

PERSONAL FINANCIAL LITERACY WORKSHOP

Session 1

Budgeting, Saving, Debt, and Credit

Center for Free Enterprise · Woody L. Hunt College of Business · The University of Texas at El Paso

For learning only; not financial advice.



Tools and readings

Seven money skills in 45 minutes

01

Your income

Gross vs. net, pay stubs, taxes

02

Building a budget

50/30/20 and spending traps

03

Saving with purpose

Accounts, goals, emergency fund

04

Understanding debt

Interest, amortization, payoff plans

05

Credit cards

Statements, fees, the minimum trap

06

Your credit score

Five factors, building credit, scams

07

Insurance

Health, auto, renters

74%

of Americans live paycheck to paycheck. These skills keep you out of that number.

What you earn is not what you keep

Gross income is the salary in the job offer. Net income is what reaches your bank account, and it is the number to build a budget on.

\$40,000

Gross: the salary you are offered

\$34,320

Net: what you take home in a year (2026, single filer, Texas)

Reading your pay stub

Your Employer, Inc. Pay period Aug 17 – Aug 30, 2026

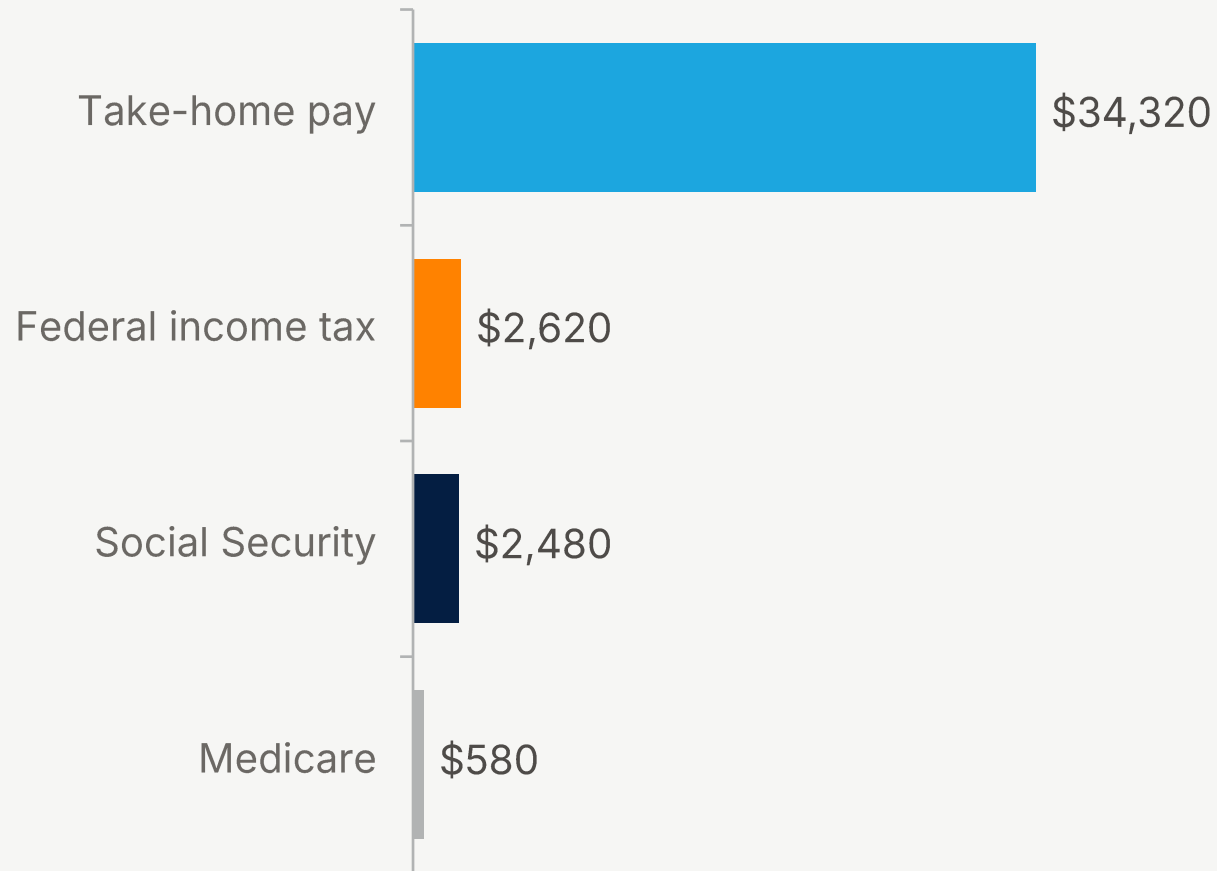
EARNINGS AND DEDUCTIONS	THIS PAYCHECK
Gross pay	\$1,538.46
Federal income tax	– \$100.77
Social Security (6.2%)	– \$95.38
Medicare (1.45%)	– \$22.31
Texas state income tax	\$0.00
Health insurance	– \$50.00
Net pay	\$1,270.00

EXAMPLE

About \$268 leaves every paycheck before you see it. Over a year, that is nearly \$7,000.

- ◆ **Gross pay:** earnings before anything comes out
- ◆ **Withholding:** taxes sent to the IRS for you
- ◆ **Net pay:** what reaches your account

Where a \$40,000 salary goes



Federal income tax is progressive

First \$16,100

Standard deduction

\$0

Next \$12,400

Taxed at 10%

\$1,240

Last \$11,500

Taxed at 12%

\$1,380

Total: \$2,620, about 6.6% of the salary. Only the dollars above each line pay the higher rate.

Paycheck job or gig work?

PAID ON A W-2

Employee

- ◆ Taxes are withheld from every paycheck
- ◆ Your employer pays half of Social Security and Medicare
- ◆ You may get a refund when you file

PAID ON A 1099

Independent contractor

- ◆ Nothing is withheld: you get the full amount
- ◆ You owe income tax plus self-employment tax (15% or more)
- ◆ Set aside 20–30% of every payment for taxes

FIRST TAX RETURN

Your first tax return: if you earned enough, you may need to file even if a parent claims you as a dependent. Free tools like IRS Free File walk you through it, and withheld tax is often refunded.

A budget is a plan for your money before you spend it

Small, repeated expenses are invisible until you add them up.

\$6

a coffee, five days a week

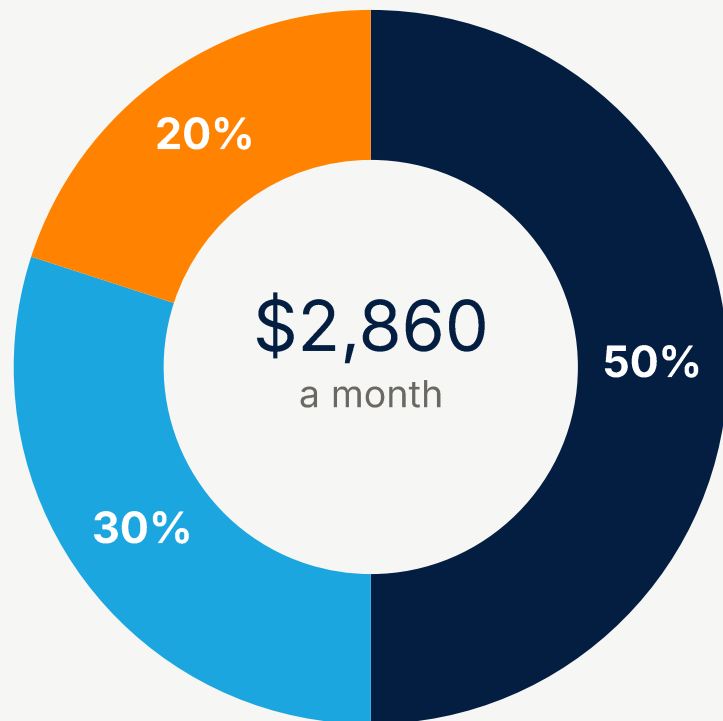
\$130

a month

\$1,500+

a year

Start with the 50/30/20 rule



50%	Needs Rent, groceries, utilities, transportation, insurance, minimum debt payments	\$1,430
30%	Wants Eating out, subscriptions, entertainment, clothes beyond basics	\$858
20%	Savings and debt payoff Emergency fund, goals, paying debt faster than required	\$572

Three ways to budget: pick one you will stick with

BEST FOR BEGINNERS

50/30/20

Three buckets: needs, wants, savings. The simplest place to start.

MOST CONTROL

Zero-based

Give every dollar a job, including savings, until nothing is left unassigned.

STOPS OVERSPENDING

Envelope

A set amount per category. When the envelope is empty, that category is done.

HABIT 1

Round up. Plan \$45 for a \$42 bill and \$80 for a \$78 one; what you don't spend becomes savings.

HABIT 2

Check in weekly. A week of spending is easy to review; a whole month is hard to reconstruct.

Three spending traps

1

Impulse buying

Bought because of a sale, an ad, or boredom.

Fix: Wait 24–48 hours before buying

2

Lifestyle inflation

Spending rises with every raise, so you never get ahead.

Fix: Save part of every raise

3

Subscription creep

Small monthly charges that add up to \$100–\$200 a month.

Fix: Audit subscriptions every few months

Income changes month to month? Budget from your lowest expected month. Extra in good months goes to savings or debt first.

Need or want?

A cell phone

**The newest
phone on a
\$90/month plan**

**A car to get to
work**

**A brand-new car
with a high
payment**

Groceries

**Eating out four
nights a week**

**Four streaming
services**

Rent

Need

Want

It depends

Vote on each one. Wants are fine; the trouble starts when they crowd out needs and savings.

Try it: Budget Simulator

TRY IT

Build a 50/30/20 plan from a real paycheck

- 1 Enter a yearly salary of \$40,000, or the pay for a job you want.
- 2 Read your monthly take-home pay: taxes come out first.
- 3 Change rent, groceries, and transportation. Watch the Needs bar.
- 4 Try to keep savings at 20% or more of take-home pay.

Notice: \$40,000 a year is about \$2,860 a month to spend, not \$3,333.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/budget.html

Check your understanding

Jordan is offered a job paying \$40,000 a year. Which number should Jordan's monthly budget start from?

A \$3,333: the salary divided by 12

B About \$2,860: take-home pay

C \$16,100: the standard deduction

D \$2,620: the federal tax bill

Pay yourself first

Move money to savings automatically on payday, before you have a chance to spend it. Savings turn emergencies into inconveniences.

3–6

months of expenses: the
emergency fund goal

\$250,000

FDIC insurance per depositor,
per bank

Where to keep your money

EVERYDAY SPENDING

Checking

- ◆ Linked to your debit card
- ◆ Overdraft fee: about \$30–\$35 (you can opt out)
- ◆ ATM fees: \$2–\$5 outside your network

MONEY YOU'LL NEED LATER

High-yield savings

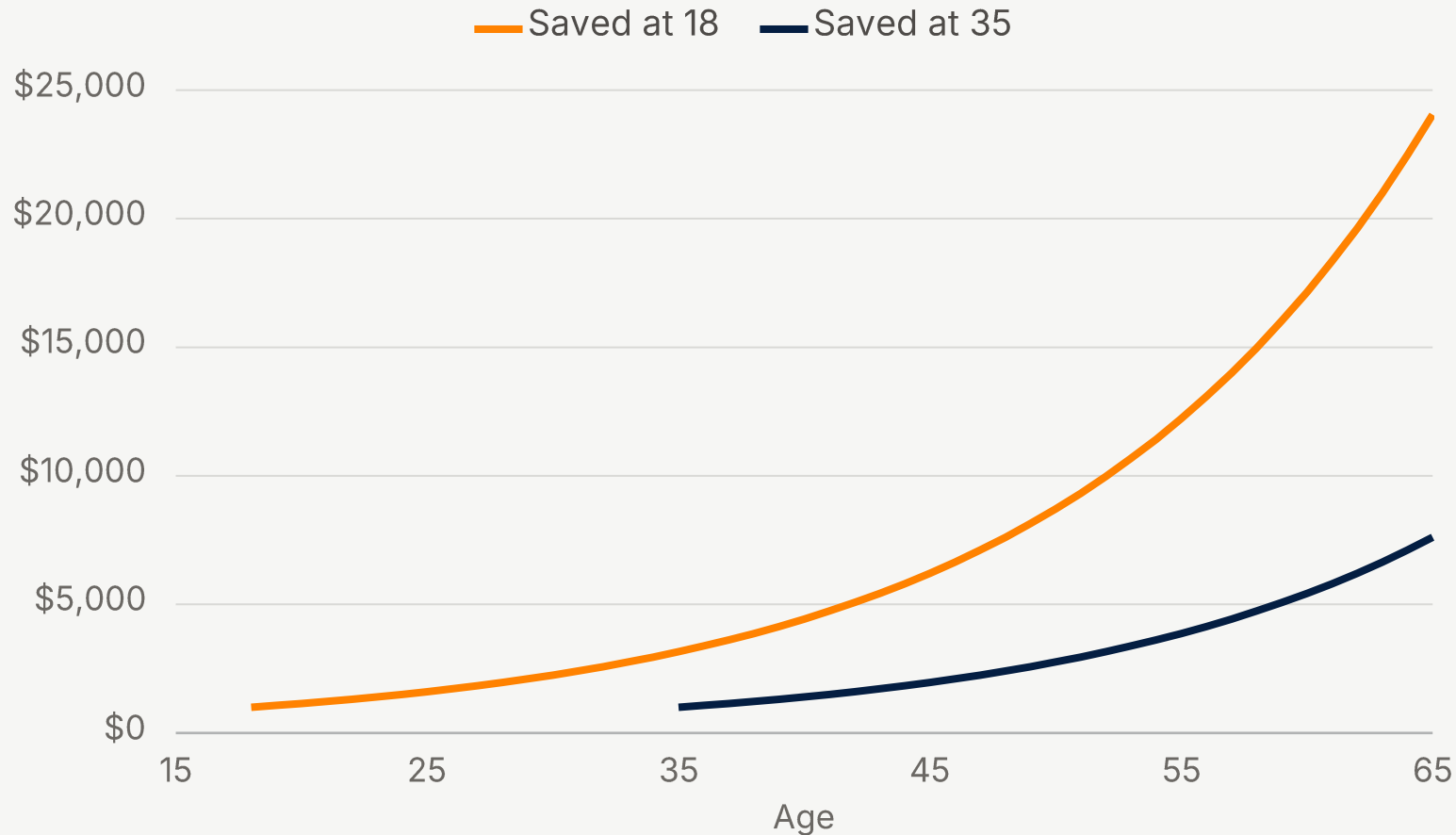
- ◆ Earns more interest than a regular savings account
- ◆ Easy to reach in an emergency
- ◆ Keep it separate from checking

MONEY YOU WON'T TOUCH

CDs

- ◆ Certificates of deposit: locked for 6 months to 5 years
- ◆ Guaranteed rate, usually higher
- ◆ Penalty if you withdraw early

Compound interest: time does the heavy lifting



\$24,046

\$1,000 saved at 18, growing 7% a year until 65

\$7,612

The same \$1,000 saved at 35

Give every goal a name, an amount, and a date

SHORT-TERM

1–2 years

Laptop · car repair · emergency fund

MEDIUM-TERM

2–10 years

Car down payment · a year of college · moving out

LONG-TERM

10+ years

Retirement: invest it (Session 2)

EMERGENCY FUND

\$4,500–\$9,000

3 to 6 months of expenses if you spend \$1,500 a month. Start with \$500 and build from there.

IS MY MONEY SAFE?

\$250,000

Bank deposits are FDIC-insured up to \$250,000 per depositor, per bank. Credit unions: the same through the NCUA.

Try it: Saving for a Goal

TRY IT

How much a month to reach a real goal?

- 1 Pick the Car tab: a \$12,000 used car, \$500 already saved.
- 2 Set the deadline to 2 years and read the monthly amount.
- 3 Change the deadline to 3 years. What happens?
- 4 Switch to Your own goal and try something you want.

Notice: A longer deadline lowers the monthly amount, and interest does a little of the work.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/savings.html

Check your understanding

Your monthly expenses are \$1,500. What is a good emergency fund, and where should it live?

A \$1,500 in your checking account

B \$4,500–\$9,000 in a separate savings account

C \$9,000 in a 5-year CD

D \$4,500 invested in a single stock

Debt is a tool, and tools deserve respect

Most adults carry some debt: a mortgage, student loans, a car loan. What matters is knowing what it costs and having a plan to repay it.

\$1,000

borrowed at 20%

\$1,200

owed after 1 year

\$1,440

owed after 2 years

Good debt, bad debt

CAN IMPROVE YOUR FINANCES OVER TIME

Can be good debt

- ◆ A student loan for a career that pays more
- ◆ A mortgage that builds equity in a home
- ◆ Only with a clear plan to repay

PAYS FOR THINGS THAT LOSE VALUE FAST

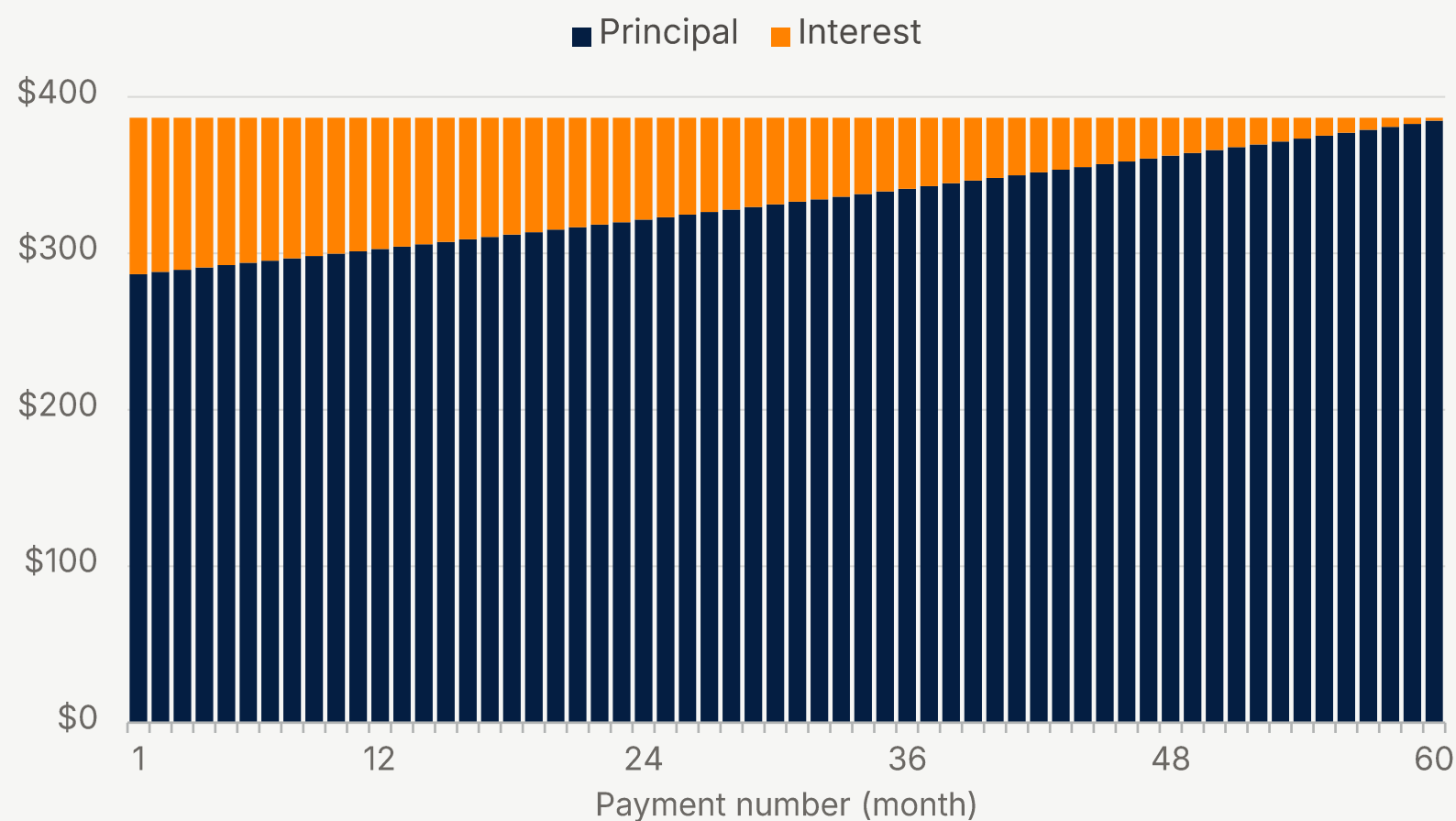
Usually bad debt

- ◆ A vacation or clothes on a credit card
- ◆ Gadgets and everyday expenses you can't afford
- ◆ Leaves nothing of lasting value

RULE OF THUMB

If you must borrow to buy something that will be worth nothing in a year, think very carefully before doing it.

How a loan payment splits: interest first



\$386.66

every month for 5 years
(\$20,000 at 6%)

\$100

of the first payment is interest

\$3,199

total interest over the loan

Two ways to pay off several debts

Debt avalanche

Highest interest rate first: pays the least interest

1

Credit card

Every extra dollar goes here

\$2,500 · 22% APR

2

Personal loan

Minimum payment for now

\$4,000 · 11% APR

3

Student loan

Minimum payment for now

\$1,200 · 6% APR

Debt snowball

Smallest balance first: quick wins keep you going

1

Student loan

Every extra dollar goes here

\$1,200 · 6% APR

2

Credit card

Minimum payment for now

\$2,500 · 22% APR

3

Personal loan

Minimum payment for now

\$4,000 · 11% APR

Try it: Loan Calculator

TRY IT

See what a car loan really costs

- 1 On the Car tab: a \$28,000 car, \$3,000 down, 7.5% APR, 5 years.
- 2 Read the monthly payment and the total interest.
- 3 Change the term to 7 years. The payment drops. What happens to total interest?
- 4 Add \$50 a month in extra payments.

Notice: A longer term lowers the payment but raises what you pay in total.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/loans.html

Pay the full balance, and a credit card costs nothing

Carry a balance, and it becomes one of the most expensive ways to borrow.

\$0

interest if you pay the statement balance in full by the due date

18–29%

typical APR on a balance you carry

Reading a statement, and the minimum-payment trap

ON EVERY STATEMENT

Statement balance	Pay this in full to avoid interest
Minimum payment due	The least you can pay without a late fee
Payment due date	Miss it and you pay a late fee (\$25–\$40)
Available credit	How much more you could charge
Interest charges	What carrying a balance cost you

WARNING

Minimum payments are set low on purpose, often 1–2% of the balance. Paid at the minimum, a \$1,000 balance can take more than five years to clear. Never treat the minimum as your target.

Fees to know, and debit vs. credit

Annual fee

Many good cards have none

Late fee

\$25–\$40 if you miss the due date

Cash advance

Fee plus interest from day one: avoid

Foreign fee

1–3% on purchases abroad

Debit card

- ◆ Spends money you already have
- ◆ Fraud comes out of your account
- ◆ Recovery can take longer

Credit card

- ◆ A short-term loan to repay
- ◆ Fraud liability capped at \$50 by law; often \$0
- ◆ Builds credit if paid on time

GOLDEN RULE

Only charge what you could pay in cash right now, and pay the full balance every month.

Try it: Credit Cards

TRY IT

What does paying only the minimum really cost?

- 1 Start with a \$1,000 balance at 24% APR.
- 2 Compare paying the minimum with paying \$100 a month.
- 3 Read the months to pay off and the total interest for each.
- 4 Find the payment that clears it in one year.

Notice: The minimum keeps you paying for years on a purchase you've long forgotten.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/credit.html

A three-digit number that follows you for decades

Lenders, landlords, insurers, and even some employers use it to judge how reliably you handle borrowed money.

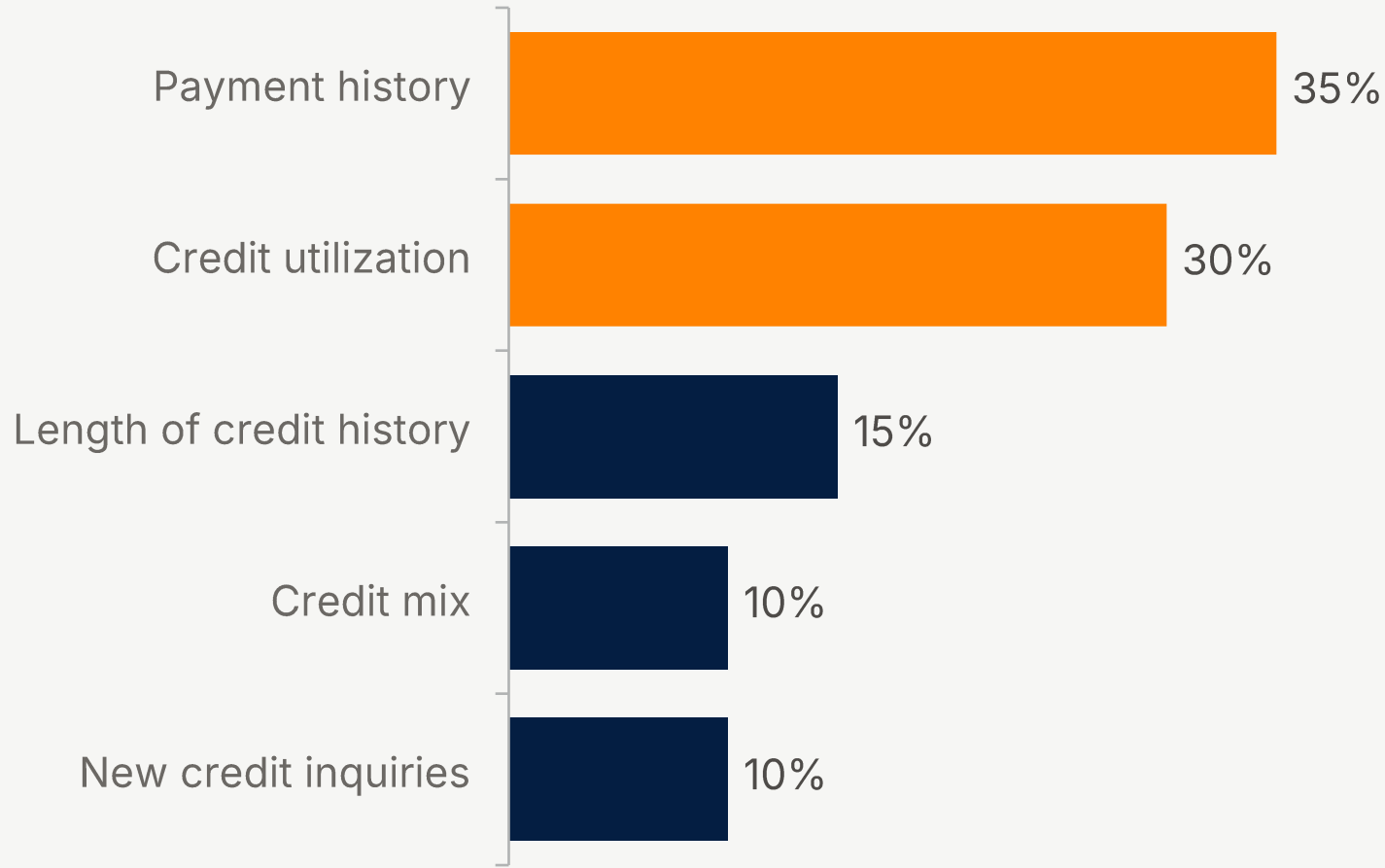
300–850

the usual range of a FICO score

35%

of the score is paying on time

What goes into your FICO score



Pay on time

Set up automatic payments for at least the minimum so you never miss a due date.

Keep balances low

Use less than 30% of your limit, ideally under 10%. \$700 on a \$1,000 limit is 70%: too high.

Building credit, and what can surprise you

START HERE

- ◆ **Secured card:** a cash deposit becomes your limit. After 12–18 months of on-time payments, most issuers upgrade you and return it.
- ◆ **Student card:** modest limits for people with little history.
- ◆ **Check your report:** free at AnnualCreditReport.com from Equifax, Experian, and TransUnion.

CAN HURT YOUR SCORE

- ◆ **Closing a card:** less available credit, so utilization rises.
- ◆ **Co-signing:** their missed payments become yours.
- ◆ **Collections:** unpaid bills, including some medical debt, can appear.
- ◆ **No history at all:** a "thin file" gives lenders nothing to judge.

Spot the scam

Fake job or "mystery shopper"

You deposit their check and wire part back. The check bounces; you owe your bank.

Phishing texts and emails

"Your account is locked. Verify here." Real banks never ask for your password this way.

Overpayment

A buyer pays too much and asks for the difference back before their check clears.

Romance and social media

Someone you met only online builds trust, then asks for money or gift cards.

THREE HABITS

Never send money or gift cards to someone you haven't met. Never click links in unexpected messages from "your bank." Urgent or too good to be true? It almost always is.

Try it: Credit Score Explorer

TRY IT

Which habits move each factor?

- 1 Start with a \$1,000 limit and a \$200 balance.
- 2 Raise the balance to \$700. Watch utilization.
- 3 Add one late payment. Which factor drops most?
- 4 Turn on "close a card" and see what happens.

Notice: The tool shows direction, not a real score. Real scores come from your credit report.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/score.html

Check your understanding

Your credit card limit is \$1,000. To keep utilization below the recommended 30%, your balance should stay under...

A \$700

B \$500

C \$300

D \$1,000, as long as you pay on time

Trade a small, predictable
cost for protection from a
big, unpredictable one

26

the age until which you can
usually stay on a parent's
health plan

\$15–\$20

a month: what renters
insurance often costs

Three kinds of insurance you'll need soon

Health

Stay on a parent's plan until 26

- ◆ **Premium:** what you pay to stay covered
- ◆ **Deductible:** what you pay before coverage starts
- ◆ **Copay:** a fixed amount per visit
- ◆ **Out-of-pocket max:** the most you pay in a year

Auto

Required by law in nearly every state

- ◆ **Liability:** damage you cause to others (the legal minimum)
- ◆ **Collision and comprehensive:** your own car
- ◆ **Lower it:** clean record, good credit, good-grade discounts

Renters

Often under \$15–\$20 a month

- ◆ **Covers your things:** theft, fire, some damage
- ◆ **Liability:** if a visitor is hurt in your home
- ◆ **Landlord's policy:** covers the building, not your stuff

What to take away from Session 1

01

Budget from net pay

Plan with what you take home, not your salary.

02

Give every dollar a job

Start with 50/30/20; check in weekly.

03

Emergency fund first

3–6 months of expenses, in savings.

04

Borrow with a plan

Know the rate, the term, and how you'll repay.

05

Pay cards in full

Never treat the minimum as your target.

06

Protect your credit

Pay on time, keep balances low, ignore scams.

NEXT SESSION

Building wealth over time

Saving vs. investing, student loans and mortgages, index funds, retirement accounts, and your net worth.

Questions? c4fe@utep.edu



All tools and the full reading

For learning only; not financial advice. Rates, limits, and rules change: check official sources before real decisions.