

Preparing a personal budget



Learner guide

Personal finance skills

Pre-employment skills

Preparing a personal budget

Version 1.1

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What is a budget?

A budget is a way of working out if you have enough money to spend on the things that you want and need. It can be used to plan how you spend your money and tell you if you have enough money to pay for things such as bills, food and fuel.

If you are concerned about having enough money to live on or how much you are spending, a budget can help you find the right balance between spending and saving.

A budget can be a simple table or spreadsheet, or you can use a budgeting tool or app. It isn't hard to do – you can start with just a pen, piece of paper and calculator.

Who needs a budget?

It is a good idea for anyone who earns or spends money to have a budget. A budget will help you work out if you have enough money to pay for things.

People will have different budgets depending on their situation. A student will have a different budget to a family of four or an elderly couple. These people will all have different things they need to pay for.



Story

Jacinta is a student living in a share house with two other students. Her parents pay her rent and university fees. Jacinta works at a coffee shop to earn money to pay for the other things she wants and needs.



Activity 1

Read the story again and then answer these questions.

1. What things can you think of that Jacinta may need to pay for each week?

2. What are two things that Jacinta's parents pay for?

3. Will Jacinta's budget be the same as her parents?

[Click to complete Activity 1](#)

Income

Income is any money that you earn or receive. It might be a regular amount that you receive every week, fortnight or month, such as Centrelink benefits, an allowance, or pay from working regular hours. Alternatively, the amount you earn could change if you work different hours each week or do occasional jobs such as babysitting.

To make a budget, it is important to know or be able to make a good guess about how much you are likely to earn each week or month. If you don't know how much money you earn or receive, you won't know if you can pay for all the things you need.

Activity 2

1. Fill out the table to show the amount and type of income you receive, how often you receive it and if it is regular. The first line is filled out for you as an example.

Amount	Type	How often	Regular
\$100	Babysitting	Weekly	Not every week

2. Look at the 'amount' and 'how often' columns. Work out how much income you earn or receive in a month. You can use a calculator if you need to.

[Click to complete Activity 2](#)

Expenses

Expenses are all the things you spend money on. These may include:

- rent or mortgage payments
- gas, water, electricity, phone and internet bills
- food
- fuel and travel costs
- insurance
- school fees
- memberships
- entertainment or socialising
- clothes.

Some of your expenses may be the same amount every month, such as your rent or travel costs. These are known as fixed costs. Others, such as phone bills, entertainment or food, may be different each month. These are known as variable costs and can be harder to plan for.



Story

Jacinta earns \$200 a week from working at the coffee shop, but she's not sure if it's enough to pay for everything. She makes a list of her expenses, including the amount and how often she has to pay them. For some expenses, such as food or socialising, she has to guess how much she will spend, because it might vary every week or month. It's fine to make an educated guess, because a budget is a plan of what you might spend.

Expenses	Amount	Payment due
Food	\$75	Weekly
Mobile phone	\$20	Monthly
Clothes	\$50	Monthly
Movies/socialising	\$50	Weekly
Travel card	\$30	Weekly

Activity 3

Read the story again and then answer these questions.

1. Which of Jacinta's expenses do you think are fixed costs?

2. Which of Jacinta's expenses do you think are variable costs?

Your budget

Now that you know what income and expenses are, and you have identified what you earn and spend over a given time, you can put together your own budget.

If you have a simple budget, like Jacinta, you can prepare your budget easily in a table.

Story

Jacinta has worked out her income and expenses, and wants to create a weekly budget. She draws a simple table and writes down her income and all her different expenses.

Two of Jacinta's expenses are monthly. She needs to convert these into a weekly amount. To do this, she must multiply the amount by 12 (the number of months in a year) and then divide that number by 52 (the number of weeks in a year). She does this and fills out her table.

Jacinta is pleased to find that by subtracting all the expenses from her income, she has \$28.84 left over each week.

Jacinta's weekly budget	
Income	
Earnings from coffee shop	\$200
Expenses	
Food	\$75
Mobile phone	\$4.62
Clothes	\$11.54
Movies/socialising	\$50
Travel card	\$30
Total	
Income minus expenses	\$28.24

Activity 4

Read the story again and then answer these questions.

1. If Jacinta spent \$20 on clothes every week, would she have enough money to pay for all her expenses?

2. Jacinta wants to go to a concert with her friends. The ticket costs \$80. What changes could Jacinta make to her budget so she has enough money to buy the ticket?

[Click to complete Activity 4](#)

As Jacinta's budget was quite simple, she only needed to use simple maths and a basic table to complete it. If your budget is simple, you can do the same thing.

Use the information you've already written down about your income and expenses to complete the table on the next page.

It's a good idea to have a budget based on how often you get paid. If you get paid monthly, it would be a good idea to make a monthly budget. To work out what a weekly expense costs over a month, multiply it by 52 (the number of weeks in a year) and then divide it by 12 (the number of months in a year).

My budget	
Income	
Expenses	
Total	
Income minus expenses	

If you've got lots of expenses or you find it difficult to convert expenses to weekly or monthly, you could try a free budget calculator. The MoneySmart website has a free online budget planner that may make this easier. They also have an Excel spreadsheet version to download if you prefer. This budget planner will make the conversions to monthly, weekly, fortnightly, quarterly or annually for you. Once you've made your budget, you can save or print it so you can refer to it and check how you're going.

Try it out here: <http://aspirelr.link/budget-planner>

There are also smartphone apps and other websites that offer budget calculators. Have a look around to find one that suits you. Make sure that whichever budget calculator you use calculates all of your income and expenses over the same amount of time.

Hopefully your budget will show that you are spending less than you earn. If it doesn't, then you need to find a way of either spending less money or earning more money to cover your expenses.



Keeping your budget on track

Your budget will show you how much money you spend over a period of time. If you look at your budget over a year, you might not be happy to find that you've spent \$1,000 on your morning coffees!

Planning how you're going to spend your money in a budget may help you keep your spending under control. But you need to make sure your budget matches what you actually spend.

Story

Jacinta is at the check-out with her housemate, Sian. They are doing their weekly shopping and the total comes to \$148. They always split the food bill equally. Jacinta opens her purse, but finds she only has \$60 left.

"Where did all your money go?" Sian asks.

"I don't know," Jacinta groans. "I'm going to have to put some things back."

As Jacinta selects some items to return, she remembers the new make-up she bought the day before. It was an unplanned purchase that now means she does not have enough money to pay for her planned expenses.



Activity 5

Read the story again and then answer these questions.

1. Why was Jacinta unable to pay for her share of the food?

2. What should Jacinta have done if she wanted to buy both the make-up and the food in the same week?

[Click to complete Activity 5](#)

It's not always easy to keep on track with your budget. If you find you are running out of money sooner than you thought, you might need to start writing down what you spend every day. Record what you actually spend next to the planned expenses in your budget so you can see where you might be spending more than you should.

If you find that you're often spending more than you first planned for, adjust your budget. You could also include a line for general expenses that allows you to spend some of your money on whatever you like so you don't feel too restricted by the budget.

You can keep track of your budget on paper, on a computer or by using a smartphone app. MoneySmart has a free app that may help you. You can find it here: <http://aspirelr.link/track-spending>

One reason to use a budget is to make sure you don't spend more than you earn. Another is to help you put aside money for savings by working out how much money you have left after your planned expenses. For example, Jacinta has \$28.24 left over every week after planned expenses. She could save that money for entertainment, such as going to a concert every month, or for emergencies, in case she was unable to work and didn't earn any income. There are lots of reasons for saving money and a budget can help you work out how much you can save from each pay.



Changing your budget to suit your situation

Your budget is unique to you, which means it should suit your current situation. If your situation changes, you should update your budget so it remains accurate and realistic.

There are a number of reasons why you might need to change your budget to suit your situation. These include:

- an increase or decrease in earnings
- new expenses, such as a gym membership
- new savings goals
- an increase in regular expenses, such as travel costs going up
- a change in your personal life, such as moving house or starting a family.

Story

Jacinta has been given a promotion at work and is now an assistant manager at the coffee shop. Her income is now \$250 week. Jacinta is pleased and decides she wants to save \$1,000 for a beach holiday. However, she wants to buy a new phone first, which means her phone costs will go up to \$35 a month.



Activity 6

Read the story again and then answer these questions.

1. Update Jacinta's budget to show her new income and new expenses.

Jacinta's weekly budget	
Income	
Earnings from coffee shop	\$
Expenses	
Food	\$
Mobile phone	\$
Clothes	\$
Movies/socialising	\$
Travel card	\$
Total	
Income minus expenses	\$

2. How long will it take Jacinta to save \$1,000? Work out your answer by dividing \$1,000 by her weekly savings.

[Click to complete Activity 6](#)

3. What could Jacinta do to reach her savings target sooner?

As you can see, it's quite easy to change your current budget to match any changes in your income, expenses or savings targets. If you don't record these changes, you might spend more money than you realise or might not have enough money for things that you need.

Developing a budget and updating it when you need to will help you stay in control of your spending and savings.

What you have learnt

Put a ✓ in the box when you have learnt these things.

- A budget is used to track your:
 - income
 - expenses.
- Income includes:
 - money earned from jobs
 - benefits received from Centrelink.
- Expenses include:
 - fixed costs such as rent or travel cards
 - variable costs such as groceries, entertainment and petrol.
- Money left over in your budget can be saved for other purchases or emergencies.
- Budgets should be updated when your income, expenses or personal situation changes.

Check your learning

Read about the following people, and then decide whether or not they need a budget. Explain why.

1. Emir works part time as a food delivery driver and lives at home with his parents.

2. Bavneet is a full-time student, but makes some money restoring and selling old furniture in his free time.

3. Jonas works full time and lives with his sister who pays all the bills.

4. Sinita doesn't have a job, but took out a loan to cover study fees and living expenses.

5. Hallie is still in high school, has no job and lives with her mother.

Read the following statements and decide if they are true or false.

6. You only need a budget if you spend too much money.
7. A budget can help you save money.
8. You should update your budget if your expenses increase.
9. If you run out of money, it's not your fault because you had a budget.
10. Variable costs are harder to budget for because they can be different each time.

[Click to complete](#)

Answers

Answers to activities

Activity 1

Answer to Question 1

Answers could include food, travel, entertainment, phone, insurance, clothes or make-up.

Answer to Question 2

Jacinta's parents pay for her rent and university fees.

Answer to Question 3

No, Jacinta's budget will not be the same as her parents. Everyone's budget is likely to be different. We know that Jacinta doesn't need to pay her rent or university fees, but her parents do need to pay for these things.

Activity 2

Answer to Question 1

Here is an example response.

Amount	Type	How often	Regular
\$100	Babysitting	Weekly	Not every week
\$150	Check-out assistant	Weekly	Every week
\$50	Dog walking	Weekly	3–4 times a month
\$60	Tutoring	Once a fortnight	At least once a month

Answer to Question 2

Answers will vary, but should be the total amount of money earned or received in a month.

Activity 3

Answer to Question 1

Jacinta's phone contract and the cost of the travel card could be fixed costs, meaning they stay the same each month.

Answer to Question 2

Food, clothes, movies and socialising are likely to be variable costs, as the amount will differ each time.

Answer to Question 3

Answers will vary, but could include expenses such as food, rent, insurance, travel or phone bills. The amount spent on each of these items should also be included.

Activity 4

Answer to Question 1

No, Jacinta would end up spending \$86.67 a month on clothes and exceed her budget by \$8.43.

Answer to Question 2

Answers will vary. One option would be spending only \$20 on clothes, leaving \$30 free, and using all her movies/socialising allowance of \$50 towards her concert ticket.

Activity 5

Answer to Question 1

Jacinta didn't follow her budget and used some of her money for the unplanned purchase of make-up. This meant she did not have enough money left over to pay for her share of the food.

Answer to Question 2

Answers will vary. Options include spending less on movies/socialising or clothes that week.

Activity 6

Answer to Question 1

Jacinta's weekly budget	
Income	
Earnings from coffee shop	\$250
Expenses	
Food	\$75
Mobile phone	\$8.08
Clothes	\$11.54
Movies/socialising	\$50
Travel card	\$30
Total	
Income minus expenses	\$75.38

Answer to Question 2

$\$1,000 / \$75.38 \text{ per week} = 13.26 \text{ weeks}$, which rounds up to 14 weeks.

Answer to Question 3

Answers will vary. If Jacinta didn't change phones, it would only take 13 weeks.

Answers to check your learning

1. Emir earns an income and will spend this income, even if his parents provide food and lodging for free. Therefore, he will need a budget.
2. Bavneet earns money from restoring furniture. He will spend this money, so he should have a budget to balance his income and expenses.
3. Jonas earns an income and will spend this income, even if his sister pays all the bills. Therefore, he will need a budget.
4. Sinita's loan is considered to be income and she certainly has expenses. A budget will be needed to ensure that she doesn't spend more money than she has.
5. Hallie has no income and is not responsible for any expenses. She does not need a budget.
6. False. A budget can help you keep track of your income and expenses regardless of how much you've spent.
7. True. A budget will show you where you spend your money and can help you identify areas to save money and not overspend.
8. True. You should adjust your budget if any changes to your expenses or income occur.
9. False. If you run out of money it's because you didn't stick to your budget or did not include all expenses in your budget.
10. True. You will need to estimate variable costs such as groceries, as you won't buy exactly the same things each time and the amount will change from week to week.