

Session 4

Looking at a Budget

For this session we are going to look at a few budgets and try and figure out ways to balance them. We are going to look at three budgets and let you decide ways in which each person or family may need to adjust their spending or saving habits.

First, we will explain the table that you will look at for each family:

Cost – This will be how much each family spends on that particular item

Frequency – This column indicates if the expense is Daily (D) Weekly (W) Monthly (M) or Annually (A)

Multiplier – This is how we calculate monthly costs *30 for daily, * 4 for weekly, *12 for monthly and *.083 for annually

Cost per month – by multiplying frequency and the multiplier column we arrive at this number

We will offer some guidance at the end, but there are many possible solutions to each budget, just think about what we have learned so far and see what you can come up with!

Now examine the tables below:

John's Family Budget
Income \$1600 Net-income (20 hours per week)

Expense	Cost	Frequency	Multiplier	Cost per Month
Essential Expenses				
Savings	0	n/a	n/a	0
Rent	450	M	1	450
Transportation	300	M	1	300
Food	10	D	30	300
Education	0	n/a	n/a	0
Clothing	1200	A	.083	100
Utilities	150	M	1	150
Medical	600	A	.083	50
Other				
Discretionary Expenses				
Music	0			0
Movies	30	M	1	30
Entertainment	100	M	1	100
Gifts and donation	0	0	0	0
Eating out	120	M	1	120
Health and Fitness				
Other				
Monthly Income	Monthly Expenses		Remaining Dollars	
\$1,600	1600		0	

John is the only member of his household and only works part-time 20 hours per week. His boss frequently asks him to work a full-time schedule which would be 40 hours per week, but right now John decides he doesn't want to. What could John do to balance his budget in a better way?

Melissa's Family Budget – Monthly net income - \$5,000

Expense	Cost	Frequency	Multiplier	Cost per Month
Essential Expenses				
Savings	250	M	1	250
Rent	850	M	1	850
Transportation	600	M	1	600
Food	15	D	30	450
Education	250	M	1	250
Clothing	1800	A	.083	150
Utilities	350	M	1	300
Medical	200	M	1	200
Other/childcare	125	W	4	500
Discretionary Expenses				
Music				
Movies	25	W	4	100
Entertainment	200	M	1	200
Gifts and donation	300	M	1	300
Eating out	100	W	1	400
Health and Fitness	200	M	1	200
Other	0	0	0	0
Total				\$4,750

Monthly Income	Monthly Expenses	Remaining Dollars
\$5000	\$4,750	250

Melissa and her husband both work full time to receive their \$5,000 per month.
By looking at their budget is there anything Melissa's family could do differently?

Jeff's Family Budget - Monthly net income - \$3,500

Expense	Cost	Frequency	Multiplier	Cost per Month
Essential Expenses				
Savings	0	0	0	0
Rent	1500	M	1	1500
Transportation	350	M	1	350
Food	10	D	30	300
Education	250	M	1	250
Clothing	600	A	.083	50
Utilities	400	M	1	400
Medical	200	M	1	200
Other				
Discretionary Expenses				
Music	0	0	0	0
Movies	50	W	4	200
Entertainment	300	M	1	300
Gifts and donation	0	0	0	0
Eating out	300	M	1	300
Health and Fitness	100	M	1	100
Other/ Credit cards	100	M	1	100
Total				\$4,050

Monthly Income	Monthly Expenses	Remaining Dollars
\$3500	\$4,050	-\$550

Jeff loves living in an expensive downtown apartment with his family. He knows it is expensive but thinks it is worth the view of the river. They enjoy going out to eat frequently and rarely eat at home. What could Jeff's family do better to balance their budget?

Possible Solutions

John's Budget:

John's boss is offering him an extra 20 hours per week, if he works the extra time, he is able to it can double his monthly income from \$1,600 to \$3,200. When you look at John's budget, he also does not put any money in savings or in health and fitness if he decides to work more than he can start a savings account and not worry about living paycheck to paycheck.

Also, by looking at John's education expenses at \$0 this may indicate that he did not pursue a college degree or he has one and is not using it for full time work. John could go to school and invest his time in that and look to find a better job after he graduates. If John has a degree and is not using it for full time work maybe he can look for a job in his field and hopefully increase his pay that way.

Melissa's Budget:

Melissa's family has a very good balance of their expenses. Her family has enough money to take care of her essential expenses while spending a good amount of money on discretionary ones. One thing she may look to do is put the remaining \$250 from the month into her savings account. If she leaves that money in her checking account, she may be tempted to use it or add another discretionary expense to her budget. If this money goes right to her savings account, she will forget she even had it and it will be there for her if an unexpected cost arises in the future.

Jeff's Budget:

Jeff spends way more money than our other two examples on rent/mortgage. If Jeff's family found a less expensive place to stay, they could save a lot of money. Jeff's family also could utilize eating at home more and eat out less to save money. With Jeff's family making less than they spend each month it looks like they use a credit card to make ends meet. If Jeff's family would make personal sacrifices from their discretionary expenses for a few months it may help them save up for the things they need.

Session 4 Conclusion

Today we examined a few budgets and looked at ways to improve them. No two families will have the same budget as each of our incomes and expenses will vary. Also keep in mind both our incomes and expenses can change from time to time as well. It is important to learn how to be flexible when building a budget and realizing what kinds of things you need and which things you can live without. It is good to learn now the aspects of a balanced budget so when we are older, we can take control of our financial well-being.