

4) Budget

A budget is a plan that makes you think about what you are spending, compared to what you make. **It helps you to:**

- Be aware of all the ways you make money.
- Be aware of where your money is going.
- Be sure you can pay living expenses, bills and debts.
- Decide what you can afford.
- Save towards your goals.
- Have money to do the things you want to do.
- Save for an emergency fund.

Emergency fund

- Everyone needs some money set aside in case of an emergency.
- It is a good idea to have **at least one month's pay** in your emergency fund.
- To get this much, save 5% - 10% of your pay each month in a separate account.



- If you use it for an emergency, start again so you can rebuild it.

If you are spending more than you earn, you will soon end up in financial trouble. **When short of money:**

- Look for innovative ways to reduce your expenses.
- Take another job.
- Cut out any extras for the time being.

4 a) Needs and Wants

Needs: Things that are a must for survival.

Examples: rent, food, medicine, etc.

Wants: Things that are nice to have.

Examples: eating out, DVDs, clothes, etc.

Ask yourself:

- Do I really have to have this?
- Is it essential to my survival?



- Is it something that I could do without so I can reach an important goal?

Example: Clothing is a need. Having a certain brand is a want.

Remember!

Needs and wants depend on circumstances. For example, you may need good, comfortable shoes.

Convenience can cost a lot.

Think if it is worth it!

If you buy your coffee every day, guess how much you spend on coffee in a year?

\$5 per day

\$25 per week

\$1,200 per year



Plan and save!

Can of soft drink from machine: \$1

Cost of 24 cans from the machine: \$24

Case of 24 cans from the grocery store: \$6

Savings: \$18 plus tax!

Think about it!

- Think of money as "hours of work".
- If you wash dishes for \$10/hour and you are buying \$100 shoes, is it worth 10 hours of work of washing dishes?



4 b) Staying Organized

Budgeting can be easy if you stayed organized.

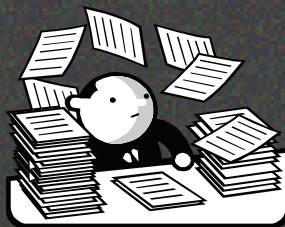
Here are some tips to organize receipts, bills, bank statements, etc.

- Get a box or two (shoe boxes work great!) and label them. Keep everything in these boxes.
- Get some envelopes or folders and label them using simple categories... phone bills, bank statements, receipts, etc.
- Organize your papers into the right envelope or folder right away.
- Calculate your monthly costs by using the Monthly Budget Worksheet to find out where your money is going.
- Keep interest slips and write on them why you withdrew the money.

Use a method of organization that you like.

Keep your records for six months to a year.

- Before you throw papers out, shred or cut them up to protect yourself from fraud.



4 c) Using a Budget Worksheet

You can use the budget in two ways:

1. Record what you think the correct amounts are for each item. At the end of the month, check to see if that was where your money really went. Change your budget using this new information and try again.
2. Total everything that you spend and write it down at the end of the month. See where you are spending more and where you can make some cuts.

Monthly Budget Worksheet

Income (after taxes and deductions)

Pay 1	\$
Pay 2	\$
Loan or grant income	\$
Child support	\$
Child tax credit	\$
Government supports (EI, Social Assistance, etc.)	\$
Workers Compensation Board	\$
Tips	\$
Incidental income	\$
TOTAL INCOME (1)	\$
Birthday gift	\$
Tax refund	\$
Bonus	\$
Other	\$
Other	\$
TOTAL OTHER INCOME	\$
TOTAL OTHER INCOME divided by 12 (2)	\$
(A) INCOME TOTAL (add 1 & 2)	\$

Money going out...

Rent	\$
Heating, electricity, water	\$
Home or tenant insurance	\$
Telephone	\$
Cable TV/internet access	\$
Medical expenses	\$
Prescriptions	\$
MSP premiums	\$
Taxes	\$
Bank charges	\$
Household supplies	\$

Money going out... (cont'd)

Clothing	\$
Loan payments	\$
Credit card payments	\$
Bus fare	\$
Gasoline	\$
Car loan	\$
Auto insurance and registration	\$
License fee	\$
Student loan	\$
Other loans	\$
Shoes	\$
Haircuts	\$
Laundry	\$
Alcohol	\$
Cigarettes	\$
Cosmetics/personal grooming	\$
Food	\$
Restaurants	\$
Movies	\$
Hobbies	\$
Pets	\$
Books/magazines	\$
Annual subscriptions	\$
CDs/music	\$
Tuition	\$
Books	\$
Supplies	\$
Gifts	\$
Christmas	\$
Travel	\$
Vacation	\$
Other	\$
Other	\$
Other	\$
(B) TOTAL EXPENSES	\$
GRAND TOTAL (A-B)	\$