PERSONAL FINANCIAL LITERACY

Goal Setting and Budgeting

Completing this assignment will allow students the opportunity to set some real-life goals for themselves and attempt to plan a real-life budget to possibly use in the future.

“It is not how much money you make, but how you manage what you have.”

Students will learn the following concepts:

- Goal Setting Process
  - Realistic
  - Stated in Specifics
  - Timeframe
  - Action to be taken
- Fixed Expenses
- Fixed Variable Expenses
- Variable Expenses
- Steps to creating and maintaining a budget
  1. Set personal and financial goals
  2. List all of your earnings
  3. Record all of your expenses
  4. Create a budget from your research
  5. Compare your budget to the actual cost

Setting your own Financial Goals

Looking ahead and setting goals are critical in being financially successful, or even stable. Think ahead to your next big event this year (Graduation?), or to your first two years out of high school, or even to your College Graduation... What purchases or expenses do you want/need to make in order to be stable?

Well written personal and financial goals SHOULD:

- Be realistic
  - A person working part-time is not likely to be able to afford a new car every couple of years.
- Be stated in specifics
  - How much do you plan to save? What will these savings be used for?
- Have a timeframe
  - By when do you hope to have enough saved up?
- State the action to be taken
  - How do you plan to save enough money within your timeframe?
ASSIGNMENT – Write down THREE (3) financial goals (Short Term, Intermediate, Long Term) with all the elements presented above:

<table>
<thead>
<tr>
<th>Specific Goal</th>
<th>Estimated Cost</th>
<th>Amount to Save</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXAMPLE Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>I plan to save $900 before May 2012 by working extra hours at work so that I can go on a cruise with my best friend after graduation.</em></td>
<td>$900</td>
<td>$100 per month</td>
</tr>
<tr>
<td><strong>SHORT TERM</strong> (before the end of your Senior Year)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INTERMEDIATE</strong> (1 – 2 Years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LONG TERM</strong> (3 – 5 Years)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Creating a Student Budget**

Once you are out on your own, you will need to start managing your money, and learning how to balance out your income with your expenses. Completing the next assignment will require you to use and understand terms related to budgeting your money. If needed, use the internet, family, peers, and mentors to help you answer these questions. Do not write down exactly what you hear. Instead, paraphrase and summarize the information you gather.

(1) What is a budget, and what is the purpose of having a budget?

(2) What are the elements of a clear goal?

(3) Define and give examples of *fixed, fixed variable, and variable* expenses.

Fixed Expenses –

Fixed Variable Expenses –

Variable Expenses –
The table below shows an example of a College Student’s Monthly Budget. Look over the example budget and use it to help you complete the questions below.

1. What other income might a college student have? Add it to the worksheet and estimate the amount.

2. What other fixed expense in missing from the budget? Add it to the worksheet and estimate the cost.

3. What other fixed variable expense can you add to the budget? Add it to the worksheet and estimate the cost.

4. What other variable expense can you add to the budget? Add it to the worksheet and estimate the cost.

Example of a College Student’s Monthly Budget

<table>
<thead>
<tr>
<th>Income (per month)</th>
<th>Estimated Income</th>
<th>Actual (Net) Income</th>
<th>Compare Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job 1 – Campus Bookstore</td>
<td>$ 400.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 2 – Coffee Shop</td>
<td>$ 500.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other –</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>$</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses (per month)</th>
<th>Estimated Expenses</th>
<th>Actual Expenses</th>
<th>Compare Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIXED EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other -</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car Payment</td>
<td>$ 179.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car insurance</td>
<td>$ 101.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus Pass</td>
<td>$ 35.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Account Deposit</td>
<td>$ 110.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet Service</td>
<td>$ 40.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell Phone</td>
<td>$ 30.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VARIABLE FIXED EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other -</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline / Car Maintenance</td>
<td>$ 40.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries / Food</td>
<td>$ 150.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VARIABLE EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td>$ 100.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>$ 75.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Necessities</td>
<td>$ 50.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other -</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Conclusion? Did you meet your financial goals for the month?

SAVINGS or DEBT Comparison (INCOME – EXPENSES) $ $
Create a Budget for Samuel Morse

Complete a budget sheet for Samuel Morse using the following table and information that follows. Once you have used all the information to complete the budget sheet for Samuel, use it to answer the reflection questions below.

<table>
<thead>
<tr>
<th>Income (per month)</th>
<th>Estimated Income</th>
<th>Actual (Net) Income</th>
<th>Compare Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses (per month)</th>
<th>Estimated Expenses</th>
<th>Actual Expenses</th>
<th>Compare Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIXED EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VARIABLE FIXED EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VARIABLE EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Conclusion?

SAVINGS or DEBT Comparison

(INCOME – EXPENSES) $ $ Did you meet your financial goals for the month?

If asked, Samuel would estimate that he makes about $700.00 a month at the On-Campus Student Market. He works 5-Hour shifts, 18 days out of the month, for $8.75 per hour.

Calculate his **MONTHLY GROSS INCOME**:

\[
\text{Hrs per Shift} \times \text{Days} \times \text{Hourly Wage} = \text{GROSS INCOME}
\]

Calculate his **MONTHLY NET INCOME**:

\[
\text{Gross Income} \times \text{Tax (18%)} = \text{Taxes}
\]

\[
\text{Gross Income} - \text{Taxes} = \text{NET INCOME}
\]

*(See Expenses on next page)*
Samuel’s ESTIMATED Expenses for a month:

Estimated Fixed Expenses
- Rent – $200
- Bus Pass – $29

Estimated Variable Fixed Expenses
- Food – $100
- Cell Phone – $40
- School Expenses – $150

Estimated Variable Expenses
- Clothing – $50
- Personal Expenses – $25
- Entertainment – $20

This is how Samuel’s month ACTUALLY went:
- Bus Pass went up to $31.50
- Food – $175
- Cell Phone – $76
- He did not buy any new clothes
- Entertainment – $45
- School Expenses – $165
- Laundry – $18

Reflection Questions about Samuel’s Budget Sheet

After completing the budget sheet for Samuel on the next page, answer the following reflection questions about Samuel’s Budget.

1. What is the difference between Samuel’s planned expenses and his actual expenses?

2. In which areas did he overspend?

3. In which areas did he spend less than planned?

4. How much did Samuel plan to put into savings? (See bottom of the Estimated Column)

5. How much did Samuel actually put into savings? (See bottom of the Actual Column)

6. Based on his completed budget sheet, what should Samuel do differently next month? Give two suggestions.

7. Imagine that you are working at Sea World. You estimate you take home about $218 every two weeks. Complete your own budget for the fixed and variable expenses below.

   Estimated Monthly Income: ________________

   Fixed Variable Expenses:
   - Food = $________
   - Cell Phone = $________
   - Transportation = $________

   Variable Expenses:
   - Entertainment = $________
   - Clothing = $________
   - Personal Item = $________
   - Education = $________
   - Travel = $________
   - Eating Out = $________

   Total Estimated Expenses: ________________ (Cannot exceed Monthly Income)
Post Assessment – Goal Setting and Budgeting

(1) When making a personal budget, which of the following is true?
   a. Only purchases of $50 or more need to be planned
   b. Use gross pay instead of net pay
   c. Flexible expenses stay the same each month
   d. None of the above

(2) For most adults, the best example of a fixed expense is:
   a. Clothing
   b. Auto insurance
   c. Haircuts
   d. Educational Expenses

(3) A variable fixed expense is:
   a. An expense that is paid monthly, but has a varying amount
   b. An expense that is paid monthly, the same amount each month
   c. An expense that isn’t paid every month
   d. An expense that is fixed, but paid to various companies

(4) A fixed expense is:
   a. An expense that is paid monthly, but has a varying amount
   b. An expense that is paid monthly, the same amount each month
   c. Something you pay by credit card on a fixed rate
   d. An expense you pay when something breaks

(5) A clearly written and detailed goal includes:
   - Being ___________________________
   - Being ___________________________
   - Having __________________________
   - Stating __________________________