

Activity 2: Build-a-Budget (Take-home Worksheet)

Q1. Examine your income.

- Do you earn any money?
- Do you get an allowance?
- Where does it come from?

Q2a. List 5 things you'd like to save for.

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Q2b. Identify which items in your list are 'needs' and which are 'wants'.

Q3. Identify two other 'needs' you should start saving for.

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Q4a. Do you already save part of your income? If so, estimate the % of your income you save.

Q4b. If not, set a goal for saving. What % of your income is a realistic goal?

Q5. Look back to your list of things you want / need to save for. Pick the item you think is most important. Based on your saving habits from question 4, how long would it take you to buy that item, assuming you only used your savings? Don't worry about income from interest. Show your work.

Activity Answer Key

A1. Income you earn from an employer is taxed. When budgeting, make sure you're working with after tax income.

An allowance from your parents is like a gift. It comes from their income; they've already paid taxes on it.

It's important to understand your income sources, and how often you receive them. It's impossible to budget if you don't know when the money's coming in / how much. It is equally important to understand when money is due (your expenses) - because you need to have enough cash in your account.

A2a/b/3. Needs are purchases you think are essential, like groceries, rent, clothes, etc... Wants are discretionary purchases (it means you have a choice to buy them or not). It's important to find a balance between the two.

A4. Financial planners suggest that you put 20% of your after-tax income towards your financial goals (saving, debt repayment, insurance payments). 20% may not be realistic when you're starting out or when you live in a large and expensive city. Don't get anxious if you can't save 20%. But try to save a little bit regularly so that you get used to not spending all of your income.



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