

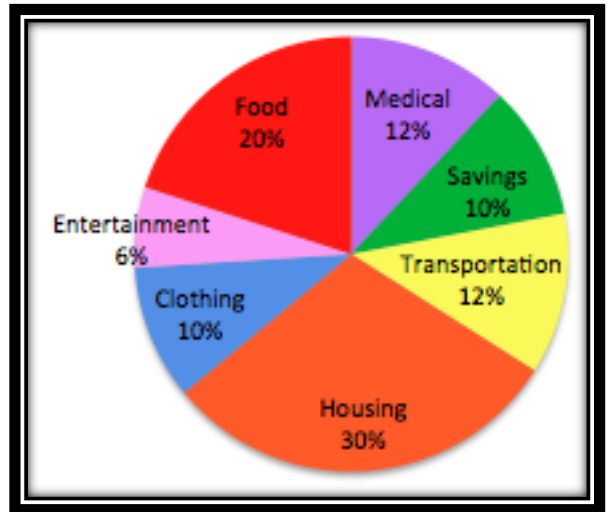
Budget your Money **KEY**

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. 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. Calculate 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. List expenses:

Make a list of the expenses that you have now.

10. Summarize expenses into 6 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/percent of paycheck for each category:

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 amounts for 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.