

Student name: _____ Date: _____

MODULE 25

Understand the process of preparing a budget and prepare a sample personal budget.

Objectives:

- A. Define a budget or spending plan.**
- B. Develop goals and estimate cash available.**
- C. Maintain a daily record of cash and prepare a budget.**

MODULE 25: INFORMATION SHEET

TO THE STUDENT: Read and study this information sheet and then complete the student activities at the end of this module.

What is managing income?

In order to provide for our needs and wants, we must learn to match income and expenses by developing a balanced spending plan.

A spending plan or budget is an estimate of cash available to be spent or saved. This plan enables us to get as many of the things we need and want as soon as possible. Everyone has different wants and different life goals and must set up his/her individual plan.

Budgeting requires three things:

1. Determining short- and long-range goals.
2. Estimating available cash (income) for spending or saving.
3. Planning expenses or payments.

Developing goals

You must first determine some of your short-term goals and long-term goals. A short-term goal can be accomplished within a year. An example of a short-term goal might be to buy a new coat. A long-term goal would take longer to complete. An example of a long-term goal might be to take a vacation in California. You need to be careful that the money you spend on short-term goals does not wipe out the money you need for your long-term goals.

List two of your short-term goals and one of your long-term goals below:

Short-term (1) _____ (2) _____

Long-term (1) _____

Estimating cash

In order to estimate available cash for saving or spending, you must keep track of both income and expenses. A simple method of keeping track of cash would be to write down daily all cash earned and all cash spent. Keeping track of money you spend will give you the elements to include in your budget. You must determine what your total income and total expenses are and make a list of each over a period of at least one month.

For example, Sally takes home \$200.00 a month from working at the Weis Markets in town. Her expenses for the month include: clothing - \$74.00, gas for her car - \$40.00, savings - \$60.00. Sally would keep track of her income and expenses in the following way:

<u>Income:</u> Salary	\$200.00	<u>Expenses:</u>	Clothing	\$74.00
			Gas	40.00
			Savings	60.00
			Miscellaneous	<u>26.00</u>
Total	<u>\$200.00</u>			\$200.00

Now you must determine what your income and expenses are by keeping a record over a period of at least one month as illustrated below:

<u>Income and Expense Record</u>								
<u>Date</u>	<u>Income</u>	<u>Food</u>	<u>Clothing</u>	<u>Car</u>	<u>Insurance</u>	<u>Recreation</u>	<u>Savings</u>	<u>Total</u>
Totals:								

Planning your income

After determining an estimate of your income and expenses, you can think about developing a budget and setting up an amount to be set aside in each category. If you are living at home, your budget should be quite simple; if not, you will have many more budget categories to consider. Preparing a budget involves setting up a plan for spending and saving. After listing your short- and long-range goals, you will be able to make decisions on how your spending or saving will enable you to reach your goals. You must set up a particular budget amount for each category in your budget based on your needs, wants, and goals. This spending plan must be evaluated and revised periodically to keep it working. Remember, the main purpose of a budget is to live within your income. In addition, budgeting provides you with important financial records needed for taxes and other purposes.

When setting up budget categories, one of the most important items to include is savings. Every budget should include a definite amount for savings. This category would provide you with emergency funds for unexpected expenses and would enable you to satisfy your goals.

Budget Form for One Month							
Date	Income						
<u>Totals:</u>							
Budget:							

Set up budget categories

You will set up a list of budget categories.

Look at this sample case:

Carl Samsel is 25 years old and works in the computer center in a large city hospital. He has a college degree in computers and takes home \$1200 a month after taxes and Social Security. He rents an apartment for \$350 a month. He spends \$250 on food and \$100 for

personal care. He has health insurance coverage at work, but he must pay \$70 for car insurance. Carl has a car payment of \$200 a month. The upkeep on the car is \$40. He saves \$150 a month.

Carl needs: 1. A new suit
 2. Two winter tires

His wants are: 1. A disc player
 2. A microwave

Two of his goals are: 1. To go to Canada on vacation.
 2. To take some management courses.

What categories does Carl need and how much has he spent in these areas?

Categories	Amount Spent
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Make out a new budget for Carl with the new categories and amounts included. List them on the form provided on page 3.

If you understand what has been covered so far, you should be able to set up a budget and adjust it to your special circumstances. If you do not, review the steps previously given.

Now you have completed all the steps required in preparing a budget. All you have to do is continue keeping a record of income and expenses and adjusting the budget categories as your needs change. New decisions will have to be made in the way you distribute your income in budget categories as your goals are accomplished. Always include a savings category in your budget. Good luck in developing your individual spending plan.

Budget Steps

- 1. Determine short- and long-range goals.**
- 2. Estimate available cash (income) for spending or savings.**
- 3. Prepare a budget plan.**

MODULE 25: STUDENT ACTIVITIES

TO THE STUDENT: After you have read and studied the Information Sheet, complete the following activities.

Activity 1: Answer the following questions:

1. Define a budget.
2. What must be done first in order to estimate available cash?
3. What category should be included in all budgets?
4. What three things does budgeting require?
 - a.
 - b.
 - c.

Activity 2: Complete a Personal Budget Worksheet:

Use the Personal Budget worksheet below to record your budget information for two months. Additional forms could be used to show how your budget compares over a year's time. Explain in a complete paragraph how you determined the budget categories and what might cause those categories to change over time.

PERSONAL BUDGET WORKSHEET		
TOTAL INCOME:		
TOTAL FROM SAVINGS:		
EXPENSES:	FOOD	
	CLOTHING	
	CAR	
	PERSONAL	
	OTHER	
	TOTAL EXPENSES:	
TOTAL SAVINGS AND EXPENSES		

MODULE 25: STANDARDS ADDRESSED IN THIS MODULE**Pennsylvania's Academic Standards for Career Education and Work****13.3.11. Career Retention (Keeping a Job)**

D. Compare and contrast gross and net pay.

From 13.3.8...Analyze personal budgets.

- *Expenses*
- *Income*
- *Investing*
- *Needs*
- *Savings*
- *Taxes*
- *Wants*

Secretary's Commission on Achieving Necessary Skills (SCANS)**COMPETENCIES**

Resources: Identifies, organizes, plans, and allocates resources, including time and personal money.