FRE | FEDERAL RESERVE EDUCATION

Making a Budget

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Why
Budget?
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WHAT IS A BUDGET?

It’s a **plan** to **manage** your money by monitoring your **income** and tracking your **expenses**.

Determine income

WHERE DOES YOUR MONEY COME FROM?

- Allowance
- Wages
- Financial gifts
- Scholarships, grants, and student aid
- Interest from financial accounts

Identify expenses and track spending

WHERE DOES YOUR MONEY GO?

- School expenses
- Activities
- Bills
- Entertainment
- Food

Develop the budget plan

Follow the Money

Mapping a budget plan helps you see where you've been and takes you where you want to be.

Income	
Allowance	$100.00
Financial gifts	$50.00
Total income	**$150.00**
Expenses	
Savings	$25.00
Fixed Expenses	(same every month)
School fees	$12.00
Gym membership	$15.00
Cell phone bill	$35.00
Variable Expenses	(may change each month)
Movies	$20.00
Food	$35.00
Total expenses	**$142.00 for the month**
Surplus	**$8.00**

- Pay yourself first "savings"
- Consider your goals
- Cover budget shortfalls
- Know what you owe and when it's due
- Plan for the unexpected

Put your plan into action

1. Implement the budget

2. Review budget at least monthly

3. Make necessary adjustments for your situation

A BUDGET HELPS YOU TO:

- Understand where your money goes
- Find uses for your money that will increase your wealth
- Take control of your money
- Live within your means and meet your goals

Wallet Activity

Terms

Asset

Liability

Income

Expenses

Budgeting Trade-Offs

Budget Trade-Offs
A Penny Here and a Penny There (Lesson 5B)

https://www.federalreserveeducation.org/teaching-resources/personal-finance/spending-budgeting/budget-trade-offs-a-penny-here-and-a-penny-there-lesson-5b

Spending Categories

Income Taxes	Housing	Transportation
Food (eating in and dining out)	Clothing and Personal Care	Health/Dental Insurance
Entertainment	Contributions	Savings

Housing

Housing (Including Utilities and Insurance)	
20	\$300,000, newer, 3-4 bedrooms, 2+ baths house
15	\$225,000, 10-yr-old, 3-4 bedrooms, 2+ baths house
10	\$150,000, 20-yr-old, 2-bedroom, 2-bath house
7	\$100,000, 30-yr-old, 2-bedroom, 1-bath house
5	\$75,000, 30-yr-old+, 1-bedroom house or nice apartment
4	3-room apartment
3	2-room apartment
2	1-room, older apartment
1	Share a room with others or live in a car
0	No shelter

Transportation

Transportation (Including Fuel, Oil, and Insurance)

10	Luxury SUV or two late-model vehicles
7	Luxury vehicle or two older vehicles
5	Late-model, larger vehicle
4	Late-model, smaller vehicle
3	Older-model, dependable vehicle
2	Older-model, questionable vehicle
1	Unreliable vehicle or mass transit
0	No vehicle

Food
(Eating In and Dining Out)

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10	Gourmet and specialty foods, upscale restaurants
7	Good assortment of grocery foods, chain restaurants
5	Grocery foods, fast-food restaurants
4	Basic grocery foods, very limited dining out
3	Staples plus some processed foods
2	Staples only (minimum nutritional requirements met)
1	Staples only (minimum nutritional requirements not met)
0	No food

Clothing and Personal Care

Clothing and Personal Care Goods and Services

10	New wardrobe every year, complete selection of personal care items
7	Up-to-date wardrobe, many trendy items, most personal care items
5	Mostly up-to-date wardrobe, some trendy items, several personal care items
4	Good wardrobe turnover, limited trendy items, complete toiletries
3	Some wardrobe turnover, mostly department-store quality, most toiletries
2	Limited wardrobe turnover, mostly outdated items, some toiletries
1	No real wardrobe turnover, "new" clothes are secondhand, basic toiletries
0	Clothes on your back, no toiletries

Health/Dental Insurance

Health/Dental Insurance

10	Complete coverage
7	Low deductible, low co-pays, good prescription coverage
5	Medium deductible, low co-pays, some prescription coverage
4	Medium deductible, medium co-pays, limited prescription coverage
3	High deductible, medium co-pays, no prescription coverage
2	High deductible, high co-pays, no prescription coverage
1	Very high deductible, need to use free clinics, no prescription coverage
0	No coverage

Entertainment
(including technology, hobbies, and vacations)

Entertainment (Including Technology, Hobbies, and Vacations)

5	Full-service technology, non-local/2-week vacation, $100/week “fun” money
4	Good-service technology, non-local/1-week vacation, $75/week “fun” money
3	Some-service technology, local/2-week vacation, $50/week “fun” money
2	Very limited technology services, local/1-week vacation, $25/week “fun” money
1	No technology services, $25/week “fun” money
0	No entertainment

Contributions
(charity, non-profit organizations)

Contributions (Charity, Non-Profit Organizations)

4	$400/month in contributions
3	$300/month in contributions
2	$200/month in contributions
1	$100/month in contributions
0	No contributions

Savings

Savings

5	$500/month savings
4	$400/month savings
3	$300/month savings
2	$200/month savings
1	$100/month savings
0	No savings

Income Taxes	
4 (This amount must be allocated.)	Round 1 4 pennies Round 2 4 pennies

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Savings	
5 $500/month savings 4 $400/month savings 3 $300/month savings 2 $200/month savings 1 $100/month savings 0 No savings	Round 1 _______ pennies Round 2 _______ pennies

Round One
24 pennies

Round Two

18 pennies

What were the most difficult choices you had to make when allocating your pennies?

Which categories did you value the most? How did that affect your spending in that category?

When you spent more in one category, what did you give up in another category? Provide examples from your budget.

How did you reallocate your spending when you had less income?

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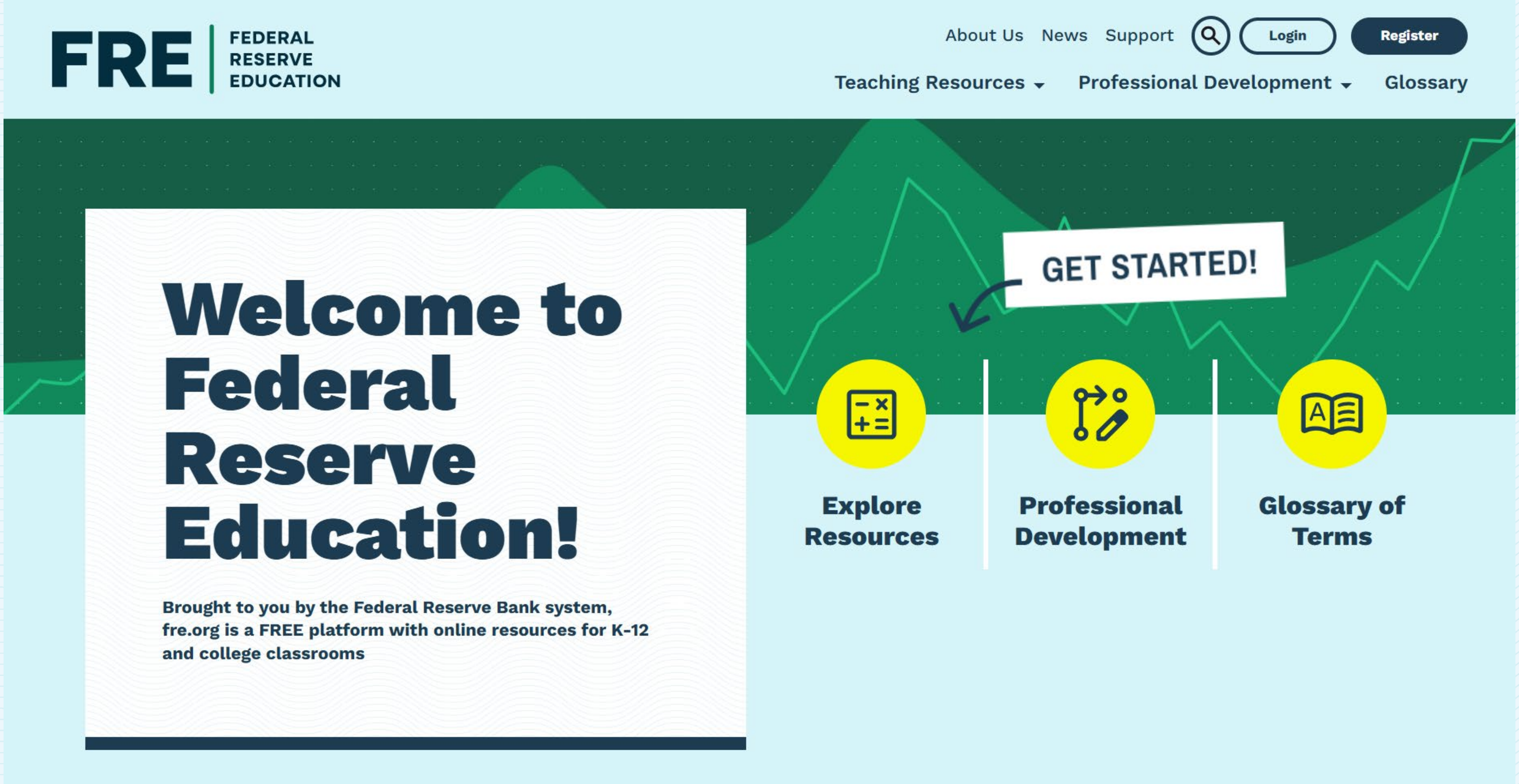
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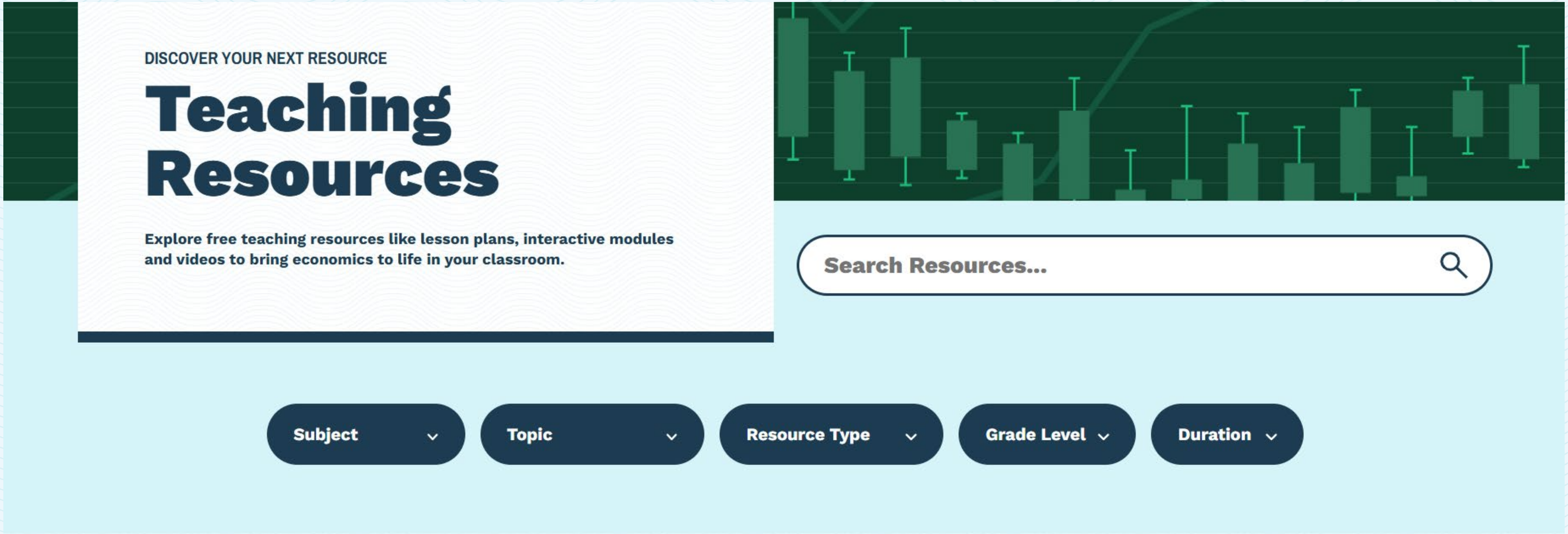

Available Resources

- Audio Q & As
- Curriculum Units
- FRED Graphs
- Infographics & Comics
- Lessons & Activities
- Modules
- Reading Q & As
- Video Q & As

Questions?