Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Budgeting**

**Part One: Categorizing Expenses**

*Decide whether the following items are an example of a fixed expense, a variable expense, or discretionary spending. Write FE, VE, or DS. In some cases, consider circumstances that may change discretionary spending into an expense or vice versa.*

1. \_\_\_\_\_\_\_\_ A magazine and a large coffee
2. \_\_\_\_\_\_\_\_ This month’s rent
3. \_\_\_\_\_\_\_\_ Dinner at a restaurant
4. \_\_\_\_\_\_\_\_ Cell phone bill
5. \_\_\_\_\_\_\_\_ School books
6. \_\_\_\_\_\_\_\_ Motorcycle insurance payment
7. \_\_\_\_\_\_\_\_ Monthly subway/bus pass
8. \_\_\_\_\_\_\_\_ Heating bill
9. \_\_\_\_\_\_\_\_ Downloadable songs for an mp3 player
10. \_\_\_\_\_\_\_\_ Frozen pizza at the grocery store
11. \_\_\_\_\_\_\_\_ A new pair of running shoes
    1. \_\_\_\_\_\_\_\_ What if you already have five pairs of suitable running shoes?
12. \_\_\_\_\_\_\_\_ Oil change for the car
13. \_\_\_\_\_\_\_\_ A new cell phone
    1. \_\_\_\_\_\_\_\_ What if your old phone stopped working?
14. \_\_\_\_\_\_\_\_ Personal loan payment
15. \_\_\_\_\_\_\_\_ A weekly deposit of $15 into your savings account

**Part Two: Plan Their Budget**

*Using the budget percentage chart from your notes, estimate the monthly spending for* ***ONE*** *of the following individuals. Read the details for each individual’s home and work situation carefully for clues on how to allocate their budget realistically. Think about the person’s discretionary spending and where they are likely to incur large expenses. Be prepared to share your budget with classmates and defend your decisions.*

*Circle the individual whose budget you will be working on. Complete the table by listing each expense category, the percent of the individual’s net income allocated to that category, and an estimated amount.*

1. Louisa is a 22-year-old Web site designer. Her monthly take home pay after taxes is $2,000. She rents a small one-bedroom apartment in San Pablo for $650, utilities included. Her office is two blocks from her house, and her family lives just eight blocks away. Her dream is to own a house by the time she’s 30 years old. She is in good health and loves to cook for herself. Her favorite hobby is shopping for vintage clothing. Louisa believes dressing stylishly is important in her line of work.
2. Adam is a 28-year –old lab technician. His monthly take home pay is $3,000. He rent a two-bedroom house in St. Cloud, Minnesota for $900. His job is an hour’s drive away in downtown Minneapolis. His least favorite thing about Minnesota is the cold weather, and he tries to escape as often as he can. He is allergic to just about everything, and when it comes to cooking skills, boiling water and making toast are all he has mastered. He is a good saver and insists on putting as much money as he can in the bank.
3. Marco is a 33-year-old social worker. His monthly take home pay is $2,700. He just bought a small condo in Mexico City. His mortgage payment is $950, plus he pays a monthly homeowner’s association fee of $125. He loves his place but is often surprised at the hidden costs it takes to keep everything in working order. He is in good health, but his two cats constantly in and out of the veterinarian’s office. He takes one big international vacation every year. Otherwise, he lives simply and cooks most of his own meals. He bikes to work and has never owned a car. He is looking for a girlfriend and has just begun online dating.

|  |  |  |
| --- | --- | --- |
| **Budget Category** | **Percent of Net Income (%)** | **Category Amount ($)** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |