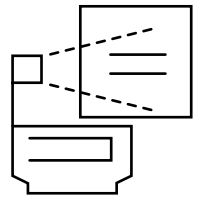


# **lesson three**

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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.

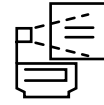
phase 4: Monitor current spending (saving, investing) patterns.

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 specific, (I plan/want to...) measurable terms

“To save \$5,000 for a down payment to buy a house.”

- have a time frame

“To pay off my credit card within the next 18 months.”

- state the action to be taken

“To start an automatic deposit savings account with monthly withdrawals from my chequing account.”



# setting up and maintaining a budget

income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total monthly income	\$	\$	\$

expenses	budget	actual	difference
fixed expenses			
Savings	\$	\$	\$
Rent/Board	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Other	\$	\$	\$
flexible expenses			
Food/ Eating out	\$	\$	\$
Utilities	\$	\$	\$
Transportation			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Other	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Personal items	\$	\$	\$
Medical (e.g., Rx)	\$	\$	\$
Household items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Other	\$	\$	\$
total monthly expenses	\$	\$	\$

# **lesson three**

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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)

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**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

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### 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**

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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**

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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**

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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**

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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**

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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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---

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

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



# where does your money come from?

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## directions

Answer these questions. Be prepared to discuss your answers in class.

1. List your current source(s) of income.

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2. What do you expect to be your source(s) of income in the near future?

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3. What are your feelings about being financially dependent vs. financially independent?

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

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



## where does your money go?

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### directions

Keep a record of everything you spend during a specific period. Then, answer the questions below.

1. What patterns can you see in your spending habits?

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2. How do you decide what to purchase?

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3. What factors do you think influence your purchasing decisions?

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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>			
Savings	\$	\$	\$
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Other	\$	\$	\$
Other	\$	\$	\$
<b>flexible expenses</b>			
Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
<b>Transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Other (e.g., tickets)	\$	\$	\$

## setting up a personal budget (continued)

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### flexible expenses (continued)

Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Personal Items	\$	\$	\$
Medical (e.g., Rx)	\$	\$	\$
Household items	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Other	\$	\$	\$
Other	\$	\$	\$
Other	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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

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



## rework a budget

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### 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 post-secondary education)
- \$150 for food
- \$40 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal and household 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)

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### 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?

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

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## rework a budget (continued)

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### **gabrielle's budget**

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>			
Savings	\$	\$	\$
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Other	\$	\$	\$
<b>flexible expenses</b>			
Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
<b>Transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Other	\$	\$	\$
<b>other</b>			
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Personal items	\$	\$	\$
Medical (e.g., Rx)	\$	\$	4
Household items	\$	\$	\$
Tuition/School expenses	\$	\$	\$
Other	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

## rework a budget (continued)

### if it were your budget

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>			
Savings	\$	\$	\$
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Other	\$	\$	\$
<b>flexible expenses</b>			
Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
<b>Transportation</b>			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Other	\$	\$	\$
<b>other</b>			
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Personal items	\$	\$	\$
Medical (e.g., Rx)	\$	\$	4
Household items	\$	\$	\$
Tuition/School expenses	\$	\$	\$
Other	\$	\$	\$
<b>total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

# rework a budget answer key

---



## 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.*

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?

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

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## rework a budget answer key

### gabrielle's budget

income	budget	actual	difference
Job #1	\$ 600	\$ 600	\$ 0
Job #2	\$ 800	\$ 800	\$ 0
Other	\$ 0	\$ 45	\$ +45
<b>total monthly income</b>	<b>\$ 1400</b>	<b>\$ 1445</b>	<b>\$ +45</b>

expenses	budget	actual	difference
<b>fixed expenses</b>			
Savings	\$ 100	\$ 0	\$ -100
Rent	\$ 200	\$ 225	\$ +25
Car insurance	\$ 220	\$ 295	\$ +75
Car payment	\$ 175	\$ 175	\$ 0
Other	\$ 0	\$ 0	\$ 0
<b>flexible expenses</b>			
Food/Eating out	\$ 150	\$ 190	\$ +40
Utilities	\$ 0	\$ 0	\$ 0
<b>Transportation</b>			
Bus fare	\$ 0	\$ 0	\$ 0
Gas and oil	\$ 40	\$ 60	\$ +20
Parking and tolls	\$ 0	\$ 34	\$ +34
Repairs	\$ 0	\$ 220	\$ +220
Other ( <i>ticket</i> )	\$ 0	\$ 230	\$ +230
<b>other</b>			
Clothing	\$ 50	\$ 80	\$ +30
Entertainment	\$ 60	\$ 70	\$ +10
Personal items	\$ 15	\$ 60	\$ +45
Medical (e.g., Rx)	\$ 0	\$ 0	\$ 0
Household items	\$ 15	\$ 0	\$ -15
Tuition/School expenses	\$ 0	\$ 0	\$ 0
Other ( <i>birthday gift</i> )	\$ 0	\$ 36	\$ +36
<b>total monthly expenses</b>	<b>\$ 1025</b>	<b>\$ 1675</b>	<b>\$ +650</b>



## lesson three quiz: the art of budgeting

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### 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. car 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 Niko and Albert Cheung 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 three quiz: the art of budgeting answer key

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### 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. car 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 Niko and Albert Cheung 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 Cheungs 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.*