**Budget Basics**

**Part 1: Terminology**

***Match the term on the left with the definition on the right***

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| 1. **Budget** 2. **Recurring Expenses** 3. **Gross Income** 4. **Deficit** 5. **Variable Expense** 6. **Net Income** 7. **Fixed Expense** 8. **Surplus** 9. **Essential Spending** 10. **Discretionary Spending** 11. **One-time Expenses** 12. **Balanced Budget** | An estimate of the income and expenses of a person or family over a certain period of time.  Money spent on all the “extras – expenses that make life more comfortable but are not absolutely necessary  Costs that happen over and over  Your expenses are greater than your income  Costs that are unrepeated, infrequent and often unforeseen.    Expenses that do not change from month to month  Earnings **after** taxes and any other expenses are deducted  Your income is greater than your expenses  Expenses on goods/services you cannot live without  Earnings **before** taxes and any other expenses are deducted  Income = expenses  An expense that changes from month to month | **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  **\_\_\_\_**  \_\_\_\_ |

**Part 2: Brainstorming expenses**

***What expenses do you have right now? What are some typical expenses for a young adult?***

**Part 3: Classifying Expenses**

Consider these expenses over the time frame of 1 school semester.

Classify each of the expenses in each one of the following 3 categories:

An example has been done for you.

1. Fixed **or** variable
2. Essential **or** Discretionary
3. Recurring **or** One-time

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| --- | --- | --- | --- | --- | --- | --- |
| **Expense** | **Fixed** | **Variable** | **Essential** | **Discretionary** | **Recurring** | **One-time** |
| Rent |  |  |  |  |  |  |
| Groceries |  |  |  |  |  |  |
| Phone Bill |  |  |  |  |  |  |
| Utilities (water, gas, hydro) |  |  |  |  |  |  |
| Post-Secondary Tuition |  |  |  |  |  |  |
| Personal Care |  |  |  |  |  |  |
| Gas |  |  |  |  |  |  |
| Clothing and Accessories |  |  |  |  |  |  |
| Car Payment |  |  |  |  |  |  |
| Car insurance | **X** |  | **X** |  | **X** |  |
| Car Repair |  |  |  |  |  |  |
| Gym Membership |  |  |  |  |  |  |
| Gifts |  |  |  |  |  |  |
| Leisure / entertainment |  |  |  |  |  |  |
| Vacation |  |  |  |  |  |  |
| Parking/Speeding Ticket |  |  |  |  |  |  |
| Dining Out |  |  |  |  |  |  |
| Pet Care |  |  |  |  |  |  |
| Transportation (bus/ferries) |  |  |  |  |  |  |

**Think about this:**

1. Why might certain expenses (ex. phone bill, utilities) that are usually fixed become variable?

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**Part 4: Setting up and Maintaining a Budget**

*Based on Courtney’s information below, set up her monthly budget and answer the questions that follow.*

**Courtney’s Planned income and Expenses for the month of July (what she planned to earn and spend)**

**Income:**

Courtney works part-time at a greeting card company and part-time at a record store. The net monthly income from her first job is **$650**. The net monthly income from her second job is **$800**.

**Expenses:**

**Planned fixed Expenses:**

* $200 for rent and utilities (she shares an apartment with 2 friends)
* $175 for car payment
* $220 for car insurance
* $45 for her cell-phone bill
* $100 (to save for post-secondary education)

**Planned Variable Expenses:**

* $150 for food
* $40 for gas and oil
* $50 for clothes
* $60 for entertainment
* $30 for personal and household items

**How July actually turned out for Courtney’s – What she ACTUALLY earned and spent.**

1. **What she actually made**

* Courtney made $45 in overtime pay this month on top of her income

1. **What her fixed expenses actually were**

* Courtney’s rent was increased to $225
* Her monthly car payment was $175
* Her monthly car insurance premium went up to $295
* Thanks to a lengthy long-distance call, Courtney’s cell-phone bill was $65
* Courtney did not contribute to her savings

1. **What her flexible expenses actually were**

* $190 for food (she had a dinner party for which she had not budgeted)
* $60 for gas and oil (her car needed an oil change)
* $34 for Port Mann bridge tolls
* $220 for car repairs
* $80 for clothing and a new pair of running shoes
* $70 for entertainment
* $60 for personal/household items
* $36 for a birthday gift for her mother

1. **Unforeseen Events:**

* Courtney got 2 speeding tickets in one week. The total cost of both tickets is $230

**Setting up Courtney’s budget**

**Income:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Net Income** | **Planned** | **Actual** | **Difference (+/-)** |
| * **Job # 1** * **Job # 2** * **Other** |  |  |  |
|  |  |  |
|  |  |  |
| **Total Monthly Income:** |  |  |  |

**Expenses:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fixed Expenses** | **Planned** | **Actual** | **Difference (+/-)** |
| * **Savings** * **Rent + Utilities** * **Phone bill** * **Car insurance** * **Car Payment** * **Other** |  |  |  |
| $200 | $225 | **+25** (because she spent $25 **MORE** than expected) |
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| **Total Fixed Expenses:** |  |  |  |

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| --- | --- | --- | --- |
| **Variable Expenses** | **Planned** | **Actual** | **Difference (+/-)** |
| * **Food / eating out** * **Transportation**   + **Bus fare**   + **Gas and oil**   + **Bridge tolls**   + **Car Repairs**   + **Other (speeding tickets)** * **Clothing** * **Entertainment** * **Personal/Household items** * **Tuition / School expenses** * **Other (Gift)** |  |  |  |
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|
| **Total Variable Expenses:** |  |  |  |
| **Total Monthly Expenses:** |  |  |  |

**Actual Total Income = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Actual Total Expenses = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Part 5: Reflection Questions:**

1. Does Courtney’s budget represent a deficit or a surplus? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. By how much did she overspend? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. In what areas did Courtney overspend unnecessarily?

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1. What is one major flaw in Courtney’s planning of her budget? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. What were some of Courtney’s unexpected expenses?

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1. How might Courtney plan for these unexpected expenses in the future?

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1. What seems realistic/unrealistic about this budget? Do you think the outline of her income/expenses was reasonable?

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