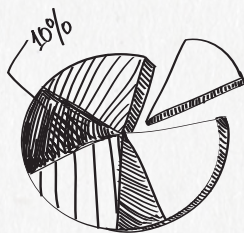


## Activity 1 BALANCING ACT

Learning to balance needs and wants can take time and practice.



### PART 1

Review this sample budget and fill in the column labeled “Need or Want?” with N’s and W’s. Then answer the questions below.

1. What percentage of this person’s budget is going to needs? To wants?

Needs: \_\_\_\_\_%      Wants: \_\_\_\_\_%

2. Based on this budget, approximately how much should this person have set aside in an emergency long-term savings account? \$ \_\_\_\_\_

By depositing \$100 per month into long-term savings, how long will it take to build up that amount (excluding interest)?

\_\_\_\_\_

3. How much could this person go over budget each month and still not use up all their income?

\$ \_\_\_\_\_

What is the benefit of having this kind of “extra” money in a budget?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### PART 2

Now step into the future and put together your own monthly budget using the template on the next page. Some major expenses are already filled in, but you can decide how much to spend on the other budget items. You can use the sample budget to estimate expenses for individual items, or research typical expenses for yourself.

As you create your budget, assume the following:

- You have an annual salary of \$36,000 net pay (after taxes).
- Your budget must cover all your monthly expenses.
- You should deposit 5% of your income each month into a long-term savings account.
- You should have some extra money at the end of each month to help cover any overspending.

## SAMPLE BUDGET

MONTHLY HOUSEHOLD BUDGET	Need or Want?	Amount Budgeted	% of Income
<b>INCOME</b>			
Net pay		\$4,000.00	100.00%
<b>EXPENSES</b>			
<b>HOME &amp; LIVING</b>			
Mortgage/rent		\$1,000.00	25.00%
Utilities (electricity, etc.)		\$250.00	6.25%
Cellphone		\$80.00	2.00%
Cable TV		\$90.00	2.25%
Internet		\$50.00	1.25%
Groceries		\$240.00	6.00%
Dining out		\$200.00	5.00%
Total Home & Living Expenses		\$1,910.00	47.75%
<b>TRANSPORTATION</b>			
Car payment		\$250.00	6.25%
Gas/fuel		\$100.00	2.50%
Car insurance		\$80.00	2.00%
Repairs & maintenance		\$50.00	1.25%
Parking		\$60.00	1.50%
Total Transportation Expenses		\$540.00	13.50%
<b>FINANCIAL OBLIGATIONS</b>			
Long-term savings		\$100.00	2.50%
Retirement (401 k, Roth IRA)		\$200.00	5.00%
Credit card payments		\$150.00	3.75%
Student loans		\$80.00	2.00%
Total Financial Obligations		\$530.00	13.25%
<b>ENTERTAINMENT</b>			
Music service		\$40.00	1.00%
Movies		\$50.00	1.25%
Sporting events/concerts		\$100.00	2.50%
Other activities		\$50.00	1.25%
Total Entertainment Expenses		\$240.00	6.00%
<b>HEALTH</b>			
Health insurance		\$150.00	3.75%
Medication, vitamins, etc.		\$40.00	1.00%
Life insurance		\$20.00	0.50%
Total Health Expenses		\$210.00	5.25%
<b>PERSONAL CARE</b>			
New clothing		\$100.00	2.50%
Laundry, dry cleaning		\$40.00	1.00%
Salon/barber		\$60.00	1.50%
Hair product, cosmetics, etc.		\$20.00	0.50%
Total Personal Expenses		\$220.00	5.50%
<b>MISCELLANEOUS</b>			
Charitable donations		\$50.00	1.25%
Gifts		\$50.00	1.25%
Other		\$50.00	1.25%
Total Miscellaneous Expenses		\$150.00	3.75%
<b>TOTAL EXPENSES</b>			
Cash short/extra		\$200.00	5.00%



After you complete your budget, answer the questions below.

1. What is the difference between annual and monthly income in your budget and the sample budget?

Annual income difference: \$ \_\_\_\_\_

Monthly income difference: \$ \_\_\_\_\_

2. What formulas did you use to calculate monthly income and monthly long-term savings?

Monthly income: \_\_\_\_\_

Monthly savings: \_\_\_\_\_

3. How does the percentage of income allocated for needs and wants in your budget differ from the percentage in the sample budget? Why?

\_\_\_\_\_

\_\_\_\_\_

4. Where did you reduce expenses – or cut an expense entirely – to keep your budget under your monthly income? How did you make those choices?

\_\_\_\_\_

\_\_\_\_\_

5. Were you able to incorporate 5% savings into your budget? If yes, how did you do it? If no, why did you make that decision?

\_\_\_\_\_

\_\_\_\_\_

6. Suppose you are in a car accident and need to pay a \$500 insurance deductible to repair your car, plus \$1,000 in medical bills from injuries you sustained in the accident. In addition, you miss 2 weeks of work because of your injuries, resulting in the loss of pay during that time, since you don't have any paid time off remaining for the year. All totaled, this equals one month's income. Review your budget carefully and decide where you can realistically make the cuts necessary to pay for your car repairs and medical bills and make up for lost wages over the course of one year. Use this space to explain your choices.

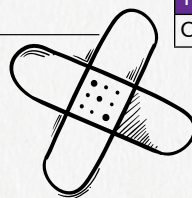
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## BUDGET TEMPLATE

MONTHLY HOUSEHOLD BUDGET	Amount Budgeted	% of Income
<b>INCOME</b>		
Net pay	\$	100.00%
<b>EXPENSES</b>		
<b>HOME &amp; LIVING</b>		
Mortgage/rent	\$1,000.00	33.3%
Utilities (electricity, etc.)	\$250.00	8.3%
Cellphone	\$	%
Cable TV	\$	%
Internet	\$	%
Groceries	\$	%
Dining out	\$	%
Total Home & Living Expenses	\$	%
<b>TRANSPORTATION</b>		
Car payment	\$250.00	8.3%
Gas/fuel	\$	%
Car insurance	\$80.00	2.7%
Repairs & maintenance	\$	%
Parking	\$	%
Total Transportation Expenses	\$	%
<b>FINANCIAL OBLIGATIONS</b>		
Long-term savings	\$	%
Retirement (401 k, Roth IRA)	\$	%
Credit card payments	\$	%
Student loans	\$200.00	6.7%
Total Financial Obligations	\$	%
<b>ENTERTAINMENT</b>		
Music service	\$	%
Movies	\$	%
Sporting events/concerts	\$	%
Other activities	\$	%
Total Entertainment Expenses	\$	%
<b>HEALTH</b>		
Health insurance	\$	%
Medication, vitamins, etc.	\$	%
Life insurance	\$150.00	5%
Total Health Expenses	\$	%
<b>PERSONAL CARE</b>		
New clothing	\$	%
Laundry, dry cleaning	\$	%
Salon/barber	\$	%
Hair product, cosmetics, etc.	\$	%
Total Personal Expenses	\$	%
<b>MISCELLANEOUS</b>		
Charitable donations	\$	%
Gifts	\$	%
Other	\$	%
Total Miscellaneous Expenses	\$	%
<b>TOTAL EXPENSES</b>	\$	%
Cash short/extra	\$	%