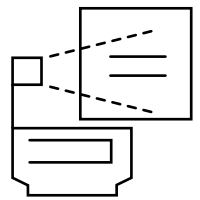


# lesson one

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the art of budgeting



**overheads**



# the budgeting process

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**phase 1:** Assess your personal and financial situation (needs, values, life situation).

**phase 2:** Set personal and financial goals.

**phase 3:** Create a budget for fixed and variable expenses based on projected income.

**phase 4:** Monitor current spending (saving, investing) patterns.

**phase 5:** Compare your budget to what you have actually spent.

**phase 6:** Review financial progress and revise budgeted amounts.



# goal setting guidelines

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**well-written personal and financial goals SHOULD:**

- **be realistic**

A student working part-time is not likely to be able to afford a new car every couple of years.

- **be stated in specifics**

“I plan/want to save \$5,000 for a down payment to buy a house.”

- **have a time frame**

“I plan/want to pay off my credit card within the next 18 months.”

- **state the action to be taken**

“I plan/want to start an automatic deposit savings account with monthly withdrawals from my checking account.”



# setting up and maintaining a budget

<b>income</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
<b>total monthly income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<b>expenses</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
-----------------	---------------	---------------	-------------------

## **fixed expenses**

Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Credit card	\$	\$	\$

## **fixed expenses**

Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$

## **transportation**

Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$

## **other**

Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$

<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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# lesson one

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the art of budgeting



**student activities**

name: \_\_\_\_\_

date: \_\_\_\_\_



## what are your goals?

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### **directions**

List some of your educational, social, financial, family, health/physical, and recreational goals. In some categories you may have more than six goals; in others you may have fewer.

### **my educational goals include:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

### **my social goals include:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

### **my financial goals include:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

# what are your goals? (continued)

---

## my family goals include:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

## my health/physical goals include:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

## my recreational goals include:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

name: \_\_\_\_\_

date: \_\_\_\_\_



## working with your goals

---

### what goals are the most important to you?

Choose the two goals from each category that are the most important to you. Identify each goal as short-term (1–4 weeks), medium-term (2–12 months), or long-term (1 year or longer).

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_
11. \_\_\_\_\_
12. \_\_\_\_\_

### prioritize your goals

List and prioritize six of your most important goals. After each goal, identify what you could be doing now to work toward the goal, and what resources (if any) you need to achieve each goal.

**goal #1** \_\_\_\_\_

What I can be doing now to work toward this goal:

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The resources I need to achieve this goal are:

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## working with your goals (continued)

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### goal #2

What I can be doing now to work toward this goal:

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The resources I need to achieve this goal are:

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### goal #3

What I can be doing now to work toward this goal:

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The resources I need to achieve this goal are:

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### goal #4

What I can be doing now to work toward this goal:

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The resources I need to achieve this goal are:

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## working with your goals (continued)

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### goal #5

What I can be doing now to work toward this goal:

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The resources I need to achieve this goal are:

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### goal #6

What I can be doing now to work toward this goal:

---

---

---

The resources I need to achieve this goal are:

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---

---





name: \_\_\_\_\_

date: \_\_\_\_\_



## setting up a personal budget



### directions

Use this form to set up a personal budget. After you've completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
<b>total monthly income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

expenses	budget	actual	difference
<b>fixed expenses</b>			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Credit card	\$	\$	\$
<b>fixed expenses</b>			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
<b>transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$

## setting up a personal budget (continued)

---

### other

Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

name: \_\_\_\_\_

date: \_\_\_\_\_



## rework a budget

---



### directions

Use one of the attached budget sheets to set up and maintain Gabrielle's budget. Then, use the other sheet to rework Gabrielle's budget into one that fits your personal lifestyle.

### her planned income and expenses

Gabrielle works part-time at a greeting card company and part-time at a record store. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

#### Her planned fixed monthly expenses include:

- \$200 for rent (she shares an apartment with two friends)
- \$175 for car payment
- \$220 for car insurance

#### Her planned flexible expenses include:

- \$100 (to save for going to trade school)
- \$150 for food
- \$40 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal items

### how her month actually went

1. What she made:

- Gabrielle made \$45 in overtime pay this month

2. What her fixed expenses actually were:

- Rent went up to \$225, starting this month
- Her monthly car payment was \$175
- Her monthly car insurance premium, as of this month, went up to \$295

3. What her flexible expenses actually were:

- \$190 for food (she had a dinner party for which she hadn't budgeted)
- \$60 for gas and oil (her car needed an oil change)
- \$34 for parking and bridge tolls
- \$220 for car repairs
- \$80 for a new pair of running shoes
- \$70 for entertainment
- \$60 for personal items
- \$36 for a birthday present for her mother

4. Unforeseen events:

- Gabrielle got two speeding tickets in one week.  
The total cost of both tickets is \$230.

## **rework a budget** (continued)

---

### **how does her budget look now?**

1. What is the difference between Gabrielle's planned expenses and her actual expenses?
2. In what areas did she overspend?
3. In what areas did she spend less than she planned?
4. How much did she spend for the use of her car this month?
5. How much money did she have at the end of the month to put into savings?

### **if it were your budget...**

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle's income as a starting point. Keep in mind your personal financial goals.
2. What did you change about the budget?
3. How much would you save each month to put toward your personal and financial goals?



## rework a budget (continued)

### **gabrielle's budget**

<b>income</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
<b>total monthly income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<b>expenses</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
<b>fixed expenses</b>			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Credit card	\$	\$	\$
<b>fixed expenses</b>			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
<b>transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
<b>other</b>			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

## rework a budget (continued)

---

### if it were your budget

<b>income</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
<b>total monthly income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<b>expenses</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
<b>fixed expenses</b>			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Credit card	\$	\$	\$
<b>fixed expenses</b>			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
<b>transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
<b>other</b>			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>



### how does her budget look now?

1. What is the difference between Gabrielle's planned expenses and her actual expenses?

*Actual was \$1675, planned was \$1025. Difference is \$650. (Taking into account her overtime pay of \$45, she went over budget only \$605.)*

2. In what areas did she overspend?

*Food, transportation, clothing, entertainment, personal, other (tickets, birthday present)*

3. In what areas did she spend less than she planned?

*Savings*

4. How much did she spend for the use of her car this month?

*\$784 not including tickets*

5. How much money did she have at the end of the month to put into savings?

*None*

### if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle's income as a starting point. Keep in mind your personal financial goals.

2. What did you change about the budget?

3. How much would you save each month to put toward your personal and financial goals?



## lesson one quiz: the art of budgeting

### true-false

1. \_\_\_\_\_ The budgeting process starts with monitoring current spending.
2. \_\_\_\_\_ Most short-term goals are based on activities over the next two or three years.
3. \_\_\_\_\_ A common long-term goal may involve saving for college for parents of a new-born child.
4. \_\_\_\_\_ Rent is considered a fixed expense.
5. \_\_\_\_\_ Flexible expenses stay about the same each month.

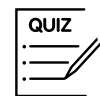
### multiple choice

6. \_\_\_\_\_ The final phase of the budgeting process is to:
  - A. set personal and financial goals.
  - B. compare your budget to what you have actually spent.
  - C. review financial progress.
  - D. monitor current spending patterns.
7. \_\_\_\_\_ An example of a long-term goal would be:
  - A. an annual vacation.
  - B. saving for retirement.
  - C. buying a used car.
  - D. completing college within the next six months.
8. \_\_\_\_\_ A clearly written financial goal would be:
  - A. "To save money for college for the next five years"
  - B. "To pay off credit card bills by 2001"
  - C. "To invest in an international mutual fund for retirement"
  - D. "To establish an emergency fund of \$4,000 in 18 months"
9. \_\_\_\_\_ An example of a fixed expense is:
  - A. clothing.
  - B. auto insurance.
  - C. an electric bill.
  - D. educational expenses.
10. \_\_\_\_\_ \_\_\_\_\_ is commonly considered a flexible expense.
  - A. Rent
  - B. A mortgage payment
  - C. Home insurance
  - D. Entertainment

### case application

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

# lesson one quiz: the art of budgeting answer key



## true-false

1. f The budgeting process starts with monitoring current spending.
2. f Most short-term goals are based on activities over the next two or three years.
3. t A common long-term goal may involve saving for college for parents of a new-born child.
4. t Rent is considered a fixed expense.
5. f Flexible expenses stay about the same each month.

## multiple choice

6. C The final phase of the budgeting process is to:
  - A. set personal and financial goals.
  - B. compare your budget to what you have actually spent.
  - C. review financial progress.
  - D. monitor current spending patterns.
7. B An example of a long-term goal would be:
  - A. an annual vacation.
  - B. saving for retirement.
  - C. buying a used car.
  - D. completing college within the next six months.
8. D A clearly written financial goal would be:
  - A. "To save money for college for the next five years"
  - B. "To pay off credit card bills by 2001"
  - C. "To invest in an international mutual fund for retirement"
  - D. "To establish an emergency fund of \$4,000 in 18 months"
9. B An example of a fixed expense is:
  - A. clothing.
  - B. auto insurance.
  - C. an electric bill.
  - D. educational expenses.
10. D \_\_\_\_\_ is commonly considered a flexible expense.
  - A. Rent
  - B. A mortgage payment
  - C. Home insurance
  - D. Entertainment

## case application

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

*The Johnsons should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.*