

# Personal Budgeting

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## Description:

This activity will take the Personal Professionalism activity from the “Your Responsibilities” program a few steps further. We’ll focus on the more tangible components of budgeting, assigning actual dollar amounts to each of our categorized needs, wants, wishes, and valued items or causes. We’ll also spend some time actually working with resources available online so we may more practically use them next year! This activity will take 30-40 minutes.

## Objectives:

At the conclusion of this activity, participants will...

1. Separate planned expenditures into categories of Needs, Wants, Wishes and Values
2. Assign concrete values to the planned income and expenditures to begin to build a budget
3. Identify resources available to help establish and maintain a budget

## Supplies and Preparation Needed:

To facilitate this activity, you will need paper, markers and tape (or another way to post paper to the wall). You will need to make a number of signs (listed below) before the activity begins and post them on the wall. Make sure to create several blank signs, for participants to create their own budget items.

It is also necessary that you have at least three computers with access to the internet, so small groups can research estimated living expenses. Finally, you will need to print at least one copy of the expense assignments. If you have a larger senior class, you may need multiple copies – one expense assignment for each small group of 4 or 5 women. There are three expense assignments on the page. You will also need a copy of the Building Your Budget handout for each participant.

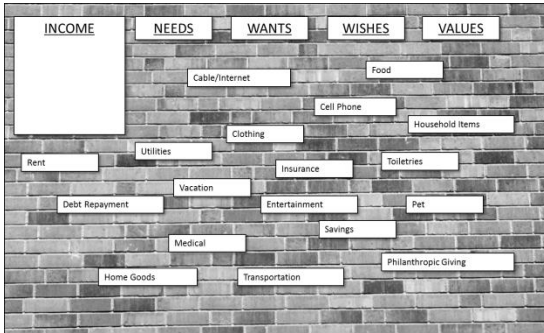
Make signs for each of these budget categories and post them on the wall. You may consider using flip chart paper for these:

- Income (You will want to leave space on this one, as you will write a lot on this paper during the activity.)
- Needs
- Wants
- Wishes
- Values

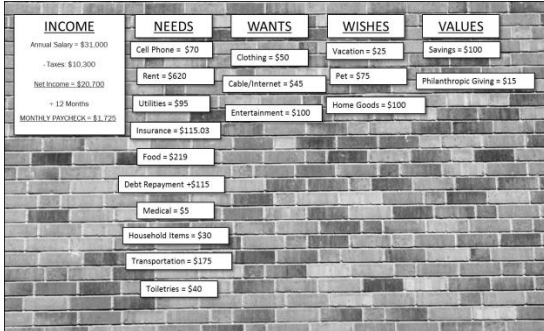
Make signs for each of these budget items and post on the wall (plus a few blank signs):

- Rent
- Utilities (Electric, Gas, Water, Sewer, Recycling, Trash Pick-Up)
- Cell Phone
- Insurance (Medical, Vision, Dental, Life, Car, Homeowner/Rental)
- Medical (Office Visits, Medications)
- Savings
- Debt Repayment (School Loans, Credit Card, Car Payment)
- Clothing
- Household Items
- Toiletries
- Food
- Transportation (Fuel, Auto Maintenance, Public Transportation, Fare)
- Cable/Internet
- Entertainment (Restaurants, Movies, Sporting Events, etc.)
- Philanthropic Giving (University Support, Membership Associations, Donations, etc.)
- Pet (Food, Vet, Medications, Boarding, Grooming)
- Vacation
- Home Goods (Furniture, Appliances, Decorations, etc.)

Example of wall with posted budget categories and items BEFORE activity:



Example of wall AFTER activity: (This is only an example. There is no wrong answer to categorizing each budget item.)



### Facilitator Guide:

<p>REVIEW: 1 minute</p>	<ul style="list-style-type: none"> <li>• Whether your career aspirations will eventually bring you an annual salary of millions of dollars or not, it is important to know how to budget our finances. In this activity, we will learn how to build a personal budget and why it is important to be accountable to it. This activity will last 30-40 minutes.</li> </ul>
<p>SHARE: 1 minute</p>	<ul style="list-style-type: none"> <li>• Today, we are going to build a budget for Jenna. Jenna is graduating from college next month with an education degree. Upon graduation, she will be licensed in the state of Indiana and would like to move to Indianapolis but wants to know if she can realistically make ends meet.</li> </ul>
<p>ACTIVITY: 8 minutes</p>	<ul style="list-style-type: none"> <li>• In “Your Responsibilities” we talked about separating out our budget by what we need, what we want, what we wish for and what we value. Those titles are on the wall—needs, wants, wishes and values. Also on the wall are individual budget items like rent, car insurance, medications, groceries, etc. We need to place each of these budget items underneath one of the budget categories—needs, wants, wishes or values. There is also space on the wall for information about Jenna’s income, but we will get to that later.</li> <li>• When we have finished, we will take a look at the wall together and discuss any changes anyone thinks we should make. Everyone can come forward and start moving the items.</li> </ul> <p><b>Facilitator Note:</b> <i>This activity can be chaotic, especially if you have a larger group. If there are items that people are disagreeing about, feel free to put them aside until everything else has been categorized. You can return to those items and decide as a group when everyone has finished.</i></p>

ASK: 5 minutes

- How does this look? Is there anything that you don't agree with? Is there anything missing?

**Facilitator Note:** *Let participants share their reasons for why items should be moved or remain where they are. If they cannot come to an agreement, majority vote will decide where the item is categorized. Have extra paper and markers available to make any additional budget items participants want to add to the budget.*

SHARE: 1 minute

- Now that we have categorized all of Jenna's budget items in her needs, wants, wishes and values, we need to do some research to see if she can afford to live in Indianapolis. In a moment, we will break up into small groups to research the cost of these items, but before we do that I can fill in some of the information that Jenna has already researched.

**Facilitator Note:** *As you explain Jenna's income, be sure to write down all of the numbers as you go so participants can easily follow along. At the beginning, your "Income" flip chart may look like this example:*

<b>INCOME</b>
Annual Salary =
- Taxes:
Net Income =
÷ 12 Months
<b>MONTHLY PAYCHECK =</b>

SHARE: 1 minute

- Let's start with her income. After searching the internet, Jenna has found out that the starting annual salary for a new teacher with a Bachelor of Arts degree and no previous full-time experience is around \$31,000 for Indianapolis Public Schools.
- In Canada, federal, provincial and territorial income tax rates are based on your income and can be estimated by researching your provincial tax deductions table online. In the United States, it is smart to budget one-third of your income for federal, state and local income taxes. For some, these taxes will be deducted from your salary by your employers before you receive your paycheck. For others, you will need to budget for this and pay taxes yourselves. Since Jenna will be living in the United States and the school will be automatically deducting her taxes, let's estimate that one-third of her income, or approximately \$10,300 will go toward taxes. This leaves Jenna with an annual net income of \$20,700.

SHARE: 1 minute

- Finally, to determine her monthly income, let's divide her net income, also called her "take-home pay", by 12. Even though she will be teaching 10 months out of the year, her salary will be divided among 12 months. We can now see that Jenna can expect to receive a paycheck for approximately \$1,725 each month.

**Facilitator Note:** Write down all of these numbers as you go so participants can easily follow along. At the end, your "Income" flip chart may look like this example:

<p style="text-align: center;"><b><u>INCOME</u></b></p> <p style="text-align: center;">Annual Salary = \$31,000</p> <p style="text-align: center;">- Taxes: \$10,300</p> <p style="text-align: center;"><u>Net Income = \$20,700</u></p> <p style="text-align: center;">÷ 12 Months</p> <p style="text-align: center;"><b><u>MONTHLY PAYCHECK = \$1,725</u></b></p>
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SHARE: 1 minute

- Now that we know Jenna's monthly income, let's take a look at her expenses. In looking up local Board of Education minutes, she found out that although her basic medical insurance premium will be covered, she will have to pay \$0.01 per month for each: vision insurance, dental insurance and life insurance.
- Additionally, Jenna contacted her current car insurance provider to ask if anything would change when she moved to Indianapolis. Because she will be living in a larger city and driving to work every day instead of walking to class on a rural campus, her car insurance is increasing to \$105 per month. The estimated rental insurance for her apartment is only \$10 per month. These costs will be in addition to the vision, dental and life insurance costs we've already talked about.

**Facilitator Note:** Write down these costs for those items. For example:

<b>INSURANCE = \$115.03</b>
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SMALL GROUP:  
7 minutes

- In small groups, we are going to research the rest of Jenna's monthly expenses. Each small group will receive an expense assignment and resources for estimating Jenna's monthly cost for that expense.

**Facilitator Note:** Pass out one assignment to each small group. If you have a large senior class, you may consider making multiple copies of each assignment. Then, once small groups have determined their estimated costs they can partner with the other small group(s) who was researching the same expense to compare and decide upon an estimate together before reporting to the large group.

<p>SHARE: 2 minutes</p>	<ul style="list-style-type: none"> <li>Let's fill in a few more of these monthly expenses before we calculate everything. <ul style="list-style-type: none"> <li><u>Cell Phone</u>: Jenna's current voice and data plan is \$70 per month. She plans to continue with her service, so this expense will stay the same.</li> <li><u>Medical</u>: Jenna takes a daily allergy medication that needs to be refilled on a monthly basis. Luckily, with her medical insurance she only has to pay a \$5 copay for prescription drugs.</li> <li><u>Cable and Internet</u>: Internet is a must for Jenna, but cable isn't a big deal for her. She looked into local service providers in Indianapolis and estimates that she will pay \$45 per month for wireless internet and basic cable services.</li> <li><u>Savings</u>: Jenna would really like to start a savings account, so she can build a nest egg to buy a house one day. Ideally, she would like to put \$100 in savings each month.</li> <li><u>Values</u>: She knows that she will be on a tight budget right after graduation, but Jenna wants to continue to support her sorority, her Alma Mater and the Humane Society, because it is a cause that she believes in. She has decided to give \$5 per month to each.</li> </ul> </li> <li>Okay, let's add all of the expenses you researched and calculate Jenna's total estimated expenses.</li> </ul> <p><b>Facilitator Note:</b> Write down all costs as you go, then add up all of Jenna's expenses.</p>
<p>ASK: 1 minute</p>	<ul style="list-style-type: none"> <li>It is important that Jenna balances her budget, meaning that her expenses must not be more than her income. Is Jenna's budget balanced? How much money does she have left over to spend on clothes, household and cleaning items or even basic toiletries? Does she have any money to go out with friends? If so, how much will we allocate for these entertainment expenses?</li> </ul>
<p>ASK: 3 minutes</p>	<ul style="list-style-type: none"> <li>There are some expenses that cannot change and some that can. How could Jenna reduce her expenses?</li> </ul> <p><b>Facilitator Note:</b> Options include (but are not limited to): Jenna could find a roommate and cut her rent and utility costs in half. Jenna could choose not to have cable or internet and cut that cost completely. Jenna could reduce the amount of money she donates to the organizations she values or the amount she puts into savings.</p>
<p>ASK: 2 minutes</p>	<ul style="list-style-type: none"> <li>If Jenna had money left over after deducting her expenses from her income, what kinds of things could she do?</li> </ul> <p><b>Facilitator Note:</b> Options include (but are not limited to): Jenna could choose to upgrade her cable services to include DVR or movie packages. Jenna could increase the amount of money she donates to the organizations she values or the amount she puts into savings. Jenna could join a gym, purchase new furniture or adopt a pet. Jenna could increase her housing allotment and rent a larger space or even purchase a home. Jenna could potentially attend graduate school to receive a Master of Arts degree in education, which would eventually increase her salary.</p>

SHARE: 1 minute

- Now that we have practiced building a budget for Jenna, we can do the research to build our own budgets and estimate our cost of living wherever we are headed after graduation. This handout has resources that assist with this.

**Facilitator Note:** *Pass out handouts to all participants.*

SHARE: 1 minute

- Most importantly, a budget will mean nothing if we don't follow it. We will close with some tips for following your budget:
  - **Record Everything:** Start a spreadsheet to track your income and all of your expenses. Make sure to include every dollar you spend. You may be surprised at how much you are spending in certain areas like those morning coffee stops on the way to work or that gym membership that you haven't used in months.
  - **Envelope System:** Sometimes credit and debit cards make it too easy to overspend. To avoid this, cash your paycheck and put cash for each budget item in separate envelopes. This way you will actually see when you've spent all of the money you've allocated for each expense.
  - **Don't Cheat:** It's okay to readjust your budget from time to time, but be careful to always keep it balanced. When you cheat your budget, you only cheat yourself.



SAMPLE FROM [www.k12deschools.com](http://www.k12deschools.com)  
USE ONLY WITH PERMISSION

# Basic Needs Expenses

Although Jenna isn't exactly sure where she will be working or living, she'd like to know what the average cost of living in Indianapolis will be. Thankfully, her car is paid off. Although she will not have a monthly car payment, she will need to plan for fuel, parking and other transportation costs. What is the average monthly cost for food, rent and transportation in Marion County?

1. Go to <http://www.numbeo.com>.
2. Click on "Cost of Living" tab.
3. Select your location.

OR

1. Go to <http://livingwage.mit.edu>.
2. Select the state, then county.

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# Utility Expenses

Jenna tries to be as eco-friendly as possible. She buys local produce, recycles and uses energy-efficient fluorescent light bulbs. She hopes to live in a 1000 square-foot first-floor apartment. The apartment complex she researched includes gas, sewage, water and trash pick-up in their rent rate. Unfortunately they do not offer recycling pick-up, but Jenna can drive her recycling to the local recycling center. It looks like electricity will be her only separate monthly utility bill. What can she expect to pay monthly for electricity?

1. Go to <http://tlc.howstuffworks.com/family/how-to-estimate-cost-of-utilities2.htm>.
2. Select one of the energy calculator links.
3. Fill in information based on Jenna's housing to calculate her energy costs.

OR

1. Go to <http://www.numbeo.com>.
2. Click on "Cost of Living" tab.
3. Select your location for general averages.

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# Debt Repayment Expenses

Luckily, Jenna doesn't have any credit card debt and she drives her dad's old car that he gave to her when he bought a new one, so she doesn't have a car payment either. However, she has \$10,000 in school loans to repay once she graduates. The loan has a 6.8% fixed interest rate and she has up to 10 years to repay. What will be her monthly loan repayment?

1. Go to <http://www.finaid.org/calculators/loanpayments.phtml>.
2. Calculate Jenna's estimated monthly student loan payments.

# Building Your Budget

Resources to help you estimate post-graduation living expenses:

## Basic Cost of Living (Rent, Food, Transportation, etc.)

1. Go to <http://www.numbeo.com>.
  2. Click on "Cost of Living" tab.
  3. Select your location.
- OR
1. Go to <http://livingwage.mit.edu>.
  2. Select the state, then county.

## Energy (Electricity, Gas)

1. Go to <http://tlc.howstuffworks.com/family/how-to-estimate-cost-of-utilities2.htm>.
2. Select one of the energy calculator links.

## Insurance (Car, Homeowner/Rental, Medical, Vision, Dental, Life)

1. Contact your current insurance provider(s) and ask if you will be able to carry your same insurance after graduation.
2. Ask for an estimate if there will be a change in coverage. You may be able to do this online.

## Debt Repayment (Credit Card, Car, Student Loans)

1. Look to your credit card statements to estimate monthly credit card payments.
2. Look to your car statement to estimate monthly car payments.
3. Contact your campus Financial Aid Office for personalized information.
4. For Canadian students, go to <http://tools.canlearn.ca/csigs-scpse/cln-cln/50/crp-lrc/af.nlindex-eng.do> to calculate estimated monthly student loan payments.
5. For United States students, go to <http://www.finaid.org/calculators/loanpayments.phtml> to calculate estimated monthly student loan payments.

## THE BEST WAY TO ESTIMATE FUTURE EXPENSES IS TO LOOK TO PAST PURCHASES!

1. Go through your past bank statements.
2. Calculate purchases in a specific category to estimate your monthly budget for each category (i.e., groceries, cell phone, debt repayment, clothing, household items or entertainment – restaurants, bars, movies, etc.).

## Additional Resources and Advice:

- Utilize iWork or Office templates to create a personal monthly budget
- Money Crashers: <http://www.moneycrashers.com/how-to-make-a-budget/>
- Gail Vaz-Oxlade, Financial Author: <http://www.gailvazoxlade.com/>