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Budget, Budget what is it, why do it?

**there's
something
about**



money

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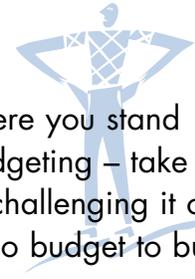
What is a Budget?

Don't be intimidated by the "B" word. It's simply an organized way of managing your finances. A budget can be as simple or as complicated as you wish. Basically, it gives you an overall picture of where your money is coming from, when it's coming in and how it's being spent. Above all, a budget should be flexible, and always changing according to your situation.

Why Budget?

We all work hard for our money, so it's natural we want to get the most from it. Budgeting helps us afford our short-term goals like buying clothes, going to the movies, or taking a friend to that trendy new restaurant. It's also for longer-term financial goals like buying a home, a car, paying for an education, a wedding, or a holiday. When you take control of your financial affairs, you're more confident about the future.

Who Should Budget?



Everyone. A budget is key to financial control. It gives you a "snapshot" of where you stand financially and where you're headed. Don't rely on anyone else to do your budgeting – take control of your own finances. It makes you realize the importance of saving and how challenging it can be sometimes to achieve your own personal goals. You have to start somewhere, so budget to buy that new mountain bike or pair of roller blades.

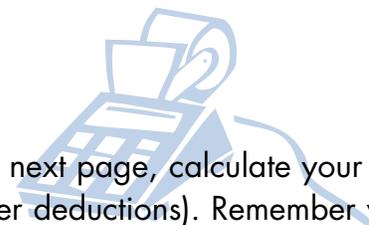
Getting Started

There are many ways to budget – on a day-to-day, week-to-week, or month-to-month basis. The more detailed approach is likely to give you a more accurate picture, but bear in mind that a monthly budget is just fine. If you have a job and you get paid every two weeks, it may be easier to let your budget follow your pay schedule.

When you create your budget, you can use a spread sheet on your computer or write it on a sheet of paper. We've provided some handy charts to help you calculate your income and expenses. Feel free to photocopy these or make your own charts complete with your unique categories. The quicker you get started, the better.

Figuring out your Income

How much money do you have to work with? Using the chart on the next page, calculate your available income based on your take home pay (after taxes and other deductions). Remember your income can come from many sources – salary, tips, commissions, bonuses, interest, investments, and yes, your parents. If you earn income irregularly (like only during the summer), you need to average what you earn to get a monthly income. Don't count on overtime pay as regular income. Overtime pay can seldom be relied on, so don't include it as income in your budget. Instead use occasional overtime to help contribute to goals.

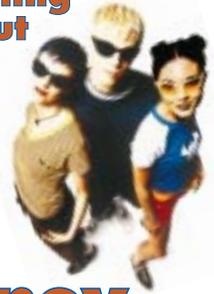


Dare to Take the Reality Check

On the next page, you'll find a Reality Check that gives you a fair idea of where your money goes.

Reality Check

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How much money do you spend in one month? Fill out the chart below to see exactly where your money goes.

INCOME (PER MONTH)

Take-home pay (part-time job, baby-sitting etc.)	\$ _____
Other income (allowance, gifts)	\$ _____
TOTAL MONTHLY INCOME	\$ _____

EXPENSES

Clothes	\$ _____
Magazines, video rentals, books etc.	\$ _____
Eating Out - school lunches, dinner, coffee etc.	\$ _____
Entertainment – movies, sports games etc.	\$ _____
Hobbies	\$ _____
Transportation – taxis, public transportation, car	\$ _____
Other expenses – e.g. your own phone line, computer games/Internet	\$ _____

Now pretend you're moving out on your own. What will it cost you to live each month? You will probably have to cut down on the above expenses, but for the sake of this activity, add the above expenses to the ones below.

EXPENSES

Rent	\$ _____
Electricity	\$ _____
Heat	\$ _____
Cable TV	\$ _____
Telephone	\$ _____
Groceries	\$ _____
TOTAL MONTHLY EXPENSES	\$ _____

Add up all your expenses and subtract them from your income. This is how much money you will have left at the end of each month. This money should be put away into some sort of savings for later.

Income	\$ _____
minus expenses	\$ _____
equals savings	= \$ _____

Where does your Money go?

What are your expenses? Remember that if you know exactly where your money is going, only then can you decide if you're spending it wisely. Don't forget that you'll probably be responsible for some new expenses that are currently being paid by your parents or family. Consider the following:

- **Fixed expenses:** Those bills you have to pay and that tend to be the same amount month-to-month or year-to-year. They include: rent payments, fees for education, car payments, furniture and appliance payments, payments on personal loans and credit cards, taxes for self-employed workers and your savings program.
- **Variable expenses:** The amounts that vary from month to month and over which you have some control. They include: food, clothing, utilities, transportation, long distance telephone, club memberships, vacations, house-hold supplies, gifts and contributions, personal care, recreation, babysitting, pets, and money for other miscellaneous purchases.
- **Your records:** Keep well-maintained files that you can review. Include cancelled cheques, credit card statements, receipts and ABM/debit transactions, and bank books.

Creating your own Plan

Now you should have a handle on your income and expenses. It's time to put together a spending plan that will help you meet your financial obligations and reach your goals. Remember that your plan is a guideline, so be flexible and always keep in mind what is most important to you.

- Make a note of your fixed and variable expenses. When you total your expenses, they should be equal to or less than your income.
- If your first plan is too heavy on expenses, think about which expenses you can reduce without sacrificing the quality of your lifestyle. Fixed expenses are based on previous spending commitments, so they usually can't be adjusted.
- Look at variable expenses that may be reduced or postponed until a later date.
- Be sure to include an emergency fund. Try to build a cushion of three to six months to help you prepare for the unexpected, such as sudden car repairs, unforeseen bills, loss of employment or illness. Setting up a special fund makes sense because not only will you be prepared financially, but you can use such a fund to avoid taking on additional debt.
- Once you have a good estimate of expenses, subtract that figure from your income. The remaining money is what you can use for your savings or goals.
- If your expenses total more than your income, you need to rework your figures or reduce your expenses until you have enough leftover cash to meet your savings target.

Keep track of Expenses



Keep a record of expenses to figure out where your money is being spent. By comparing your estimated expenses with what you are actually spending, you can see if your plan is working. It's impossible to keep track of every penny, but you need to know if you are within your spending limits. There are several ways to show what you are spending:

- Save receipts from all purchases.
- Use a chequing account to show where purchases were made, the amount spent and the expense (food, clothing, entertainment etc.).
- Keep track of when you receive money, when it's spent and when bills are due.
- Keep track of credit card statements.



Evaluating your Budget

Evaluate your spending plan on a regular basis. Is it still helping you meet your needs and achieve your goals? Look at the different categories and decide if you are satisfied with how you're spending your money. Adjust those expense categories that aren't providing satisfaction. As changes occur, you will have to make financial adjustments. At these times it's important to evaluate and perhaps create a new plan. Remember, a budget should be flexible. Your expenses and income will change and so will your budget.

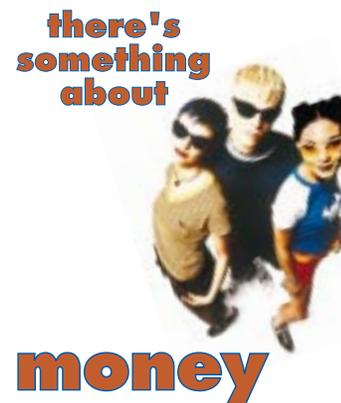
On the next page, you'll find a future reality check for those of you going on to university or college.

For Entrepreneurs only

For those of you interested in running your own business, a budget is so important. Businesses have a life of their own and that means their own unique expenses. Besides your day-to-day living expenses, there are new expenses that you'll now be responsible for. Consider some of these items...

- location (will you pay rent on the premises?)
- utilities
- business taxes
- business telephone/internet hook-up
- insurance
- legal/bookkeeping expenses
- equipment - lease vs. buy
- office furniture
- banking charges
- business loan + interest
- stationery requirements (business cards, letterhead, invoices, envelopes)

Future Reality Check



Many of you may be thinking of going to college or university in the near future. This involves expenses that many of you have never had to deal with before. Use the chart below to fill in what you think you will spend on a monthly basis (column 1) and what expenses you will have annually (column 2)

YOUR INCOME FOR THE SCHOOL YEAR	Monthly	Annual
Salary (or other earnings i.e. commissions, contracts)	\$	\$
Student loan income	\$	\$
Interest income	\$	\$
Family contributions	\$	\$
Other	\$	\$
TOTAL INCOME	\$	\$
YOUR EXPENSES FOR THE SCHOOL YEAR		
Tuition	\$	\$
Fees	\$	\$
Computer/books/supplies	\$	\$
Rent or Residence	\$	\$
Tenant's insurance	\$	\$
Cable	\$	\$
Electricity/Gas/Oil	\$	\$
Local Telephone/long distance	\$	\$
Groceries and/or Meal Plan	\$	\$
Household items	\$	\$
Transit	\$	\$
Parking/gas	\$	\$
Car registration/Insurance	\$	\$
Car repairs	\$	\$
Loan payments	\$	\$
Savings	\$	\$
Clothing	\$	\$
Personal care	\$	\$
Entertainment/newspapers/magazines	\$	\$
Health/medical/prescriptions/dental	\$	\$
Gifts	\$	\$
Vacation	\$	\$
Other	\$	\$
Expenses Subtotal (multiply Monthly Expenses by the number of months that you are in school, add to Annual Expenses total)	\$	x = \$
TOTAL EXPENSES: Annual + Monthly		\$

