

# Budget your Money **KEY**

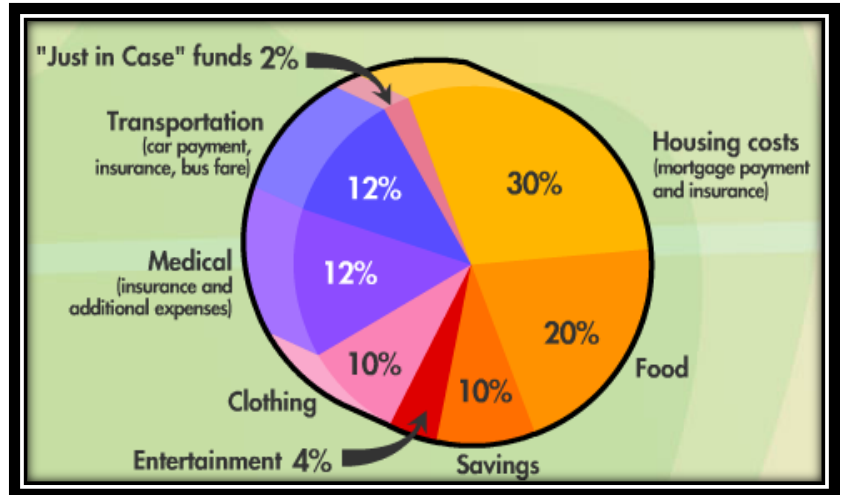
1. A **budget** is a spending plan for your money.

2. Keeping a budget is important because it helps you

a. prioritize your needs and wants

b. achieve your financial goals

c. stay out of financial debt



3. Before you create a budget - determine your:

a. income - the amount of money you receive or earn regularly.

b. expenses - the amounts you spend.

- **Fixed expenses**- Don't change, the same each month (rent, car payment, etc.)
- **Flexible expenses**- Can be different each month... you have some control (phone bill, electricity, food etc.)
- **Discretionary expenses**- Money you choose to spend on "wants" (movies, games, etc.)

4. Qualities of a good budget:

a. Expenses should be less than income! (Never spend more than you earn)

b. Includes savings (Save for big purchases and your future)

c. Plans for emergency expenses

## Envelope Budgeting:

1. By placing your money into different groups or categories you are better able to:
  - a. keep track of your spending.
  - b. *only spend what you have budgeted*
2. To keep track of your budget while your money stays in the bank use:
  - a. Real envelopes with cash
  - b. Apps or computer software

5. Calculating your GROSS income?

12 hours of work a week x \$7.25 /hour = \$87.00. Use this information to complete the rest of this packet.

6. How do I calculate deductions?

Deductions can be a variety of items taken out of your paycheck. What are some things taken out of a paycheck? We will work with 15% as our deduction amount. How much is our deduction?  $\$87.00 \times 15/100 = \$13.05$

7. What is Net Pay?

This is the amount that is left over. What is our net pay?  
 $\$87.00 - \$13.05 = \$73.95$

8. Paycheck amounts vary. Why?

Working different hours every week. Getting a pay raise. Tax rates change.

9. What are your expenses?

Make a list of the expenses that you have now.

10. Summarize your expenses into 6 different groups/categories.

Using the list of expenses you created above decide on 6 encompassing categories. One must be savings. General categories are NOT allowed, e.g. leftover money, extra, misc., spending money, etc.

11. Assign a part of each paycheck to go into each of these categories. What percent would you put in each envelope?

Using the categories you created above decide on a percent for each of the categories. One must be Savings at 10%. Assign percentages to each category. The total of the percents must be 100%.

12. Calculate the amount of money to put in each envelope.

Using the categories and percents you created above calculate the dollar amount to go into each envelope. Use the income computed in #5 above. The sum of the envelopes should be \$73.95.