



Financial Literacy

Participant Handbook Budgeting



Module 3 - Budgeting**ACTIVITY SHEET 3-1****The 'B' word – budget**

Write down any other ideas the group came up with, especially ideas that fit your situation.

| What is a budget? | Why budget? |
|--|--|
| <ul style="list-style-type: none"> › A way to keep track of your money. › A summary of income (how much money comes in) and expenses (how much money goes out) over a certain period of time. › An tool that it tells you how much money you have, how much you need and what you spend your money on. › A plan to help you manage your money and plan for the future. | <ul style="list-style-type: none"> › Be more aware of what you spend your money on. › Find areas where you can spend less and save money. › Take control of your finances and feel more confident. › Pay bills on time and avoid late fees. › Reduce your stress around money. › Reduce or pay off your debt. › Save for medium and long-term goals (such as a vacation, paying for school, buying a house, retiring). › Have more money to spend on the things that are important to you! |

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ACTIVITY SHEET 3-2

Income sources

- Paycheque—weekly, biweekly or semi-monthly
- Self-employed business income
- Home-based business sales of home-made products or services
- Tips
- Sales commissions
- Bonuses
- Income from rental properties
- Income support from relatives
- Social assistance benefits
- Disability benefits
- Canada Child Tax Benefits and National Child Benefit Supplement
- Universal Child Tax Credit
- Child support
- GST or HST rebates
- Scholarships and bursaries
- Student loans
- Canada Pension Plan (CPP) or Quebec Pension Plan benefits
- Old Age Security Benefits (OAS)
- Guaranteed Income Supplement (GIS)
- Private pension benefits
- Withdrawals from Registered Retired Savings Plans
- Earnings on savings and investments
- Inheritances
- What else?

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ACTIVITY SHEET 3-3

Expense categories

Brainstorm and record examples of expenses from each category.
Decide which expenses are fixed (f) and which are variable (v):

| Housing: | Transportation: |
|-------------------------|---------------------------|
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| Living expenses: | Personal expenses: |
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ACTIVITY SHEET 3-4

Budgeting scenarios

Using the Monthly Budget Worksheet, put together a budget for the person in your scenario. Feel free to make up more details. You can also change or add categories to the budget to match your person’s situation.

Your goals for this process:

- › Income and expenses should balance (be equal) or there should be money left over.
- › budget must remain realistic.
- › If you cannot make a realistic, balanced budget, talk about the options for changing your person’s situation.

| | |
|---|---|
| <p>Scenario 1: Gina</p> <p>Single mother of 1 child, 5 years old</p> <p>On social assistance</p> <p>Other details</p> <hr/> <hr/> <hr/> <hr/> <p><i>Savings Goal: Save for child’s education</i></p> | <p>Scenario 2: Mike</p> <p>Single guy</p> <p>Makes minimum wage, smoker</p> <p>Other details</p> <hr/> <hr/> <hr/> <hr/> <p><i>Savings Goal: A car</i></p> |
|---|---|

| | |
|---|--|
| <p>Scenario 3: Natalie and Mohammed</p> <p>Married couple, parents of 2 small children</p> <p>One full time (40 hrs/wk) income of \$20/hour</p> <p>Other details</p> <hr/> <hr/> <hr/> <hr/> <p><i>Goal: Pay off credit card debt of \$5,000</i></p> | <p>Scenario 4: Caitlin and John</p> <p>Married couple, no kids</p> <p>Both work full-time, make \$60,000/year total</p> <p>Other details</p> <hr/> <hr/> <hr/> <hr/> <p><i>Savings Goal: A comfortable retirement</i></p> |
|---|--|

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ACTIVITY SHEET 3-5

Monthly budget worksheet

| INCOME | | | |
|--|----|-----------------------------------|----|
| Net income from wages (after deductions) | \$ | Other income: | \$ |
| Self-employment income | \$ | Other income: | \$ |
| Government benefits | \$ | | |
| TOTAL MONTHLY INCOME: | \$ | (A) | |
| EXPENSES: | | | |
| Housing expenses | | Transportation expenses | |
| Rent or mortgage | \$ | Car | \$ |
| Heat | \$ | Gas | \$ |
| Hydro | \$ | Parking | \$ |
| Cable and internet | \$ | Public transit | \$ |
| Telephone and Cell phone | \$ | Cabs | \$ |
| Other: | \$ | Other: | \$ |
| Living expenses | | Personal expenses | |
| Food | \$ | Recreation and entertainment | \$ |
| Clothing and laundry | \$ | Eating out | \$ |
| Child care | \$ | Cigarettes and alcohol | \$ |
| Loan payment | \$ | Personal grooming (clothes, hair) | \$ |
| Credit card payments | \$ | Magazines and newspapers | \$ |
| Prescription drugs | \$ | Gifts and donations | \$ |
| Pets | \$ | Vacation and travel | \$ |
| Other: | \$ | Additional saving goal | \$ |
| TOTAL MONTHLY EXPENSES | \$ | (B) | \$ |
| OVERALL BALANCE | | | |
| Total Monthly Income (A) | | \$ | |
| Subtract Total Monthly Expenses (B) | | \$ | |
| = (-) Overspending or (+) Saving | | \$ | |

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ACTIVITY SHEET 3-6

Making your own budget

Step 1 - Get ready. Gather all of the papers you need. That includes:

- › pay stubs
- › stubs from government cheques or direct deposit notices
- › receipts
- › bills
- › bank and credit card statements
- › loan documents.

Step 2 - Income. List all your sources of income in a month. Put down how much you get from each source in a month. Add them up. This is your Total Monthly Income.

Step 3 - Expenses. List all your expenses categories. Fill in the amounts for the fixed expenses first. These are likely listed on a bill or do not change each month. Next, do your best to estimate how much you spend in each of your variable categories.

Seasonal spending includes things like yearly insurance costs, back-to-school clothes for the kids, or holiday gift buying. Divide the total yearly cost by 12 to get an average monthly amount. Include that as a fixed expense in your monthly budget.

Example: You get a bill each year for \$800 in car insurance. Divide \$800 by 12. You get \$66.67. That is your fixed monthly cost for car insurance.

Pay yourself first: If you want to save towards a goal, take the total cost of your goal and divide it by the number of months you want to save up for it. Include that as a fixed expense in your budget.

Example: In a year and a half, you plan to buy a new computer. It will cost \$1000. Divide \$1000 by 18 months. You get \$55.56. That is your fixed monthly savings cost for your goal.

Savings tip: You can transfer the amounts for seasonal costs and savings goals out of your spending account into separate savings accounts. If you do that each month, the money builds up. It will be there for you to spend when you need it.

Step 4 - Do the math

Add up your Total Monthly Expenses. Subtract this amount from your Total Monthly Income. Do you have money left over? Or are you spending more than you earn?

Step 5 - Revise your budget

If your expenses are greater than your income, think honestly and realistically. Where can you cut back on expenses? Where can you increase your income? Should you change your savings goals?

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HANDOUT 3-7

Budgeting strategies

The worksheet budget: This is the type of budget we've worked with in this module. It is a written budget, usually one or two pages. You can write this kind of budget by hand, or type it up on a computer spreadsheet. These budgets are flexible. You can edit and update them anytime as things change in your life.

Online: There are many websites that offer online budgets. Some can even download information from your bank statement. With online budgets, the categories are usually set for you. This makes things easier, but you may find the categories do not quite fit your situation. The Financial Consumer Agency of Canada (FCAC) has an online budget worksheet at:

<http://www.fcac-acfc.gc.ca/eng/publications/tipsheets/tsbudget-eng.asp#LearningBudget>

Envelopes or jars: If worksheets don't work for you, there are many other creative ways to budget. You can figure out how much of your budget is for fixed and variable spending. Set the fixed money aside to pay those costs. Then divide the variable spending amounts, using labeled envelopes or jars to store the money you need for each category. You spend from the envelope or jar. When the money is gone, you stop spending.

Allowance: Once you cover fixed costs, you could give yourself a weekly allowance for all variable spending. When your weekly allowance is gone, you stop spending.

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HANDOUT 3-8

Budgeting tips

Remember your goals. Write them down. Put them where you can see them often and easily. Tack a list on the fridge. Or put a copy in your wallet next to your cash.

Be realistic. Connect your spending to your values. You need to be realistic about what you can live without and what you can't. This will help you find ways to spend less and to save.

Make it simple. If your budget is too complex, you are less likely to stick to it. Use a system that is simple and easy to maintain.

Keep a record. Choose the best way for you to keep track of your spending. Your record might be in a little notebook or on the computer. Some people put money for certain things in little envelopes or jars. The important thing is that it works for you.

Stay organized. You need to know where your financial records are and review them regularly. This saves time and stress. You can keep all your financial documents in a binder or a set of folders. Organize the binder or folders by item (for instance, bills, credit card statements, tax documents). Update your record system each year.

Use your bank to help you manage your money. At the bank, you should have a working account for paying your bills and taking out money. Open a savings account for your savings goals. If you get a regular income, set up your account so that it automatically transfers some money to your savings account each time you get paid. Remember, pay yourself first.

Include debt and savings in your budget. Use your monthly budget to reduce debt and increasing savings. Otherwise, debt can grow out of control, while savings disappear.

Paycheque plan. Plan your bill paying for when you get paid, so that you know which paycheque will cover what expenses.

Plan for change. Our expenses change. Our income changes. Our goals change. That is why you should review your budget regularly.

Be patient. The first few weeks of using a budget to guide your spending are often the hardest. Old habits can be hard to break and new ones hard to make. As time passes, you will grow more comfortable working with your budget.

Look for support. If you find you are getting off track, share your budget with someone you trust. Ask them to help you review your progress each month. To stay motivated, read about people who are in control of their money and meeting their goals.

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HANDOUT 3-9

Financial record keeping

Here are some important papers and records. You should keep them in a safe place and organize them so that you can find what you need. The chart shows their “shelf life” – how long you should keep them.

Remember: For safety, shred or destroy important papers before you throw them away.

| Pagers | Shelf life |
|--|--|
| Birth certificates and other ID | Keep for life. |
| Social Insurance Card | Keep for life. |
| Monthly bills with confirmation of payment | Keep for at least one year. |
| Receipts for major purchases | Keep until past return date or warranty date. |
| Warranties and guarantees for items you buy | Keep until the warranty expires. |
| Medical receipts | Keep for at least a year. You may be able to use them for your tax return. |
| Bankbooks and statements | Keep for at least a year. |
| Unused cheques or copies of cancelled cheques | One year or six years if used as receipts for tax purposes. |
| Investment papers and statements | Keep for as long as you own the investment. |
| Credit card statements | Keep minimum one year or seven if used as a record or expenses for tax purposes. |
| Leases (lease to buy), loan and mortgage papers | Keep until paid off. Keep the receipt of final payment. |
| Tax returns, notices of assessment, tax-related receipts | Keep for six years. |
| Insurance papers | Keep for the life of the insurance policy. |
| Final will and testament | Keep for life. |

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ACTIVITY SHEET 3-10

Goal-setting

Take a few minutes to reflect on how this workshop relates to your life.
Set one or two SMART goals for your personal budgeting and financial record-keeping.

Example:

| | |
|---|------------------------------------|
| Goal: Create and use a budget system | When? |
| Tasks: ▶ Add up my total income and subtract my total fixed expenses to figure out what I have left to spend each month ▶ Give myself a weekly spending allowance and only spend cash | End of this week Weekly |

| | |
|-----------------|--------------|
| 1. Goal: | |
| Tasks: | When? |
| | |

| | |
|-----------------|--------------|
| 2. Goal: | |
| Tasks: | When? |
| | |

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HANDOUT 3-11

Resources: Money management websites

Financial Consumer Agency of Canada (FCAC) <http://www.fcac-acfc.gc.ca/>

This is a financial education and consumer regulation site. Navigate through their Consumer Publications section to find the section on “Making a budget and sticking to it.”

The Money Belt <http://www.themoneybelt.gc.ca/>

This is a project of FCAC. You can get to it through their website. It is geared to a youth audience, and links to lots of financial educational material.

There’s Something About Money – Canadian Bankers Association <http://www.yourmoney.ca/>

This is also a large financial education website. Navigate through the Tools and Downloads section to the worksheets for budgeting and tracking expenses.

Get Smarter About Money – Investors Education Fund <http://www.getsmarteraboutmoney.ca/>

This site has many useful calculators and tools with a focus on saving and investing.

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HANDOUT 3-12

Glossary

Balanced budget: A budget in which income and expenses are equal

Budget: An estimate of the income and expenses of a person, a family or an organization, over a certain period of time

Canada Pension Plan (CPP): Canada's government pension system. You pay a portion of your earnings to a fund that gives you income when you retire or become permanently disabled.

Deficit: The amount by which your spending exceeds your income (opposite of surplus)

Employment insurance (EI): A Canadian government system. You pay a percentage of your earnings to a fund that provides income for a limited time if you lose your job.

Expense: Money you pay; costs

Fixed expenses: Expenses that do not change much from month to month, such as rent and utilities

Lifestyle: A way or style of living; your normal habits, pastimes, attitudes, standard of living, and so on

Priority: Something that is more important than other things

Receipt: A printed statement showing things you bought and the price you paid for them

Savings: Money you have not spent or that you set aside for a special purpose

Surplus: The amount by which your income exceeds your spending (opposite of deficit)

Variable expenses: Expenses that can change from month to month, such as food and entertainment