



## Module 1.1 Study Guide

# HUD Housing Counselors Training



*U.S. Department of Housing  
and Urban Development*

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### Module 1.1 Study Guide

# MODULE 1.1 FINANCIAL MANAGEMENT/BUDGET

## MODULE INTRODUCTION

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### MODULE INTRODUCTION

Helping clients achieve financial goals through budget coaching is essential to the housing counseling role.

In this module, you'll learn how to coach clients on building a realistic budget, advise clients on budget adjustment strategies, and how developing a Client Action Plan can guide their efforts.

### LESSON OBJECTIVES

By the end of this module, you'll be able to:

1. Coach a client to create a household budget based on financial goals.
2. Evaluate a client's current financial situation, including income, expenses, and future goals to help them achieve short- and long-term financial stability.
3. Advise a client about strategies to increase income and reduce expenses and debt to achieve their stated financial goals.

## BUDGET COACHING

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### COUNSELING SESSION

To learn about the budget process, you'll review a description of a housing counseling session with Rebecca, a housing counselor, and her client, Stella. During a housing counseling session, Rebecca follows these initial steps to help clients develop a budget and to create a Client Action Plan achieving their housing goals.



*Rebecca, a Housing Counselor, and Stella, a Client*

1. Help the client identify short- and long-term goals.
2. Discuss the importance of budgeting as a tool for achieving goals faster.
3. Explain the budget creation process and the necessary components.

Later in the module, Rebecca will continue with additional steps in the process.

**REBECCA.** What brings you in today?

**STELLA.** I want to find a way to save to buy a house for my two children and me. We're living with my uncle and his family, but the apartment is too small for all of us. I need to pay off the debt from my cleaning business and save for a down payment on a house.

**REBECCA.** How soon would you like to reach these two goals?

**STELLA.** I'd really like to have all my debt paid off in about six months and buy a place in a year or so. I'm making good money with the cleaning business, and I should be able to save, but it's hard with all the bills I have to pay.

**REBECCA.** That's okay. You have to identify your goals in order to achieve them. Let's document these goals and then discuss the budget process. Have you ever put together a budget?

**STELLA.** I have to keep track of my expenses for my business, but I've never really created a budget for myself. With my kids and my job, I don't have a lot of time. And I'm not great with math either.

**REBECCA.** We can start the process together, and I can give you tips on budgeting. Then we'll review income documents and expenses in order to create a realistic budget.

**STELLA.** Well, I brought a lot of paperwork with me, like my paychecks and bank statements from the past month or two.

**REBECCA.** Great. Keeping your financial documents in order will help you tremendously in this process, let's take a look!

After the initial assessment, Rebecca makes note of Stella's housing goals and associated time frames in the Client Action Plan.

<b>Client Action Plan</b>		
<b>File #:</b> 00HUD123	<b>Counselor:</b> Rebecca	<b>Client Name:</b> Stella
<b>Date:</b> January 10, 2023	<b>Purpose of Visit:</b> Financial Counseling	
<b>Housing Goal(s):</b> 1. Pay off debt in six months 2. Save for a down payment to buy a house in about a year		

Before starting to create a budget, Rebecca offers some words of encouragement to Stella about the budgeting process. Rebecca reminds Stella that the purpose of tracking her money is to help achieve her financial goals.

In doing so, Stella sees where she can increase savings by decreasing expenses. Rebecca lets Stella know that after looking at the numbers, most clients will adjust goals or timelines to create goals that are realistic and attainable.

Here are some words of encouragement housing counselors can offer clients as they embark on the process of household budgeting:

- Think of your budget as a spending plan, not a restriction on your lifestyle. Remind yourself that the adjustments you make will help you achieve your goals!
- Making a budget is less about math and more about planning. There are simple ways to improve your skills and manage your money.
- Like any skill, practice makes perfect. The more consistently you review the budget, the faster the process will become, and the easier it will be to make adjustments!

Stella now appears more positive and ready to tackle the next step, so Rebecca moves into the budget process. Next, Rebecca and Stella discuss Stella's budget. Rebecca shares a Budget Worksheet and reviews items needed to track income and expenses.

## Budget Worksheet

	Description	Current	Adjusted	Amount Saved
<b>Income</b>				
Housing	Employment Income 1	\$0	\$0	\$0
	Employment Income 2	\$0	\$0	\$0
	Social Security/ Disability	\$0	\$0	\$0
	Pension/Retirement	\$0	\$0	\$0
	Child Support	\$0	\$0	\$0
	Benefits	\$0	\$0	\$0
	Other	\$0	\$0	\$0
	Total Income	\$0	\$0	\$0
<b>Expenses</b>				
Transportation	Mortgage/Rent	\$0	\$0	\$0
	Insurance— Homeowners/Renters	\$0	\$0	\$0
	Taxes	\$0	\$0	\$0
	Maintenance	\$0	\$0	\$0
	Warranty	\$0	\$0	\$0
	Association Dues	\$0	\$0	\$0
	Other	\$0	\$0	\$0
	Vehicle Payment 1	\$0	\$0	\$0
Utilities	Vehicle Payment 2	\$0	\$0	\$0
	Gas/Fuel	\$0	\$0	\$0
	Parking	\$0	\$0	\$0
	Auto Insurance	\$0	\$0	\$0
	Vehicle Registration/ Taxes/Fees	\$0	\$0	\$0
	Auto Maintenance/ Service/Repairs	\$0	\$0	\$0
	Public Transportation	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Utilities	Electric	\$0	\$0	\$0
	Gas	\$0	\$0	\$0
	Water	\$0	\$0	\$0
	Trash	\$0	\$0	\$0
	Internet	\$0	\$0	\$0
	Cable	\$0	\$0	\$0
	Home Phone	\$0	\$0	\$0
	Mobile Phone	\$0	\$0	\$0
Utilities	Other	\$0	\$0	\$0

	Description	Current	Adjusted	Amount Saved
Food	Groceries	\$0	\$0	\$0
	Dining Out	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Healthcare	Premiums (if no employer plan)	\$0	\$0	\$0
	Co-pays	\$0	\$0	\$0
	Prescriptions	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Loans	Credit Card Payments	\$0	\$0	\$0
	Student Loans	\$0	\$0	\$0
	Personal Loans	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Savings	Emergency Fund	\$0	\$0	\$0
	Large Purchase	\$0	\$0	\$0
	Retirement	\$0	\$0	\$0
Personal	Clothing	\$0	\$0	\$0
	Children's Clothing	\$0	\$0	\$0
	Hygiene/Barber/Beauty	\$0	\$0	\$0
	Gym/Health/Sports	\$0	\$0	\$0
	Dry Cleaning	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Children	Childcare	\$0	\$0	\$0
	Extracurricular Activities	\$0	\$0	\$0
	Tuition	\$0	\$0	\$0
	School Supplies	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Miscellaneous	Alimony/Child Support	\$0	\$0	\$0
	Charity/Donations/Tithe	\$0	\$0	\$0
	Gifts	\$0	\$0	\$0
	Entertainment (movies, music, etc.)	\$0	\$0	\$0
	Pets (food, medical, etc.)	\$0	\$0	\$0
	Insurance (life, disability, umbrella)	\$0	\$0	\$0
	Household maintenance	\$0	\$0	\$0
	Other: Jewelry-making expenses	\$0	\$0	\$0
	Total Expenses	\$0	\$0	\$0

## Track Income

*Note: Write down all income from each job or income source after taxes.*

### Items to Include

- Employment income
- Temporary jobs
- Unemployment compensation
- Public assistance

*Note: Ask the client about their rate of pay and frequency. Ex: hourly or salary and bi-weekly or semi-monthly.*

*Note: If the amount varies, average it out over 12 months.*

### Items Not to Include

- Pre-tax payroll deductions—Retirement fund contributions and expenses like Flexible Spending Account contributions are deducted before clients receive any compensation and should not be counted.
- Credit score—Though important for personal finances, this is not necessary for the budgeting process. Credit reports, however, may be useful to determine if a client has forgotten a credit card or loan payment.

### Documents to Use

- Paychecks, direct deposit slips, W2's, Form 1040 U.S. Tax Return
- If self-employed, income and expenses sheet, Schedule C of U.S. Tax Return
- Additional income checks or cash
- Government benefits letters (SSI, unemployment, etc.)

## Track Expenses

*Note: Write down all expenses.*

### Items to Include

- All bills
- All fixed monthly expenses
- All cash expenses
- Seasonal or annual expenses such as car registration, gifts, tax preparation fees, vacations, or expenses related to the holiday season

## Documents to Use

- Utility, insurance, and other bills
- Bank statements
- Credit card statements
- Records about car registration or school supplies for estimated amount of expected periodic expense

## KNOWLEDGE CHECK 1

Which information should the counselor include when creating a budget with the client?

*Place a check mark (✓) next to the options that apply.*

- A. Payment information for a paid-off car
- B. Amount spent on groceries
- C. Rent payment information
- D. Monthly cable bill

## KNOWLEDGE CHECK 2

Which statement demonstrates the importance of tracking income and expenses?

- A. It helps improve the client's credit score.
- B. It helps show clients their true spending habits.
- C. It helps show clients that their spending and expenses are out of control.
- D. It helps clients determine if they can eliminate needs.

## NEXT STEPS IN BUDGET COUNSELING

Now that Stella has identified her income and expenses, it's time to review and make adjustments that will help her achieve her financial goals. To do this, Rebecca follows these secondary steps to help clients develop a realistic budget.

1. Examine content in the Budget Worksheet.
2. Ask client what they have discovered about income and spending habits.
3. Ask client if they think their goal(s) are achievable.
4. Coach client on strategies for defining needs over wants.
5. Discuss effective strategies for adjusting their budget and goals.
6. Develop a Client Action Plan that includes client and counselor action steps and time frames.

**REBECCA.** Let's take a look at the budget so far. What did you find out about your money and spending habits in the process of writing down your income and expenses?

**STELLA.** I realized that I spend a lot on food. I eat out a lot, especially when I am working. And I think I go to the mall too often!

**REBECCA.** Do you think you can achieve your goals with your current income and spending habits?

**STELLA.** I don't think so. I don't have much money left at the end of each month. I was planning to pay off my debts and save for a 5% down payment on a \$100,000 house, but if I am only saving about \$25 each month, I will never be a homeowner.

**REBECCA.** Have you thought of ways to make more money and/or spend less?

**STELLA.** Well, I suppose that I could work some more, or maybe cut some expenses, maybe eat out less.

**REBECCA.** That's a good start and takes us to our next steps. Let's look through your budget and identify which expenses are needs and which are wants. This information will help you make some adjustments.

Needs: 

Wants: 

### Budget Worksheet

	Description	Current	Adjusted	Amount Saved
<b>Income</b>				
	Employment Income 1	\$2,000	\$0	\$0
	Employment Income 2	\$0	\$0	\$0
	Social Security/ Disability	\$0	\$0	\$0
	Pension/Retirement	\$0	\$0	\$0
	Child Support	\$0	\$0	\$0
	Benefits	\$0	\$0	\$0
	Other	\$0	\$0	\$0
	Total Income	\$2,000	\$0	\$0
<b>Expenses</b>				
Housing	 Mortgage/Rent	\$150	\$0	\$0
	 Insurance—Homeowners/ Renters	\$30	\$0	\$0
	Taxes	\$0	\$0	\$0
	Maintenance	\$0	\$0	\$0
	Warranty	\$0	\$0	\$0
	Association Dues	\$0	\$0	\$0
	Other	\$0	\$0	\$0

	Description	Current	Adjusted	Amount Saved
Transportation	✓ Vehicle Payment 1	\$308	\$0	\$0
	Vehicle Payment 2	\$0	\$0	\$0
	✓ Gas/Fuel	\$125	\$0	\$0
	Parking	\$0	\$0	\$0
	✓ Auto Insurance	\$82	\$0	\$0
	✓ Vehicle Registration/ Taxes/Fees	\$15	\$0	\$0
	✓ Auto Maintenance/ Service/Repairs	\$20	\$0	\$0
	Public Transportation	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Utilities	Electric	\$0	\$0	\$0
	Gas	\$0	\$0	\$0
	Water	\$0	\$0	\$0
	Trash	\$0	\$0	\$0
	Internet	\$0	\$0	\$0
	Cable	\$0	\$0	\$0
	Home Phone	\$0	\$0	\$0
	✓ Mobile Phone	\$120	\$0	\$0
	Other	\$0	\$0	\$0
Food	✓ Groceries	\$375	\$0	\$0
	✗ Dining Out	\$225	\$0	\$0
	Other	\$0	\$0	\$0
Healthcare	Premiums (if no employer plan)	\$0	\$0	\$0
	✓ Co-pays	\$50	\$0	\$0
	✓ Prescriptions	\$60	\$0	\$0
	Other	\$0	\$0	\$0
Loans	✓ Credit Card Payments	\$50	\$0	\$0
	Student Loans	\$0	\$0	\$0
	Personal Loans	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Savings	Emergency Fund	\$0	\$0	\$0
	✓ Large Purchase	\$25	\$0	\$0
	Retirement	\$0	\$0	\$0
Personal	✓ Clothing	\$175	\$0	\$0
	Children's Clothing	\$0	\$0	\$0
	✓ Hygiene/Barber/Beauty	\$30	\$0	\$0
	Gym/Health/Sports	\$0	\$0	\$0
	✓ Dry Cleaning	\$15	\$0	\$0
	Other	\$0	\$0	\$0

	Description	Current	Adjusted	Amount Saved
Children	Childcare	\$0	\$0	\$0
	✗ Extracurricular Activities	\$30	\$0	\$0
	Tuition	\$0	\$0	\$0
	✓ School Supplies	\$15	\$0	\$0
	Other	\$0	\$0	\$0
Miscellaneous	Alimony/Child Support	\$0	\$0	\$0
	Charity/Donations/Tithe	\$0	\$0	\$0
	Gifts	\$0	\$0	\$0
	✗ Entertainment (movies, music, etc.)	\$60	\$0	\$0
	✓ Pets (food, medical, etc.)	\$25	\$0	\$0
	Insurance (life, disability, umbrella)	\$0	\$0	\$0
	✓ Household maintenance	\$15	\$0	\$0
	Other	\$0	\$0	\$0
	Total Expenses	\$2,000	\$0	\$0

## STRATEGIES TO INCREASE INCOME AND PAY DOWN DEBT

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### NEXT STEPS IN THE COUNSELING SESSION

Next, Rebecca shares a list of common strategies for increasing income and reducing expenses and debt, which may give Stella some ideas for how to adjust her budget.

#### Increase Income

Strategies for increasing income include:

- Find second job
- Work overtime
- Negotiate higher salary/wage
- Sell assets (e.g., car)
- Hold a yard/garage sale
- Teach a skill/craft/activity
- Sell a craft (e.g., jewelry or carpentry)
- Charge rent (if adult dependents in home)
- Evaluate tax withholdings

- *Note: \*If a tax refund is expected, decreasing withholdings can increase income received throughout the year. To learn more, visit: [IRS Withholding Calculator](#).*

## Decrease Expenses and Debt

Strategies for decreasing expenses and debt include:

- Prioritize “needs” over “wants”
- Reduce or eliminate “wants” (e.g., clothes, gym)
- Cancel or downgrade services (e.g., cable, telephone)
- Limit miscellaneous spending
- Stick to a shopping list
- Reduce debt (pay off a loan or credit card)
- Move to more affordable housing
- Change insurance coverage for lower premiums, but don’t cancel

The Consumer Financial Protection Bureau offers a number of [Money Management Publications](#) and resources to share with clients.

### KNOWLEDGE CHECK 3

Which expense is considered a “want” rather than a “need”?

- A. Health care premium
- B. Car insurance
- C. Gym membership
- D. Rent

### KNOWLEDGE CHECK 4

Which actions should a counselor suggest to a client who is looking for ways to decrease expenses?

*Place a check mark (✓) next to the options that apply.*

- A. Cancel an insurance policy
- B. Cancel cable TV service
- C. Stick to a shopping list
- D. Conserve energy in the home

## KNOWLEDGE CHECK 5

Which are effective ways to increase income?

*Place a check mark (✓) next to the options that apply.*

- A. Work available over time
- B. Teach yoga
- C. Find a second job
- D. Factor in an anticipated raise

## ADJUSTING GOALS AND BUDGET

By the end of the appointment, Stella realizes her budget and goals need to be adjusted further. She has decided to make the following adjustments.

### Income Adjustments

Increase income by \$185 for a total income of \$2,185/month

- Stella plans to raise the rates for her cleaning business, increasing income by \$150/month.
- She also plans to sell homemade jewelry. Though she might earn more, she knows she will earn at least \$35 each month, so she includes the minimum income in her budget.

### Expense Adjustments

Reduce expenses by \$115 to \$1,860/month

- Stella will focus on decreasing spending on food by sticking to a shopping list. She plans to make brown bag lunches instead of dining out.
- She will also lower expenses by buying fewer new clothes, sticking only to what she needs.
- Stella estimates that she will need to spend about \$10 each month on materials and supplies to make jewelry.

### Savings Adjustments

Add income increases and spending reductions to her savings

- The combined effort allows Stella to increase her monthly savings from \$25 to \$325, which will help her achieve her goals of reducing her debt and buying a home for herself and her two children.

## Budget Worksheet

	Description	Current	Adjusted	Amount Saved
<b>Income</b>				
	Employment Income 1	\$2,000	\$2,150	\$150
	Employment Income 2	\$0	\$0	\$0
	Social Security/ Disability	\$0	\$0	\$0
	Pension/Retirement	\$0	\$0	\$0
	Child Support	\$0	\$0	\$0
	Benefits	\$0	\$0	\$0
	Other	\$0	\$35	\$35
	<b>Total Income</b>	<b>\$2,000</b>	<b>\$2,185</b>	<b>\$185</b>
<b>Expenses</b>				
Housing	Mortgage/Rent	\$150	\$150	\$0
	Insurance— Homeowners/Renters	\$30	\$30	\$0
	Taxes	\$0	\$0	\$0
	Maintenance	\$0	\$0	\$0
	Warranty	\$0	\$0	\$0
	Association Dues	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Transportation	Vehicle Payment 1	\$308	\$308	\$0
	Vehicle Payment 2	\$0	\$0	\$0
	Gas/Fuel	\$125	\$125	\$0
	Parking	\$0	\$0	\$0
	Auto Insurance	\$82	\$82	\$0
	Vehicle Registration/ Taxes/Fees	\$15	\$ 15	\$0
	Auto Maintenance/ Service/Repairs	\$20	\$20	\$0
	Public Transportation	\$0	\$0	\$0
Utilities	Other	\$0	\$0	\$0
	Electric	\$0	\$0	\$0
	Gas	\$0	\$0	\$0
	Water	\$0	\$0	\$0
	Trash	\$0	\$0	\$0
	Internet	\$0	\$0	\$0
	Cable	\$0	\$0	\$0
	Home Phone	\$0	\$0	\$0

	Description	Current	Adjusted	Amount Saved
Food	Groceries	\$375	\$375	\$0
	Dining Out	\$225	\$175	\$50
	Other	\$0	\$0	\$0
Healthcare	Premiums (if no employer plan)	\$0	\$0	\$0
	Co-pays	\$50	\$50	\$0
	Prescriptions	\$60	\$60	\$0
	Other	\$0	\$0	\$0
Loans	Credit Card Payments	\$50	\$50	\$0
	Student Loans	\$0	\$0	\$0
	Personal Loans	\$0	\$0	\$0
	Other	\$0	\$0	\$0
Savings	Emergency Fund	\$0	\$0	\$0
	Large Purchase	\$25	\$325	\$0
	Retirement	\$0	\$0	\$0
Personal	Clothing	\$175	\$100	\$75
	Children's Clothing	\$0	\$0	\$0
	Hygiene/Barber/Beauty	\$30	\$30	\$0
	Gym/Health/Sports	\$0	\$0	\$0
	Dry Cleaning	\$15	\$15	\$0
	Other	\$0	\$0	\$0
Children	Childcare	\$0	\$0	\$0
	Extracurricular Activities	\$30	\$30	\$0
	Tuition	\$0	\$0	\$0
	School Supplies	\$15	\$15	\$0
	Other	\$0	\$0	\$0
Miscellaneous	Alimony/Child Support	\$0	\$0	\$0
	Charity/Donations/Tithe	\$0	\$0	\$0
	Gifts	\$0	\$0	\$0
	Entertainment (movies, music, etc.)	\$60	\$60	\$0
	Pets (food, medical, etc.)	\$25	\$25	\$0
	Insurance (life, disability, umbrella)	\$0	\$0	\$0
	Household maintenance	\$15	\$15	\$0
	Other: Jewelry-making expenses	\$0	\$10	-\$10
	Total Expenses	\$2,000	\$2,185	\$115

## CREATING AN ACTION PLAN

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### CREATING AN ACTION PLAN

Rebecca helps Stella develop her Client Action Plan, which will tie together her adjusted goals, budget, and timeline. This document will keep her on track moving forward and serve as a reminder if she thinks about making impulse purchases.

According to her goals, she wants to save for a down payment of 5% on a \$100,000 home, or \$5,000. If she follows her plan and sticks to her budget, which includes \$50 a month in debt repayment, she will have \$3,900 in her savings account after saving \$325 each month for one year. Based on previous years, she anticipates a tax refund next year of about \$1,200, so she should have more than the \$5,000 she needs after only 12 months!

<b>Client Action Plan</b>				
<b>File #:</b> 000HUD123	<b>Counselor:</b> Rebecca	<b>Client Name:</b> Stella		
<b>Date:</b> January 10, 2023	<b>Purpose of Visit:</b> Financial Counseling			
<b>Housing Goal(s):</b>				
1. Pay off debt in six months 2. Save for a down payment to buy a house in about a year 3.				
<b>Obstacle(s):</b>				
1. No savings 2. No money left in budget to contribute to down payment fund 3. Credit card debt				
<b>Financial Snapshot:</b>		<b>Income Summary:</b>		
<b>Current Credit Score</b>	---	<input type="checkbox"/> Full Time Employment		
<b>Current Savings</b>	\$0	<input type="checkbox"/> Part Time Employment		
<b>Gross Monthly Income (GMI)</b>	\$2,000	<input checked="" type="checkbox"/> Self-Employment		
<b>Net Monthly Income</b>	\$2,000	<input type="checkbox"/> Child Support		
<b>Current Monthly Expenses</b>	\$1,975	<input type="checkbox"/> Spouse/Partner Employ		
<b>Monthly Debt Obligations</b>	\$358	<input type="checkbox"/> Pension		
<b>Discretionary Income Left Over</b>	\$25	<input type="checkbox"/> Retirement/Soc Sec		
<b>Current Mortgage/Rent</b>	\$150	<input type="checkbox"/> Other		
<b>Housing Ratio</b>	7.5%			
<b>Debt-to-Income Ratio</b>	25.4%			
<b>Housing &amp; Transportation Ratio (renters)</b>		45%		

Housing Preferences:	Needs	Wants
Types & Features	n/a	n/a
	n/a	n/a
<b>Counselors Actions/Tasks and Time Frames:</b>		
1. Follow up with Stella to review progress (by February) 2. 3.		
<b>Client Actions/Tasks and Time Frames:</b>		
1. Make budget adjustments to save an additional \$325/month, using strategies to increase income and reduce spending (beginning immediately) 2. Save tax refund toward fund for down payment (by April) 3. Pay down \$300 of credit card debt (by July) 4. Save \$5,000 for 5% down payment on \$100,000 home (within one year)		
<b>Referrals:</b>		
1. Financial Management course—800.123.SAVE 2. 3.		
<b>Next Appointment:</b>		
<b>Client Signature:</b> <i>Stella</i>		<b>Date:</b> January 10, 2020
<b>Counselor Signature:</b> <i>Rebecca</i>		<b>Date:</b> January 10, 2020

## KNOWLEDGE CHECK 6

Rebecca's next appointment is with Ray, a client who recently started a new job and wants to buy a car to cut down on his commute time. Rebecca reviews documents that Ray brought to the counseling session and determines that Ray makes about \$1,900 each month after taxes. He pays his bills every month and covers his other expenses, but he never has any money left for savings.

Identify which information should be included in determining a budget with a check mark (✓), and which should be excluded with a "X".

- \_\_\_ 1. Pay Stub
- \_\_\_ 2. Bank Statements
- \_\_\_ 3. Utility Bills
- \_\_\_ 4. Social Security Award Letter
- \_\_\_ 5. Annual Bonus
- \_\_\_ 6. Stock Dividends
- \_\_\_ 7. Employer Reimbursements
- \_\_\_ 8. Credit Score

## **KNOWLEDGE CHECK 7**

Ray's commute on the bus takes over an hour, so he wants to buy a car as soon as possible, but he has poor credit and cannot obtain a loan right now. He thinks he can find a reliable car for about \$2,000 and has about 20% of the total in the bank from his tax refund. If Ray's goal is to buy a car within 8 months, what is the minimum amount he needs to save each month?

- A. \$150
- B. \$175
- C. \$200
- D. \$225

## **KNOWLEDGE CHECK 8**

Rebecca helps determine that with adjustments Ray can set aside \$320 each month to buy the car. How many months will he need to save this amount?

- A. At least 4
- B. At least 5
- C. At least 6
- D. At least 7

## **KNOWLEDGE CHECK 9**

Before the end of the counseling session, Rebecca, the counselor, will provide Ray, the client, with a copy of his signed Client Action Plan. Which information should be included in Ray's signed Client Action Plan?

- A. The client's budget and the counselor's action steps
- B. The client's housing goal and the counselor's action steps
- C. The counselor's housing goal and the client's action steps
- D. The counselor's budget and the client's action steps

## **SUMMARY**

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In this module, you learned to:

1. Coach a client to help them create a household budget based on financial goals.
2. Evaluate a client's current financial situation, including income, expenses, and future goals to help the achieve short- and long-term financial stability.
3. Advise a client about strategies to increase income and reduce debt(s) to achieve their stated financial goals.

## APPENDIX

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### KNOWLEDGE CHECK ANSWER KEY

**1. B, C, D**

(B) Amount spent on groceries, (C) Rent payment information, (D) Monthly cable bill—These expenses are current and need to be included in the budget.

Incorrect answer: (A) Payment information for a paid-off car—since the client is no longer making payments, this information should not be included in the budget.

**2. (B) It helps show clients their true spending habits.**

Clients sometimes over estimate the amount they spend on some things and under estimate what they spend on others.

Incorrect answers: (A) It helps improve the client's credit score—tracking income and expenses is unrelated to credit score. C) It helps show clients that their spending and expenses are out of control—the purpose of tracking is to inform realistic budget preparation, not to condone or condemn a client's choices. D) It helps clients determine if they can eliminate needs—clients should focus on eliminating wants to cut expenses, not needs.

**3. (C) Gym membership**

Gym membership is not a necessity and can be negotiated if a client is looking to spend less.

Incorrect answers: (A) Health care premium, (B) Car insurance, and (D) Rent—These are needs.

**4. B, C, D**

(B) Cancel cable TV service—Cable TV is a lower priority expense. (C) Stick to a shopping list—Buying only items on the list can help reduce unnecessary expenses. (D) Conserve energy in the home—Conserving energy in the home means lower utility bills.

Incorrect answer: (A) Cancel an insurance policy—canceling insurance could leave the client at financial risk.

**5. A, B, C**

(A) Work available over time, (B) Teach yoga, (C) Find a second job—Earning more by working over time, teaching a skill, or finding a second job will increase income.

Incorrect answer: (D) Factor in an anticipated raise—while a raise would be welcomed, it is not guaranteed.

**6. Information included in determining budget: A, B, C, D**

**Information excluded from determining budget: E, F, G, H**

(A) Pay Stub, (B) Bank Statements, (C) Utility Bills, and (D) Social Security Award Letter—This information is central to creating an effective budget.

(E) Annual Bonus—This should not be included in the budget because it is not guaranteed. (F) Stock Dividends—While stock dividends can provide income, but there is no guarantee of receipt or amount. (G) Employer Reimbursements—Items that are reimbursed by an employer are not part of a personal budget, but should be tracked to ensure receipt of payment. (H) Credit Score—While your credit score is important to personal finances, it is not a factor in a budget. Credit reports, however, may be useful to determine if a client has forgotten a credit card or loan payment.

**7. (C) \$200**

Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. After 5 months, he will have exactly that amount.

Incorrect answers: (A) \$150—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. He will only have \$1,200 if he saves \$150 for 8 months. (B) \$175—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 to reach his goal. He will only have \$1,400 if he saves \$175 for 8 months. (D) \$225—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. He will have \$1,800, more than enough, if he saves \$225 for 8 months.

**8. (B) At least 5**

Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. After 5 months, he will have exactly that amount.

1.  $\$2,000 \times 20\% = \$400$
2.  $\$2000 - \$400 = \$1600$
3.  $\$1600 / 5 \text{ months} = \$320 \text{ per month}$

Incorrect answers: (A) At least 4—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. After 4 months, he will only have \$1,280. (C) At least 6—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. He will have \$1,920 after 6 months, so he can reach his goal earlier. (D) At least 7—Ray has 20% of \$2,000 saved, or \$400, so he needs at least \$1,600 more to reach his goal. He will have \$2,240 after 7 months, so he can reach

his goal earlier.

**9. (B) The client's housing goal and the counselor's action steps**

The Client Action Plan has several components including the client's housing goal and action steps for both the client and the counselor.

Incorrect Answers: (A) The client's budget and the counselor's action steps—though it helps inform the action plan, the budget is typically a separate document, (C) The counselor's housing goal and the client's action steps and (D) The counselor's budget and the client's action steps—the counselor's housing goal and budget are not relevant to the client's action plan.

## RESOURCES

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### CFPB BULK PUBLICATIONS

[pueblo.gpo.gov/CFPBpubs/CFPBpubs.php?NavCode=XB&Sub2ID=219&CatID=24](http://pueblo.gpo.gov/CFPBpubs/CFPBpubs.php?NavCode=XB&Sub2ID=219&CatID=24)

### IRS WITHHOLDING CALCULATOR

[www.irs.gov/Individuals/IRS-Withholding-Calculator](http://www.irs.gov/Individuals/IRS-Withholding-Calculator)