|  |
| --- |
| * \_\_\_\_\_\_\_\_\_\_ is the money you earn. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are the money you spend.

**KEY WORDS*** income
* expenses
* tracks
* spend
* earn
* going
* important
* goal
* per month
* 12
* savings
* balance
* more
* balancing
* A ***BUDGET*** is an organized list that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ income and expenses.
* Budgets are used as a tool in ***financial planning***:
	+ To make sure you don’t \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ more than you \_\_\_\_\_\_\_\_\_\_\_\_\_
	+ To help you understand exactly where your money is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
	+ To help you focus your spending on the things that are most \_\_\_\_\_\_\_\_\_\_\_\_\_\_ to you
	+ To help you save to meet a financial \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* ***Personal budgets*** are usually planned \_\_\_\_\_\_\_\_\_\_\_\_\_\_. Monthly amounts can then be multiplied by \_\_\_\_\_\_\_ to determine annual amounts.
* Income and expenses are recorded by type of income or expense. Money set aside for the future is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and is shown as an **expense**.
* The \_\_\_\_\_\_\_\_\_\_\_\_\_ of a budget is the difference between total expenses and total income.
* If the balance is ***negative*** you are spending \_\_\_\_\_\_\_\_\_\_\_\_\_ than you earn. You need to adjust some expenses so that the balance is zero. This is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the budget.
 |



***Example 1 Interpreting a Budget***

This pie chart shows Jamie’s expenses for one month. The total dollar value of Jamie’s monthly expenses was $3 000.

1. How much did she spend on transportation?
2. How much did she spend on her top two expenses combined?

***Example 2 Designing a Budget***

Anika is 28 year old professional who needs to save $7 500 over the next 12 months to start her own small business. Her monthly income after payroll deductions is $3 000. She earns an average of $50 a month from investments. She prepares the following list of her expenses.

1. Which costs are fixed? Which costs are variable? Label them on the list.
2. Anika needs to save $7500 in 12 months. Calculate her monthly savings to reach this goal.
3. Convert all amounts to monthly amounts.

***ROUND*** *all values to the nearest* ***DOLLAR.***

1. Are there expenses that you think Anika has forgotten to include? Explain. Estimate the monthly amount for any missing expenses.

|  |  |
| --- | --- |
|  | **Monthly Amount ($)** |
| **INCOME** | **Fixed** | **Variable** | **Total** |
| **Salary** | $ |  |  |
| **Investments** |  |  |  |
| *Total Income* |  |  |  |
| **EXPENSES** |  |  |  |
| **Housing** |  |  |  |
| Rent |  |  |  |
| Utilities |  |  |  |
| Phone/Cable/Internet |  |  |  |
| *Subtotal* |  |  |  |
| **Transportation** |  |  |  |
| Car Payment |  |  |  |
| Licence Fee |  |  |  |
| Insurance |  |  |  |
| Gas |  |  |  |
| Oil Change |  |  |  |
| Maintenance & Repairs |  |  |  |
| *Subtotal* |  |  |  |
| **Food** |  |  |  |
| Groceries |  |  |  |
| Eating Out |  |  |  |
| *Subtotal* |  |  |  |
| **Other** |  |  |  |
| Clothing/Personal |  |  |  |
| Entertainment |  |  |  |
| Charitable Donations |  |  |  |
| *Subtotal* |  |  |  |
| **Savings** |  |  |  |
| ***Total Expenses*** |  |  |  |
| ***BALANCE = Total Income – Total Expenses*** |  |

1. Create a monthly budget
that shows fixed and variable expenses in each budget category. Group items where appropriate. Include any estimates from
part c.
2. What percent of Anika’s costs are fixed? Why is this important?
3. Can Anika meet her savings goal with her current income and expenses? If not, in which categories might she be able to cut back on costs?
4. How did the budget help you answer parts e and f? Explain.