



Tip Sheet: Understanding Personal Finance: Budgeting, Saving, & Credit

Financial literacy is a key to long-term financial stability, especially in today's fast-paced economy. Whether you're working a full-time job, balancing side gigs, or raising a family; understanding how to budget, save, and manage credit can transform your financial future.

1. The importance of Budgeting

A budget is a financial roadmap - it helps you take control of your money, reduce financial stress, and plan for future goals. Without a clear budget, it is easy to overspend or lose track of where your money goes.

How to create a budget:

- Start by listing all of your sources of income (paychecks, side hustles, and any government benefits).
- Break down your expenses by type:
 - Fixed: Rent, car payments, insurance
 - Variable: Groceries, utilities, entertainment
- Use the 50/30/20 rule to budget your income:
 - 50% for needs (housing, food, utilities)
 - 30% for wants (entertainment, travel)
 - 20% for saving and debt repayment

In cities like Louisville and Lexington, where housing and transportation can be expensive, aim for the following based on your income:

- Keep housing cost under 30%
- Limit transportation to around 15%
- Prioritize savings to 10% monthly



2. Saving for Your Future

Saving money is essential to financial security. Whether you're planning for emergencies, buying a home, or preparing for retirement, building a habit of saving ensures you are prepared for the unexpected and for those long-term goals.

Start with an emergency fund:

- An emergency fund is your financial cushion. Aim to save 3 to 6 months of basic living expenses.
- Keep this money in a separate, easily accessible savings account, not in your regular checking account where it might be easy to spend it.

Practical saving tips:

- Set up automatic transfers to your savings account each payday.
- Open a high-yield savings account with a credit union or online bank to earn better interest rates.

3. Credit and Debit Management

Good credit isn't just about borrowing—it affects your ability to rent, buy a home, and get better interest rates. Managing your debt and credit wisely can open doors to more financial opportunities.

Tips for Building and Maintaining Credit:

- Always pay bills on time. Your payment history is the biggest factor in your credit score.
- Pay more than the minimum. Minimum payments keep your account current, but paying off the full balance helps avoid interest and lowers your debt faster.
- Keep credit utilization low. Try to use less than 30% of your total credit limit.
- Check your credit regularly for errors or signs of identity theft.

4. Improving Your Credit Score

If your credit score needs work, don't worry - it can be improved over time with consistent effort and smart strategies.

Steps to boost your credit score:

- Pay down credit card balances, starting with those closest to the credit limit.
- Keep old credit account open unless there is a compelling reason to close them - they help your credit history length.
- Only apply for new credit when necessary. Too many inquiries in a short period of time can lower your credit score.
- If you are new to credit, consider a secured credit card or being added as an authorized user on a trusted family member's card.



5. Additional Tips and Resources

Whether you're just starting your financial journey or looking to strengthen your financial habits, a few extra tools and tips can go a long way. These additional resources can help you stay informed and on track.

General Financial Wellness Tips:

- Set calendar reminders to review your budget monthly. Adjust based on changes in income or expenses.
- Use cash or prepaid cards for discretionary spending to avoid overspending on credit.
- Avoid payday loans and high-interest borrowing—these can lead to cycles of debt. Seek out community-based lending programs or credit unions for safer options.

Recommended Free Resources:

- Consumer Financial Protection Bureau (CFPB) – Offers tools, guides, and calculators for budgeting, paying down debt, and managing credit: www.consumerfinance.gov
- Smart About Money – A free resource from the National Endowment for Financial Education, offering self-paced financial courses: www.smartaboutmoney.org
- Kentucky 211 (by United Way) – Dial 2-1-1 or visit www.211.org to access local assistance programs for housing, utilities, financial counseling, and more.

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