

Personal Budget 101

Economics

Budgeting and Goals

- What are your financial goals?
 - Would you like to buy a laptop or car?
 - Do you plan to pay for a college education?
 - Do you want to earn a certain amount of money by a particular age?
- Discussion: How will you achieve your financial goals?
 - strategies

Budgeting and Goals

- In order to reach financial goals, it is important to make a plan for spending and saving
 - Plan is called a budget
 - Track how much money comes in and goes out each month
 - **Income/earnings with expenses/spending = cash flow**

Understanding Cash Flow

- What have you spent money on over the last two days?
- Types of expenses
 - Fixed
 - variable
- Label your purchases as fixed/variable
 - If you buy a home, will your mortgage be fixed or variable?
 - If you take a vacation to Europe, will that be a fixed or variable?

Understanding Cash Flow

- As you become more independent, more expenses will become fixed
- Knowing how money fits into these categories will help you build an accurate budget.

Understanding Cash Flow

- Have you earned any money this month?
How do you keep track of it?
- Just like you need to track your outgoing expenses, we also need to track our earnings.
- You earn **gross income**
 - This is what you earn before taxes
 - Once taxes are deducted you have your **net pay**

Making a Budget

- Handout assignment - Budget busters:
Who's breaking the bank?
 - Evaluate the 3 budget scenarios. Complete the 2 following activities
 - **Assess how successful each budget is in meeting the budgeters goals. Most successful? Least? Why?**
 - **What adjustments could be made to meet the goal sooner?**

Making a Budget

- Handout assignment – Budgets 101: How to get it done
 - Create your own budget with the information presented in the assignment
 - Things to consider: What are your fixed/variable costs? Use the correct percentages to determine your monthly costs
- Discussion: How will you achieve your financial goals?