

Learning for Earning

Your Route to Success

Sixth Edition



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PowerPoint Presentations for

Learning for Earning

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CHAPTER

24

Budgets



Chapter Objectives

After studying this chapter, you will be able to

- identify sources of income.
- list fixed and flexible expenses that may be included in a budget.
- develop and evaluate a spending calendar.
- prepare a want list with both short-range and long-range goals.
- plan a budget.



Key Terms

- budget
- fixed expense
- flexible expense

The Need for Money Management

- You need money to buy the things you need and want.
- The amount of money you earn affects what you are able to buy.
- ***Budget*** – A plan for the use or management of money.
- Spending habits can affect your budget more than the total income you have available.



Did You Know?

- ❖ *The origin of the word "budget" is the Latin word "bulga." A bulga was a small pouch that could be used to carry money or other items of value.*

Source: www.worldwidewords.org





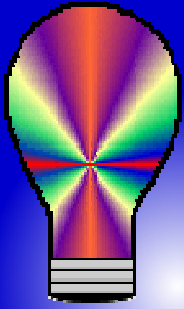
Sources of Income

- The first step in making a budget is to identify your steady sources of income.
- Conservatively estimate income that varies, such as tips and gifts.
- Knowing your expected income will help you know how much to plan for paying expenses.



Types of Expenses

- ***Fixed expense*** – Something for which a set amount of money must be paid regularly, such as rent, insurance, or tuition.
- ***Flexible expense*** – An expense that varies in amount and does not occur on a regular basis, such as food, transportation, or entertainment.



Think About It

- ❖ *When can savings be considered an expense?*
 - ❖ *When a set amount is saved routinely (which makes it a fixed expense) or occasionally (which makes it a flexible expense)*





Did You Know?

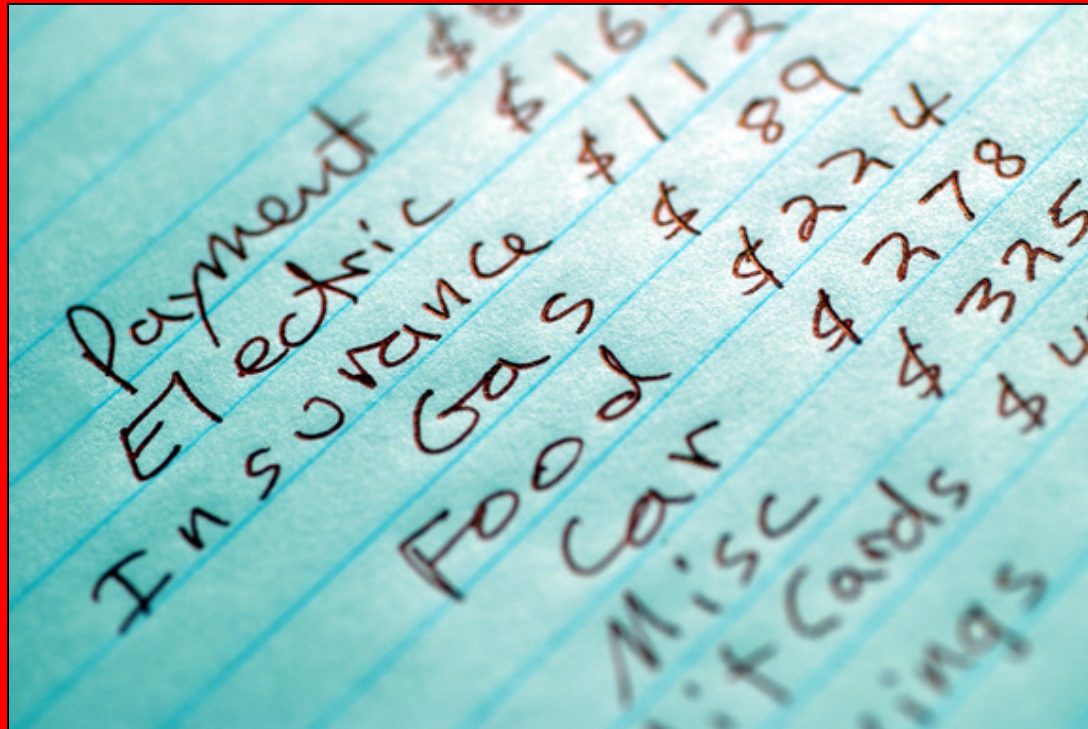
- ❖ *Expenses are often identified by how frequently they occur:*
 - ❖ *daily expenses – every day*
 - ❖ *weekly expenses – once a week*
 - ❖ *monthly expenses – once a month*
 - ❖ *quarterly expenses – four times a year*
 - ❖ *semiannual expenses – twice a year*
 - ❖ *annual expenses – once a year*

Types of Expenses

- You have more control over flexible expenses because they often
 - vary with your wants.
 - can be adjusted.
- Fixed expenses can be minimized by saving for a major purchase and paying the full amount instead of making monthly payments.

How Do You Spend Your Money?

- To use money wisely, you must know how much is spent on fixed and flexible expenses.



A photograph of a handwritten list of expenses on lined paper. The list includes:

Payment	\$16
Electric	\$16
Insurance	\$112
Gas	\$89
Food	\$224
Car	\$278
Misc	\$375
Credit Cards	\$4
Things	



A Spending Calendar

- A spending calendar will help you track how you spend your money over time.
- Record all expenses for each day in the calendar.
- Total your expenses for each week and month.
- After a month, the calendar will start to show your pattern of spending habits.

A Spending Calendar

Sun	Mon	Tue	Wed	Thu	Fri	Sat	Week Total
Savings \$10.00 Grocery \$65.34	Lunch \$5.00 Gas \$9.25	Lunch \$5.00 Movie \$9.00	Lunch \$6.35 Gas \$35.00	Lunch \$5.00	Lunch \$7.00 Dinner \$16.00	DVDs \$26.95 Clothes \$34.34	\$234.23
Savings \$10.00 Grocery \$34.69	Lunch \$6.35 Cable \$69.95	Lunch \$5.00 Movie \$9.00	Lunch \$7.00	Lunch \$5.00 Gas \$28.75	Lunch \$5.00 Dinner \$25.00	Gift \$25.00	\$230.74

How Do You Want to Spend Your Money?



- A good money management system helps you use your income to obtain your “wants” and reach your goals.

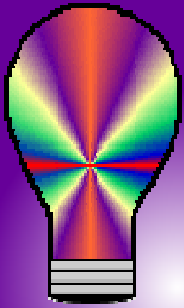


A "Want" List

- Create a list of things you want.
- Your want list should contain two columns, labeled *now* and *later*.
- The *now* column is for items you want within a year.
- The *later* column is for long-range goals that take more than a year to acquire.

A "Want" List

Now	Cost	Later	Cost
DVD box set	\$69.95	Used car	\$5,000.00
Hardcover book	\$24.95	New computer	\$1,500.00
Concert tickets	\$100.00	Trip to Europe	\$4,000.00
Concert T-shirt	\$30.00	Complete works of favorite author in hardcover	\$300.00
Weekend trip	\$150.00		



Think About It

- ❖ *Which items on your "want" list are most important? are least important?*
- ❖ *Which items would you eliminate if you needed to reduce expenses?*
- ❖ *How do you plan to pay for the items on your "want" list?*

Planning a Budget

- Your budget is your personal guide to spending and saving.
- Begin by reviewing your spending calendar to see how you spend money.





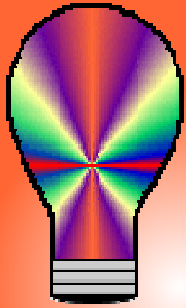
Planning a Budget

- Also review your “want” list to focus on your goals.
- For a workable budget, your estimated income must equal or exceed expenses.
- Once a budget is planned, try to follow it, but change it when necessary.



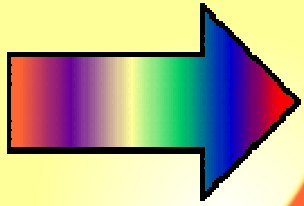
Planning a Budget

- There are five guidelines for planning a good budget.
 1. Estimate your income.
 2. List your fixed expenses.
 3. Review your short-range and long-range goals.
 4. Estimate your flexible expenses.
 5. Set aside a portion of each paycheck for savings and miscellaneous expenses.



Think About It

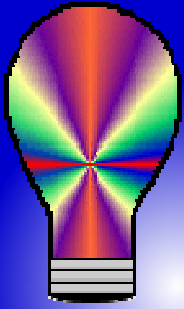
- ❖ *What changes might you make in your expenses in the following cases?*
 - ❖ *Your income decreases.*
 - ❖ *Your income increases.*
- ❖ *How would your budget change if one or more of your fixed expenses increased?*



In Your Opinion

- *Why should a person set aside a portion of each paycheck for savings?*





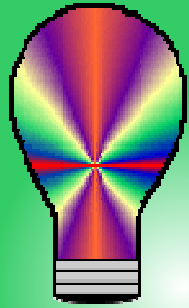
Think About It

- ❖ *Explain why money management is necessary.*
- ❖ *Compare fixed and flexible expenses.*
- ❖ *Describe how to develop and evaluate a*
 - ❖ *spending calendar*
 - ❖ *"want" list*
 - ❖ *budget*



Chapter 24: In the Know

- Money management helps you get what you need and still have money for “wants.”
- A fixed expense remains the same over time, but a flexible expense varies.
- A spending calendar is a good way to track expenses over time.
- A “want” list includes short-range and long-range goals that involve current and future expenses.
- A budget is a plan for wisely balancing total income and expenses.



Chapter 24: Think More About It

- ❖ *What are your*
 - ❖ *short-range and long-range goals?*
 - ❖ *fixed and flexible expenses?*
- ❖ *Are all your financial goals achievable?*
- ❖ *What must you do to develop a budget that will help you reach your financial goals?*