



Life Cycle – Life Stage Budgeting



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This session will focus on providing you with both information about this topic as well as new ideas and activities for making this topic engaging.

Specifically, as a result of this session, you will be able to:

- Define life cycle – life stage budgeting.
- List the financial concerns specific to different age groups or people at different life stages.
- Identify life events that have budgetary or financial impacts.
- List the financial implications or consequences of these life events.
- Anticipate and plan for life events that have yet to occur.

Is “life cycle – life stage budgeting” an important topic to address in financial education for AFI Participants? YES NO

What are some reasons for or against including this topic your financial education program?

What other ideas do you have for providing this information to participants in a way that is effective and engaging?



What is Life Cycle Budgeting?

Life cycle budgeting is the process creating a basic financial plan taking into consideration an individual's current circumstance. A life cycle budget will reflect the goals, income, expenses, and savings of an individual's age, familial status, values, and events that will enhance or inhibit the ability meet a goal. The tools that are created as part of a life cycle budget are written goals, spending plan, savings plan, and an asset protection plan. As with any budgeting concept, the life cycle budgeting tools should be evaluated for relevance at least annually or if a major change occurs to shift priorities.

Factors of a Life Cycle Budgeting

Life cycle budgeting considers these four factors

- **Age** will be a determining factor for the timeline for a achieving many financial goals. For example, a retirement savings goal for individuals at age 20 will be planned differently than for individuals who have reached age 50.
- **Familial status** will impact how much of an individual's earnings can be used to achieve a financial goal. A family potentially will need a higher percentage of its income dedicated to everyday living expenses and emergencies.
- **Values** will effect how an individual determines a goal and chooses to spend money. An individual's values are formed through family, culture, spiritual teaching, customs, and personal experiences.
- **A life event** will cause an increase or reduction of income that will change goals and budget. The individual may decide to modify a goal or make changes to a spending plan.

The Importance of Life Cycle Budgeting

Due to the limited income of the individuals of IDA families, the budgets are very fragile. Goals, spending plans, savings plans and asset protection programs are initially designed to reflect the best-case scenario. The life cycle budgeting process will make a more realistic plan to reflect the income, expenses and values of the individual and the family.

Even when the budget is followed to the letter, small or large life events may change the plan. At times the goal may be accelerated by the event or completely abandoned.



Creating a Successful Life Cycle Budgeting Process

When working with IDA participants to create a life cycle budget:

- Provide a solid financial education program emphasizing written goals, monitoring expenses, increasing savings, and protecting assets. While this process will not change the factors of the life cycle budget, it will form a platform from which the IDA participant can evaluate their situation.
- Give an overview of what is involved in each asset goal to give the IDA participant to project into the future. Discuss how life cycle budgeting factors will impact the asset goal.
- Have the IDA participant document current income and expenses before the one on one counseling session. During the session the counselor and IDA participant can discuss the goals and spending patterns expressed by IDA participant. It is important for the counselor to listen during this process for flexibility and willingness to accept new ideas.
- Do not make the assumption that an item will be removed from the list of expenses as a result of the counseling session. Discuss methods of reducing frequency of activities or finding lower cost replacements as a method of reducing expenses. Work with the participant's value system to
- When counseling for changes to the budgeting system as a result of a life event, ask the IDA participant about plans to move forward. The participant may have ideas or a beginning of a plan to make adjustments.



Small Group Work – Financial Considerations by Age Group

With the other participants at your table, generate lists of financial considerations that individuals in your selected age group may have. Be prepared to report out your findings to the large group.

Age Group: _____

Financial Concerns

Small Group Work – Values Discussion



Each person in the group states a value that s(he) would not compromise. Each person should state why his or her value is important and how it affects life cycle budgeting process.

My value is _____

This value impacts my life cycle budgeting process in the following manner:

Table Talk – Life Cycle Budgeting

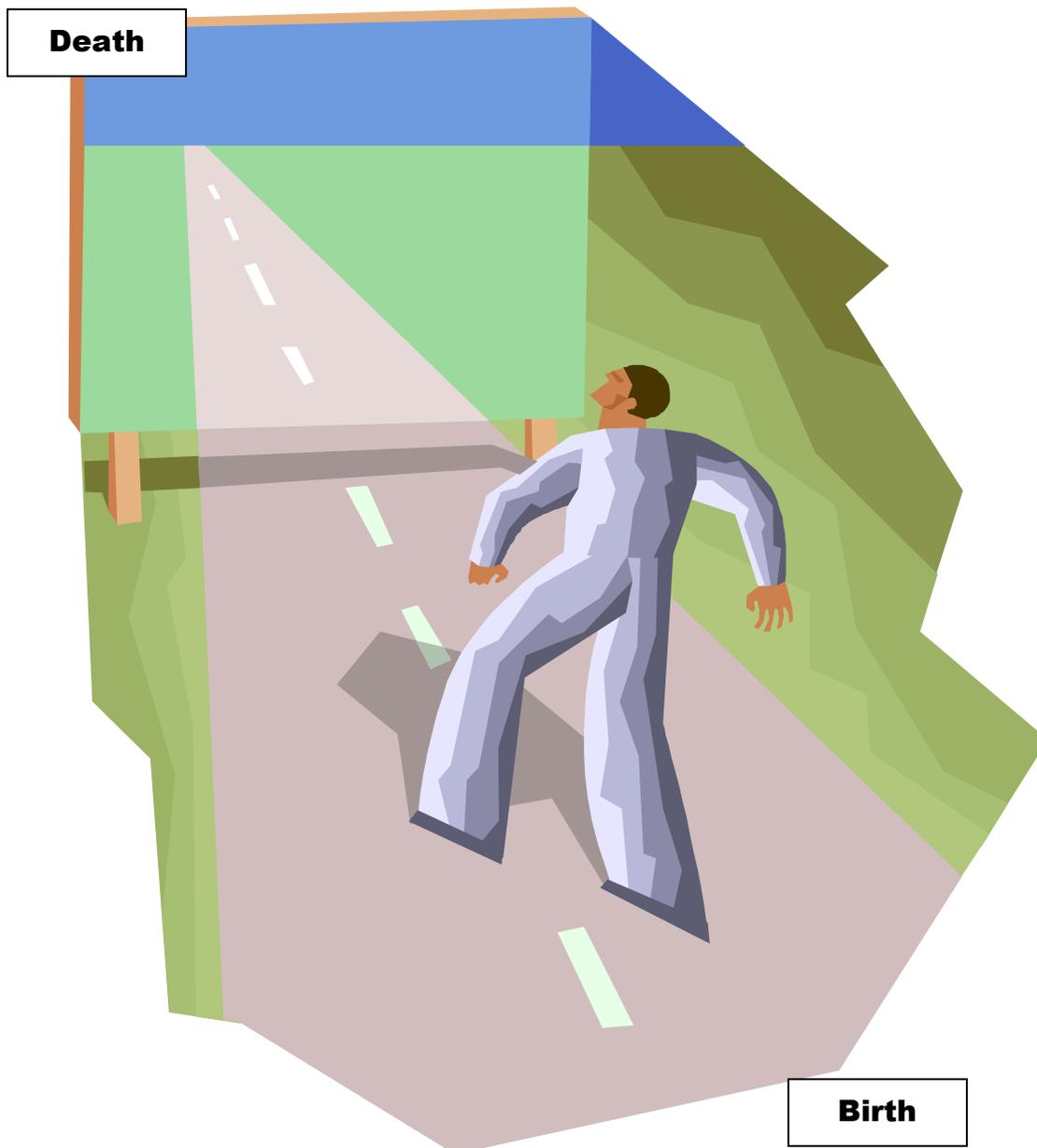
Why is it important to consider life cycle budgeting when creating a plans for your IDA participants?

How would you change the manner in which you work with IDA participants during the budgeting process?

How will you become more familiar with the values that your IDA participants hold?

Individual Reflection– Impact of Life Events on Finances

List the life events that have affected you in the past. What were the financial impacts of those life events? Then, think about the life events you are likely to experience? What can you anticipate will be the financial impacts of these events?



Achieving the Vision □ **Questions for Reflection and Action**

How does this section of information on *life cycle – life stage budgeting* help you build next level financial education for your clients? Specifically, how does it help you help them to potentially:

- Achieve or retain economic security

Building the Bridge

In the first financial education training of trainers, you learned about building the bridge for clients with financial education. How does this section of information help you build a financial education bridge for your clients? Specifically, how does it help you:

- Choose topics
- Develop an approach
- Provide support
- Create an environment that helps clients succeed