

8.6

Creating and Analyzing a Budget

Try These

You will need

- source of data about income and expenses

- i) $\$10 - \$15 = \underline{\hspace{2cm}}$ iii) $\$720 + \$45 - \$699 = \underline{\hspace{2cm}}$
ii) $\$57 - \$96 + \$23 = \underline{\hspace{2cm}}$ iv) $\$1000 - \$2000 - \$100 = \underline{\hspace{2cm}}$

A budget helps you keep track of what you spend and earn.

- A budget compares expenses to income. A budget can show a surplus (income is greater than expenses) or deficit (income is less than expenses).
- A budget helps you decide where you can reduce spending.
- A budget helps you plan and achieve a financial goal.

How can you analyze expenses?

- 1 When creating a budget, you need to determine
 - your total expenses
 - your **fixed** and **variable expenses**
 - your total income from all sources

- 2 Circle the fixed expenses below.

- 3 Underline the variable expenses below.

- 4 Check any **recurring expenses** below.

car payment	clothing	cellphone	eating out
groceries	gas	movies	rent
video games	recreation	gym membership	utilities
insurance	gifts	vacation	car repairs

fixed expense

a cost that remains the same from month to month

variable expense

a cost that changes from month to month

recurring expenses

costs that happen over and over

REFLECTING

Which expenses in Question 4 do you think are the most important to someone starting a new job in a new location?

Example

Tiffany is a pharmacy technician in Winnipeg. She tracked her expenses and income for a month. She has started a monthly budget. Continue Tiffany's budget.

Solution

A. Complete Tiffany's monthly budget.

Monthly income			
annual take-home pay is \$29481.12			
$\$29481.12 \div \underline{\hspace{2cm}} \text{ mo/yr} = \$ \underline{\hspace{2cm}} / \text{mo}$			
Monthly expenses			
Fixed		Variable	
rent	\$ <u> </u>	gas	\$271.42
<u> </u>	\$219.37	clothing	\$ <u> </u>
insurance	\$114.70	personal care	\$ 54.39
utilities	\$ <u> </u>	<u> </u>	\$ 68.00
cellphone	\$ 62.50	leisure	\$ 75.88
savings	\$220.00	miscellaneous	\$ 67.23
total expenses \$ <u> </u> /mo			
income of \$ <u> </u> - expenses of \$ <u> </u> = <u> </u>			

RECEIPT

Rent \$950

RECEIPT

Car payment \$219.37

RECEIPT

Utilities \$86.45

RECEIPT

Food \$271.42

RECEIPT

Gas \$84.28

RECEIPT

Clothing \$75.98

RECEIPT

Recreation \$68.00

B. Does Tiffany have a surplus, deficit, or neither? How much is it?

C. This month Tiffany won \$500 in a charity raffle and must pay a vet bill of \$785.00 for her dog. How does this affect her budget?

Income of \$ - expenses of \$ =
 Tiffany has a of \$ this month.

D. Tiffany wants to save an additional \$50/mo toward an RRSP. How could she adjust her budget to do this?

REFLECTING
 What are some other sources of unexpected income or unexpected expenses?

Practice

1. Financial planners say, save by "paying yourself" 10% of your salary each month. Why do you think they suggest this?



2. Ali wants to save for a trip to Yellowknife. The airfare is \$563.08. Accommodation for eight nights costs \$1080.00. He is planning to have \$300.00 spending money.

a) Ali would like to go on the trip in 1 yr. How much does he need to save each month?

b) Train fare is less, \$355.00. How much does he need to save each month?

c) Should Ali save for this trip or charge it on his credit card? Why?

3. Savanna is taking courses in Calgary.

- She lives with her parents. Her parents pay her tuition.
- Her net monthly income as a waitress is \$1203.12.

These charts show Savanna's monthly and annual expenses.

Monthly expenses			
room and board	\$150.00	car payment	\$295.14
cellphone	\$ 54.34	gas and maintenance	\$ 65.00
clothing	\$ 65.00	computer supplies	\$ 20.00
gifts	\$ 65.00	entertainment	\$100.00
eating out	\$ 70.00	magazines and music	\$ 25.00
personal care	\$ 50.00	savings	\$ 50.00

Annual expenses			
books and supplies	\$590.00	car insurance	\$775.00

REFLECTING

What could make cellphone charges fixed?

What could make cellphone charges variable?

a) List Savanna's fixed expenses.

b) List Savanna's variable expenses.

4. Use the charts for Savanna's expenses in Question 3.

a) Create a monthly budget for Savanna. List the income, fixed expenses, and variable expenses. Include the monthly cost of annual expenses. Record the surplus or deficit. Circle to show whether the amount is a surplus or deficit.

Monthly income: \$ _____

Total fixed expenses: \$ _____

Total variable expenses: \$ _____

Total expenses: \$ _____

Surplus or deficit: \$ _____

b) In the second year, Savanna will pay her tuition of \$1850. She also has a car repair that she charged on her credit card. The monthly payment for 1 yr is \$79.83. Will her monthly budget be in surplus or deficit?

c) What budget changes could Savanna make to reduce expenses?

5. a) Collect income and expense data for your situation in a few years from now. Create your own budget.

b) Suppose your income for Part a) decreased by \$200 per month. What changes might you make for your budget?