



HOMEWORK

1. **YOUR CHALLENGE** - is to finish exercise 3.11a and put the answers on form 3.01

When complete answer:

- Is Maria's annual "cash flow" positive or negative? And by how much?
- How long will it take her to reach her savings goal at this rate?
- What suggestions do you have for Maria?

Email your answers AND Maria's complete cash flow statement (form 3.01) to the instructor.

2. **READ 3.00 – How to prepare a Cash Flow Statement**

3. **FILL OUT FORM 3.01 – Cash Flow Statement - for yourself.**

Sit down with a cup of coffee (or a glass of wine) and estimate your PRIOR year's sources and uses of cash. Do NOT stress if the estimate is not 100% accurate; your estimates will be close.

Then, when you are ready to fine-tune – follow the instructions at the end of this assignment. It takes time but is a surefire way to catch all cash flow items.

To be prepared for class #3

4. **READ 4.0 – Introduction to Personal Financial Statements and Balance Sheets.** Learn the difference between assets and liabilities and some other financial lingo.
5. **PRINT 4.01 – FORM for Personal Financial Statement.** (either the Excel or the PDF version)
6. **PRINT- 4.11a – EXERCISE Calculate Maria's Personal Financial Statement – part 1** – the exercise will be done during the next class, and having it PRINTED is helpful.

TO GET AN ACCURATE CASH FLOW STATEMENT - BUDGET

1. **Decide for** which year you will prepare the Cash Flow Statement –I suggest the prior calendar year.
2. **Decide on** no more than 25 total categories for cash in or cash out .
3. Gather your W-2 for the budget year to confirm gross pay and deductions.
4. Download into Excel or Numbers – your prior year's BANK and CREDIT CARD transactions. Each transaction should be a separate line item, listing in different columns the
 - a. Transaction date
 - b. From whom the cash was received, or the name of the vendor paid
 - c. Amount of transaction
5. For each transaction Enter in another column.
 - a. the bank name or credit card company for each transaction
 - b. YOUR category name or number so the file can be SORTED by category.
6. After all line items are coded, with the category name or number, Sort by category, and then subtotal by category. This should give you the exact amount received/spent per category.
7. Transfer those amounts to the Cash Flow form you chose to use.

Note that the deposits made into your account for payroll will show up as the “net amount” received. On the budget form, you need to make some adjustments – Under CASH IN - enter your GROSS INCOME – Under CASH OUT, enter any payroll deductions.

This fine-tuning needs only be done once a year.

COMMON CASH FLOW CATEGORIES

Realistically, it is best to have at most 25 categories. Here are some typical groupings:

Sources of Cash

1. W-2 earnings
2. Interest and Dividends on Investments
3. 401K or IRA Distributions
4. Rental Property Income
5. Business Related Income
6. One-time events
 - *Sale of Assets*
 - *Insurance proceeds*
 - *Gifts or "loans from family and friends."*
 - *Inheritance*

Uses of Cash –

7. Housing with Maintenance Costs (rent, mortgage, real estate taxes, utilities, maintenance, housekeeping, and housing insurance policies)
8. Food at home, including sundry cleaning & household items, drugs
9. Transportation (public transportation, car payments, car insurance, tolls, maintenance)
10. Discretionary - (clothing, entertainment, cell phone, sports, gifts, vacations, restaurants)
11. Children or other dependents (childcare, education, clothing, sports programs)
12. Medical costs, including medical insurance premiums, drugs, doctor/hospital copay
13. Insurance (other than housing and medical – i.e., life insurance, umbrella policies)
14. Taxes (withholding, estimated, due)
15. Debt Repayment
16. Savings
17. One-time expenses
18. Business Related Expenses (if you mingle your business and personal Budget)