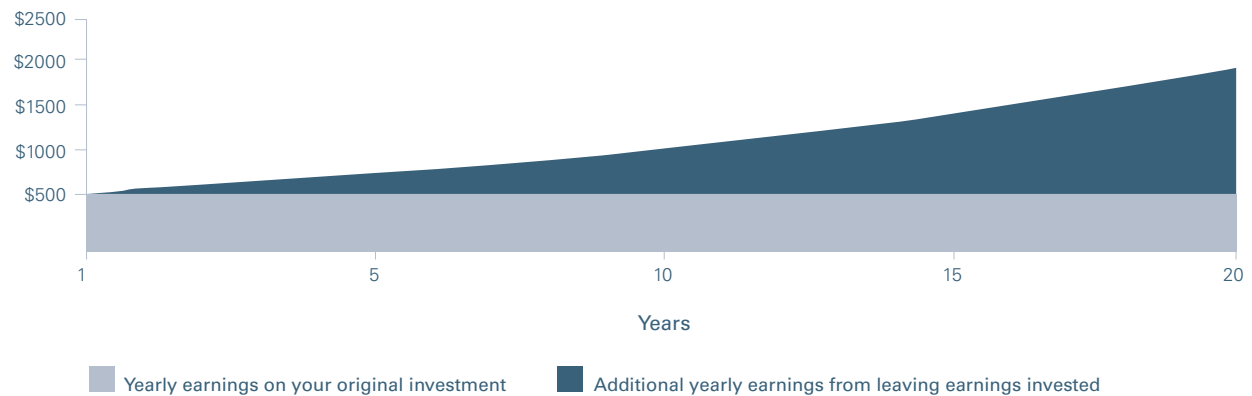
Tip: How *not* to pay for your savings goal

- Taking out money you had earmarked for retirement (or another goal, like college)
- Using your emergency fund—as the name suggests, this is meant for large, unplanned expenses
- Using credit cards—if you're looking for the most expensive way to reach a goal, then plastic is the way to go

The power of compounding

If you leave your money alone, as you can see below, your “earnings on earnings” will eventually grow to be larger than the earnings on your original investment.

Leave your earnings invested and watch compounding go to work



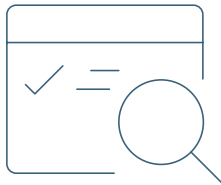
This hypothetical illustration assumes a \$10,000 investment and an annual 6% return. The illustration doesn't represent any particular investment, nor does it account for inflation.

Ensure your dollars work for you

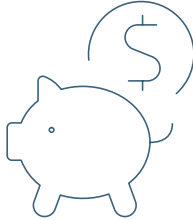
Where you invest your savings can make a difference with returns on your dollars.



1 Using your phone or tablet device, go to vanguard.com



2 Search "compare funds" & select "Compare mutual funds and ETFs"



3 Select your financial providers and the corresponding money market fund you hold

1. _____

2. _____

3. _____

4 Compare the rates across providers to see where you can make the most of your savings

Manage debt responsibly

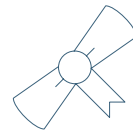
When to have debt:



Home ownership



Business ventures

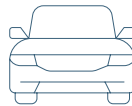


Education

When to *reduce* your debt:



Credit cards



Car loans



Nonessentials

Helpful methods to lower debt

Ask for a lower rate

You may be able to lower your credit card's interest rate by calling and asking, especially if your payment history is good. The credit company knows you can transfer your balance and may prefer to keep you as a customer.

Negotiate a payment plan

If you absolutely cannot afford the payments on a debt, you can contact your creditor and try to work out an alternate payment plan. They don't make money if you can't pay.

Make use of windfalls

If extra money comes your way, you can use it to help get your debt under control. For example, consider putting some or all of your income tax refund toward a debt payment.

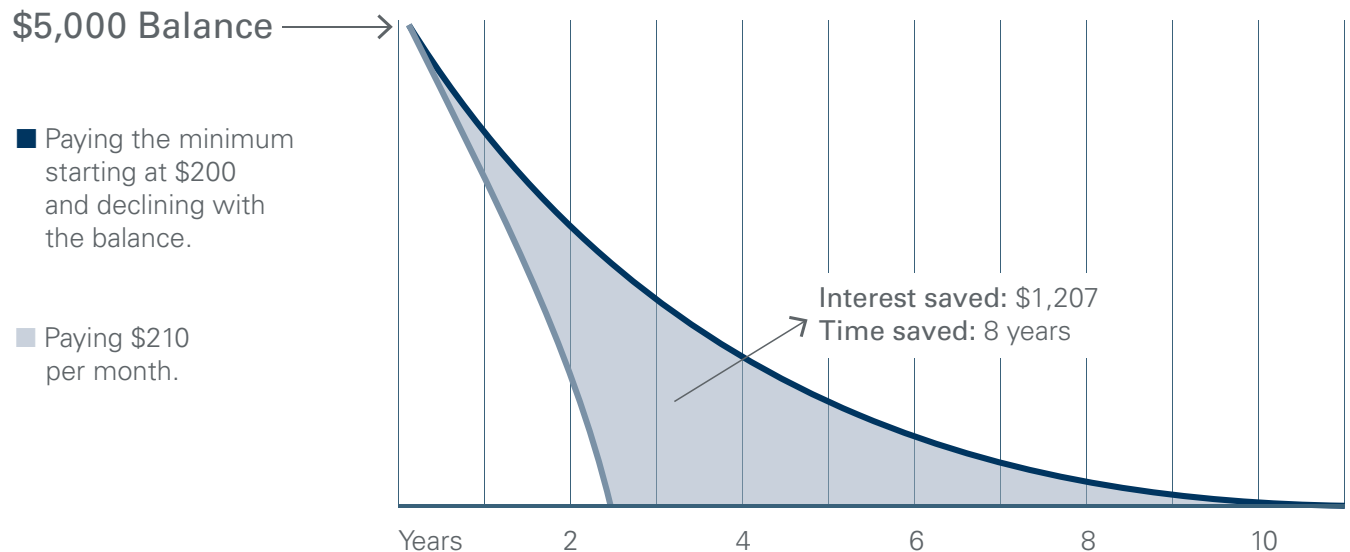


Tip: Key guidelines for success

- Pay off the highest interest rate FIRST
- Pay off your highest balance
- Minimum payments are NOT enough
- Understand fees and hidden costs
- Pay more principal on loans

Pay more to save money

It literally pays to pay more than the minimum when paying down a debt. That's because you reduce the amount of interest you pay and the time it takes.



Assumes a 15% interest rate



Tip

On most credit cards, the minimum payment goes down as your balance shrinks. You can use this to your advantage. When your balance is high, maybe you can only afford an extra \$10 above the minimum. But that same payment may be \$15 above the minimum after a few months. Your payment becomes more powerful over time.

How to set up a budget

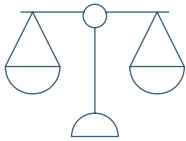
The purpose of a budget is to establish basic spending and savings guidelines to achieve long-term goals.

+	-
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Budgets are simple to establish

A budget requires you to focus on three types of information:

- Income. The money you receive from employment, gifts, trusts, or investment income over the course of a month or year.
- Spending. The things you spend money on.
- Goals. The money you set aside for saving, spending, and charitable giving.



Key principles to remember

While these principles may seem like an obvious rule of thumb, they can be difficult to adhere to as your budget becomes more complex.

- Keep track of *money earned* in a specified period.
- Keep track of *money spent* during that period.
- Money spent *should equal* the money earned—otherwise your budget has no value.

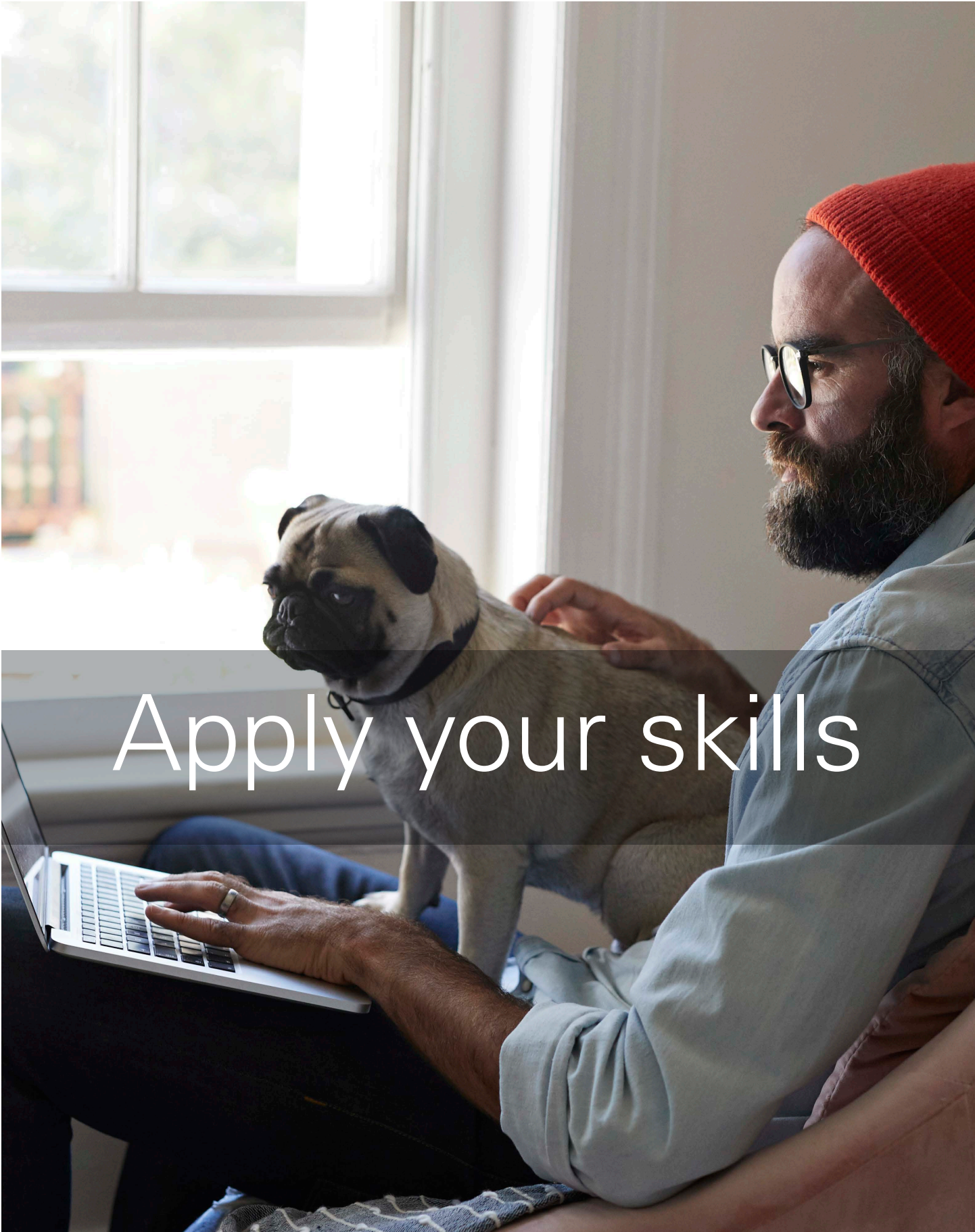


Tip

Use budgeting software or an application to simplify and maintain your budget over time. There are many helpful tools you can use to centralize your finances and provide analysis on spending and saving habits.

It all starts with ...

Knowing what you earn, spending within your means, managing your debt responsibly, and saving surplus earnings along the way.



Apply your skills

What does a successful budget look like?

Example scenario



Test your knowledge

This exercise will reinforce key principles for budgeting, saving, and debt through a practical example. Start by reviewing the sample budget worksheet and client profile.

Client profile:

Sara is single and employed full-time as a project lead at a well-known pharmaceutical company. She's been out of college for a few years with no remaining student loans. Sara has a family trust from which she receives regular distributions as well as an annual gift from her parents. Over the last few months, she's needed additional support to maintain her lifestyle.

Budget worksheet			
Income	Amount	Expenses (annually)	Amount
Annual salary*	\$55,000	Rent/mortgage	\$26,000
Quarterly trust distributions	\$10,000	Car expenses	\$6,200
Annual gifts	\$30,000	Insurance	\$2,200
		Credit card	\$72,000 (entertainment) \$38,000 (clothing)
		Electric/gas bills	\$2,400
		Savings	\$3,000
		Charitable donations	\$1,600
Annual total	\$95,000	Annual total	\$151,400

*After-tax (take-home) salary

Test your knowledge

What red flags do you see in this budget worksheet?

- Nothing, it's great
- Monthly car expenses
- Credit card bill
- Annual savings
- Monthly rent
- Spending habits
- Budget deficit
- Annual income
- _____

Would you do anything differently? If so, what would you change?

Has this exercise prompted any changes to your budgeting approach? If so, list some opportunities below.

Create your plan

Budgeting is one of the most practical steps you can take to organize your financial life—keeping track of the money you earn, the money you spend, and the money you save. Use this simple plan to keep your budget on track.



Build your budget

- Outline your income
- Outline expenses
- Create a budget



Set your goals

- Think through your spending needs (house, car, bills, etc.)
- Define your goals for saving, spending, and charitable giving



Plan for the future

- Manage your debt appropriately
- Follow key principles for saving

#BudgetLikeaBoss

Are you ready to take control
of your budget?

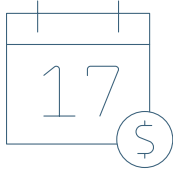




Grow your skills

Additional resources

Many resources are available to help you manage your budget. Below are only a few options to help you get started.



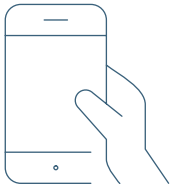
Vanguard automatic investment plan

This option for your Vanguard account will allow you to execute your savings goals through an automatic investment set at your desired frequency—weekly, monthly, quarterly, it’s up to you. Set up this option online or with the guidance of your relationship team.



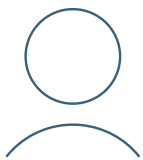
Vanguard Family Legacy website

This new online resource includes a Knowledge Center featuring a suite of educational topics ranging from investments and estate planning to legacy planning. You can use this resource to continue growing your financial acumen at your own pace.



Mobile & online applications

There are several great options for budgeting tools to simplify your life and minimize your time spent as your budget becomes more complex. Go to the app store to review different options, using ratings and reviews to guide you.



Connect with your relationship team

Your relationship team can continue to support you along the way and provide additional resources not listed here. Reach out to your relationship team today to learn more about the services available to you.

Draft your budget worksheet

Use this sample worksheet to begin building your personal budget and to identify opportunity areas.

Budget worksheet			
Income	Amount	Expenses	Amount
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
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	\$		\$
Total	\$	Total	\$

Set your goals

Most goals will have some flexibility, but it’s still important to set a realistic target date for each. This will hold you accountable—and give you the motivation to stay on track. You can use this framework to define your key goals over the short and long term and ensure your budget meets your needs.

	Example	1	2
Goal	Buy a house		
Total amount needed	\$450,000 (\$90,000 down)		
Target date	June 1, 2025		
Amount saved so far	\$25,000		
Remaining amount needed	\$18,000/year (\$1,500/month)		
How I’m saving	Making automatic contributions to money market account, savings trust distributions		



Tip

- Short-term goals typically mean you’d need to access the assets in the next 1 to 5 years.
- Long-term goals typically mean you’d need to access the assets in 5 years or more.



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Please remember that all investments involve some risk. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

Diversification does not ensure a profit or protect against a loss.

Past performance is no guarantee of future returns.

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