

# Budgeting

## Activity: Budgeting Three Different Income Levels

As your education, skill level and work experience increase throughout your life, so will your income. Different income levels come with varying challenges and opportunities. Use the budgeting tool to develop budgets for these three different income levels. We will assume, since you've learned about the dangers of debt, that you will have no debt other than your mortgage in these scenarios.

1. **College Life:** You are a college student who has tuition, textbooks and housing expenses covered by a combination of scholarships, grants and your parents. You, however, are responsible for your clothing, entertainment, food, transportation, general spending money and cell phone. You worked part time during the school year and full time during the summer months, saving the majority of your summer income for the upcoming school year. You are a server at a popular restaurant, and while tips vary, you average about \$8,500 per year. That comes to about \$600 per month after taxes. Complete a realistic monthly budget based on your income and expenses. Don't forget that saving (paying yourself) and giving come first!

2. **College Grad:** You just graduated from college six months ago and have finally landed a job in your career field. Your income will jump from \$8,500 to \$38,000 annually, making your new after-tax monthly income about \$2,700. While this may sound like a good reason to go on a spending spree, your newfound career comes with newfound financial independence. You still have the same monthly expenses you had in college, but you also have rent, utilities, renter's insurance, health insurance (if you are no longer on your parents' plan) and disability insurance. You are also investing 15% of your income for retirement. If your health and disability insurance are benefits provided by your employer, they would then be taken directly out of your paycheck and would not need to be written into your budget, reducing your monthly take-home pay to about \$2,400. Complete a realistic monthly budget based on your new income and expenses. Note: This may seem like a lot of added responsibility. Imagine if you also had to budget for a car loan, credit card payments and student loan payments. Rewrite your budget with these three common types of post-college debt. Share your thoughts with your class/teacher/parents.

3. **Management:** You have worked in your career field for 10 years and recently had an opportunity to move into a management position with a company. Your income has increased over the years but will now take a major jump to \$90,000. Your take-home pay after taxes and benefits (including health, disability, and retirement plan) will be about \$5,600. Your expenses have also grown through the years. You are now married, own a house, and have two children ages 2 and 4. Your mortgage payment is \$1,700, your homeowner's insurance premium is \$200, you are investing 15%, you are saving \$250 per month for vacation, and you are giving 10% of your income to charity. Additionally, you have to pay a \$55 homeowner's association (HOA) fee, your groceries are \$370, you are spending \$380 at restaurants, your utilities are \$290, your home repairs/maintenance/furnishings/etc. are \$400, your entertainment expenses are \$375, and your clothing budget is \$250. These are averages for an American household earning \$90,000 or more. Note: Again, we are assuming that you will avoid debt in your financial future. See how personal debt changes this budget. Add in two car payments of \$475 each, credit card payments and student loan payments. Note: This is a one-income household in which a spouse stays at home to care for the children. If the other parent worked, income would go up, but you would have to pay for daycare. The average daycare expense for two children is about \$1,200 per month.

<b>Scenario 1: College Life</b>	
<b>Income</b>	<b>Expenses</b>
<b>Scenario 2: College Grad</b>	
<b>Income</b>	<b>Expenses</b>
<b>Scenario 3: Management</b>	
<b>Income</b>	<b>Expenses</b>

# Monthly Cash Flow Plan

Cash flows in and out each month. Make sure you tell it where to go!

Monthly Take-Home Pay

*These icons represent good options for cash envelopes*

**♥ CHARITY** Spent Budgeted

Tithes

Charity & Offerings

\*10-15%

**🏠 SAVING** Spent Budgeted

Emergency Fund

Retirement Fund

College Fund

\*10-15%

**🏠 HOUSING** Spent Budgeted

First Mortgage/Rent

Second Mortgage

Real Estate Taxes

Repairs/Maint.

Association Dues

\*25-35%

**⚙️ UTILITIES** Spent Budgeted

Electricity

Gas

Water

Trash

Phone/Mobile

Internet

Cable

\*5-10%

**🍏 FOOD** Spent Budgeted

Groceries

Restaurants

\*5-15%

**👕 CLOTHING** Spent Budgeted

Adults

Children

Cleaning/Laundry

\*2-7%

**🚗 TRANSPORTATION** Spent Budgeted

Gas & Oil

Repairs & Tires

License & Taxes

Car Replacement

Other \_\_\_\_\_

\*10-15%

**🏥 MEDICAL/HEALTH** Spent Budgeted

Medications

Doctor Bills

Dentist

Optometrist

Vitamins

Other \_\_\_\_\_

Other \_\_\_\_\_

\*5-10%

*Add up budgeted column & enter here*

\*Dave's Recommended Percentages

### INSURANCE

Life Insurance

Health Insurance

Homeowner/Renter

Auto Insurance

Disability Insurance

Identity Theft

Long-Term Care

\*10-25%

### PERSONAL

Child Care/Sitter

Toiletries

Cosmetics/Hair Care

Education/Tuition

Books/Supplies

Child Support

Alimony

Subscriptions

Organization Dues

Gifts (inc. Christmas)

Replace Furniture

Pocket Money (His)

Pocket Money (Hers)

Baby Supplies

Pet Supplies

Music/Technology

Miscellaneous

Other \_\_\_\_\_

Other \_\_\_\_\_

\*5-10%

### RECREATION

Entertainment

Vacation

\*5-10%

### DEBTS

Car Payment 1

Car Payment 2

Credit Card 1 \_\_\_\_\_

Credit Card 2 \_\_\_\_\_

Credit Card 3 \_\_\_\_\_

Credit Card 4 \_\_\_\_\_

Credit Card 5 \_\_\_\_\_

Student Loan 1

Student Loan 2

Student Loan 3

Student Loan 4

Other \_\_\_\_\_

Other \_\_\_\_\_

Other \_\_\_\_\_

Other \_\_\_\_\_

Other \_\_\_\_\_

Your goal is 0% → \*5-10%

Once you have completed filling out each category, subtract all category totals from your take-home pay.

