

How to Budget

A financial plan includes _____ and _____ a budget. Budgeting allows you to do the following:

- _____ within your income
- Identify financial priorities
- Allocate _____ to meet expenses
- Meet financial emergencies and _____ credit use
- Gain financial _____ and control
- Save and _____ to reach financial goals

A budget works best if you:

- a) Use _____ income estimates
- b) Use _____ expense estimates
- c) Review and adjust often and when necessary
- d) Remember to "pay _____ first—10% salary to savings rule."

Recommended Levels of Spending Guideline (for a family):

Category	Percent (%)
Housing	
Food	
Transportation	
Clothing	
Health & Fitness	
Entertainment	
Insurance	
Savings	

Remember, in the personal finance unit, the gross debt service ratio should not exceed over 32%. Thus housing is only allocated 30% of the total income.

"Pay yourself first."

Preparing a Budget Tips:

Every good budget should include the following _____ sections:

1. **Net income** = accurately estimate your _____ income.
2. **Monthly savings** = Recommended that you use "_____ " rule.
3. **Monthly expenses** = cost of _____, food, entertainment, etc.
4. **Annual expenses** = _____ spendings. Some things cost annually but should be budgeted monthly.
5. **Summary** = A _____ number → money _____ to spend or save; a _____ number → indicates a _____ (loss)—review and adjust your budget.

(See an example of the attached "Monthly Budget Form")

weekly x 52 = annual
 monthly x 12 = annual

 annual salary ÷ 52 = weekly
 annual salary ÷ 12 = monthly

weekly → once a week (52 time a year)
 biweekly → every second week (26 times a year)
 monthly → once a month (12 times a year)
 bimonthly → every second month (6 times a year)
 annually → once a year

Name: _____

Date: _____

Example: Developing a Budget and Financial Plan

1. Prepare a budget for Alex & Joanie for the month of June. Prepare a budget form. Alex is a magazine editor and earns \$405.75 net each week. His wife, Joanie, is a teacher and earns a monthly salary of \$2500 net. They have 3 school-aged children: Rachel, Teagan and Kal. Their family expenses for the month of June will include the following:

- Mortgage payments: \$715.70
- Car payments: \$216.50
- Telephone payment: \$45.50
- Electricity payment: \$96.00
- Heating payment: \$70.00
- Cable payment: \$28.20
- Groceries: \$575.00
- Clothing: \$120.00
- Entertainment: \$60.00
- Gasoline: \$85.00
- Car maintenance: \$225.00
- Child care expenses: \$380.20
- Music lessons: \$90.00
- Health and disability insurance: \$52.90
- Personal care expenses: \$60.00
- Children's education fund: \$125.00
- House repairs: \$140.00
- Gifts: \$48.00

The family's annual expenses include the following:

- Car insurance payment: \$620.40
- Life insurance premiums: \$419.30
- Property taxes on home: \$2688.00
- Home insurance: \$382.00
- Vacations: \$1200.00
- Christmas spendings: \$580.00
- Newspapers & magazines: \$278.40

- a) Is Alex & Joanie's budget in a deficit position? Is there an additional amount the family can spend or add to its savings?
- b) Examine their budget closely. What percentage of their net income do they spend on the following items:
 - housing
 - food
 - transportation
 - clothing

How do these percentages compare with what is recommended?

Practice Family Budget

Monthly Budget Form

			Average Monthly Income
1. Net Income	Amount per pay period	Annual Amount	1) \$ _____
First Income	\$ _____	\$ _____	
Second Income	\$ _____	\$ _____	
Other Income	\$ _____	\$ _____	
Total Annual Income		\$ _____	Monthly Savings
2. Monthly Savings (10% of Average Monthly Income)	\$ _____		2) \$ _____
3. Monthly Expenses			
Mortgage or Rent		\$ _____	
Car Payments		\$ _____	
Telephone		\$ _____	
Electricity		\$ _____	
Other Utilities		\$ _____	
Cable		\$ _____	
Groceries		\$ _____	
Clothing		\$ _____	
Car Maintenance		\$ _____	
Gasoline		\$ _____	
Health and Disability Insurance		\$ _____	
Personal Care		\$ _____	
Entertainment		\$ _____	
Other		\$ _____	
Other		\$ _____	
TOTAL MONTHLY EXPENSES			Total Monthly Expenses
			3) \$ _____
4. Annual Expenses	Annual Amount	Monthly Amount	
Car Insurance	\$ _____	\$ _____	
Life Insurance	\$ _____	\$ _____	
Property Taxes	\$ _____	\$ _____	
Home Insurance	\$ _____	\$ _____	
Vacations	\$ _____	\$ _____	
Newspapers and Periodicals	\$ _____	\$ _____	
Other	\$ _____	\$ _____	
TOTAL MONTHLY CONTRIBUTIONS TO ANNUAL EXPENSES	\$ _____		Total Monthly Contributions to Annual Expenses
			4) \$ _____
5. Summary			
1. Average Monthly Income			1) \$ _____
2. Savings		2) \$ _____	
3. Total Monthly Expenses		3) \$ _____	
4. Total Monthly Contributions to Annual Expenses		4) \$ _____	
Total Amounts 2 + 3 + 4			\$ _____
5. Amount available for other savings or expenditures (deficit)			5) \$ _____

Note: If a budget is in a deficit position, it needs to be analyzed for possible adjustments to spending.

Practice:

2. Prepare a budget for Kelso Keen for the month of July. His **bi-weekly** (every 2 weeks) salary is \$1200 net. Kelso is single and is living in an apartment building. He has finished college and is now working as an assistant art director for a magazine. Prepare a budget form for Kelso.

Here are Kelso's expenses for the month of July:

- Rent: \$750.00
- Car payments: \$500.00
- Phone/Internet/TV package: \$100.00
- Hydro/electricity payment: \$60.00
- Cell phone payment: \$48.20
- Groceries: \$300.00
- Gasoline: \$185.00
- Car maintenance: \$100.00
- Personal care expenses: \$50.00
- Clothing: \$150.00
- Comics: \$120.00
- Entertainment: \$175.00
- Gifts: \$60.00

Kelso's annual payments include:

- Car insurance payment: \$1525.50
- Apartment insurance: \$356.00
- Gym pass: \$350.00
- Vacations: \$1200.00
- Christmas spending: \$580.00
- Magazine subscriptions: \$122.50

- a) Is Kelso's budget in a deficit position? Is there an additional amount he can spend or add to its savings?
- b) Examine his budget closely. What percentage of his net income does he spend on the following items:
- i. housing
 - ii. food
 - iii. entertainment
 - iv. fitness

How do these percentages compare with what is recommended?

Kelso Keen's Budget

Monthly Budget Form

	Amount per pay period	Annual Amount	
1. Net Income			Average Monthly Income
First Income	\$	\$	1) \$
Second Income	\$	\$	
Other Income	\$	\$	
Total Annual Income		\$	

2. Monthly Savings (10% of Average Monthly Income)	\$		Monthly Savings
			2) \$

3. Monthly Expenses			
Mortgage or Rent		\$	
Car Payments		\$	
Telephone		\$	
Electricity		\$	
Other Utilities		\$	
Cable		\$	
Groceries		\$	
Clothing		\$	
Car Maintenance		\$	
Gasoline		\$	
Health and Disability Insurance		\$	
Personal Care		\$	
Entertainment		\$	
Other		\$	
Other		\$	
TOTAL MONTHLY EXPENSES			Total Monthly Expenses
			3) \$

4. Annual Expenses	Annual Amount	Monthly Amount	
Car Insurance	\$	\$	
Life Insurance	\$	\$	
Property Taxes	\$	\$	
Home Insurance	\$	\$	
Vacations	\$	\$	
Newspapers and Periodicals	\$	\$	
Other	\$	\$	
TOTAL MONTHLY CONTRIBUTIONS TO ANNUAL EXPENSES	\$	\$	Total Monthly Contributions to Annual Expenses
			4) \$

5. Summary			
1. Average Monthly Income			1) \$
2. Savings		2) \$	
3. Total Monthly Expenses		3) \$	
4. Total Monthly Contributions to Annual Expenses		4) \$	
Total Amounts 2 + 3 + 4		\$	
5. Amount available for other savings or expenditures (deficit)		\$	5) \$

Note: If a budget is in a deficit position, it needs to be analyzed for possible adjustments to spending.

