

Creating a personal budget



Learner guide

Working with numbers

Pre-employment skills

Creating a personal budget

Version 1.1



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Creating a personal budget

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Your money

We deal with money in some way every day. We use it to pay for things we need, and to save up for things we want.

There are three main things we do with our money:

- earn it
- spend it
- save it.

Many people earn money, but they also have debt. You may be in debt because you:

- are earning less money than you spend
- have a personal loan
- have a mortgage (home loan).

In this learner guide, you will learn about these situations and how a budget can help.



What is a budget?

A budget is an estimate of what you will earn and spend and what is left over (if any!). A budget is a plan for your money.

Here are some other ways to describe a budget.

A budget is

- a record of what you do with your money
- your way to keep from running out of money before your next pay
- the tool you use to help you prioritise (organise in order of importance) and manage your money
- a tool to use to take control of your money
- a snapshot of your financial situation at a particular point in time.

The important thing to remember is that a budget is a three-part record of what you do with your money. The three parts are the same as the three things you can do with your money:

- how much money you earn/have
- how much money you spend
- how much money you save.



Activity 1

1. Write in an estimate (good guess) of the amount of money you had, and spent, yesterday.
 - a. Yesterday I had: _____ dollars.
 - b. Yesterday I spent: _____ dollars.
 - c. Yesterday I had: _____ dollars left over.
2. Write in an estimate of the amount of money you had, and spent, last week.
 - a. Last week I had: _____ dollars.
 - b. Last week I spent: _____ dollars.
 - c. Last week I had: _____ dollars left over.
3. Write in an estimate of the amount of money you have, and can spend, this week.
 - a. This week I will have: _____ dollars.
 - b. This week I will spend: _____ dollars.
 - c. This week I will have: _____ dollars left over.

[Click to complete Activity 1](#)

If you plan the amount of money you have for this month or the whole year, you are setting up a budget. However, to make your budget better, you need more details of how you earn and spend your money. This next activity will help you do this.

Activity 2

Preparation for setting up your own budget.

1. Regular bills
 - a. Collect a large envelope.
 - b. Label it 'Regular bills'.
 - c. Collect as many of your regular bills as you can (going back a year, if you can). These may include gas, electricity, water, phone, insurance, rent or rates. Put these regular bills in this envelope. They will be used in the next activities. You may be able to access your bills online and print them.
2. Variable bills
 - a. Collect another large envelope.
 - b. Label it 'Variable bills'.
 - c. For your next pay period (usually a week, fortnight or month), keep your receipts for the things you buy during this time. Put these receipts in the envelope marked 'Variable bills', which are expenses that change or are not regular.
 - d. At the end of each day, on a piece of paper, write down any money you spent but do not have receipts for; for example, drinks you bought, train travel, lunch, donations you gave, tips you left at a coffee shop, etc.
 - e. Put this piece of paper into the envelope marked 'Variable bills'.
 - f. At the end of your pay period, the contents of this envelope will be used to help you build up a list of expenses that often go unnoticed.

Keep these two envelopes in a safe place. You will use them in the coming chapters.

Creating your budget – income

A budget is a useful tool because it helps you:

- set up financial goals
- achieve these goals
- stay out of debt.

Story

Kelly and Sam are a young couple who were recently married and are renting a small flat. They are trying to save enough money for a deposit on a house of their own. They both work but seem to be spending all their money. They want to better understand where their money is going and how they can start to save more. They decide they need to create a budget.

Setting goals

To achieve anything, you need to set yourself a goal – something to work towards. When creating a budget, your goals may be to:

- get yourself out of debt
- start saving money for a deposit on a house
- have a holiday at the end of the year
- buy new tyres for your car.

After you have set yourself some goals, you can allow for them in your budget. For example, if your goal is to save \$5,000 in the next year, work out how to achieve this goal. There are 52 weeks in a year, so you need to divide \$5,000 by 52 weeks to work out how much money you need to save each week.

$$\$5,000 \div 52 = \$96.15$$

So in your budget, you need to include about \$100 savings per week to be able to reach your goal of \$5,000 in one year.

Activity 3

Write down two or three financial goals; for example, things you need or want that you can start saving for.

1. _____
2. _____
3. _____

[Click to complete Activity 3](#)

Recording your income

The next thing to do when creating a budget is to list all your income. Your income is any money you earn; for example, by working, from gifts, investments or government payments like Youth Allowance or Newstart Allowance.

Here is a table that Kelly and Sam filled in, listing all their income.

Source of income	Amount	Details
Salary	\$45,000	Kelly has a salary because she has a contract with her company.
Wages	\$20,000	Sam earns wages because he has worked casually this year while studying.
Interest	\$200	Interest from Kelly's savings account at a bank
Investments	0	Kelly and Sam don't have any investments (like shares or rent they collect from a property)
Other	0	No gifts or pensions
Total income	\$65,200	

Activity 4

Think about your own income. Now, write down all your income in the following table and add it up to find your total income. **Note:** try to use amounts from the past year, as this will give you an accurate idea of your income. If you don't have a regular income, estimate the amounts.

Source of income	Amount	Details
Salary		
Wages		
Interest		
Investments		
Other		
Total income		

[Click to complete Activity 4](#)

Creating your budget – expenses

So, you have set yourself some goals and recorded all your income. The next step is to calculate your expenses.

Story

Kelly and Sam decide to calculate their expenses. They start collecting all their bills and keep their receipts and a list of all the things they buy. After two weeks they look at their list and are surprised at how many expenses they have. There are many things on their list they hadn't thought about. For example, they had forgotten about birthday cards and gifts they buy for their family and friends; the magazines and daily newspapers they buy; and the donations they make to charities. They now feel ready to complete the expenses section of their new budget.

Recording your expenses

When calculating your expenses, it is a good idea to set up expenses tables. To do this, you first need to take all your bills, receipts and list of expenses and sort them into two piles: regular and variable.

Remember, regular expenses follow a pattern and are the things you pay every month or two, quarterly or yearly; for example, electricity bills or car insurance.

Variable expenses are those you pay for as they happen. They don't have a pattern and may be unexpected; for example, a lunch or needing to get your washing machine fixed.

Activity 5

Here is a list of some of Kelly and Sam's expenses. Look at each expense and decide if it is a regular or variable expense. Then, write each expense in the correct column. Some have already been done for you.

Electricity ✓	Clothes/shoes	Dinner out ✓
Cinema	Water	Raffle tickets ✓
House insurance	Car registration	Mobile phone
Car insurance	Taxis	Petrol
Gas ✓	Medicines	Vet bill
Internet	Pet licenses	Education/training
Food/groceries	Public transport	Repairs
DVDs and music	Rent/mortgage	Takeaway food

Regular expense	Variable expense
Electricity Gas	Dinner out Raffle tickets

Click to complete Activity 5

When recording your expenses, you don't need exact amounts. It is good to try to include as many expenses as possible; however, you can also make estimates.

Regular expenses

To help organise your regular expenses, you can divide them into the following categories:

- Food/groceries
- Housing
- Transport
- Council fees
- Insurance
- Repayments
- Pets
- Other

This helps you to include everything, and shows you how you are spending your money.

Story

Kelly and Sam divide all their regular expenses into categories. They then begin crossing off things they don't really need or can cut back on. They decide to try not to take taxis anymore, as this may save them up to \$50 per week. They are now ready to fill in their expenses sheet. They will use their bills to help them put in rough amounts.

Expenses sheet	
Item	Details
Food and groceries	

Housing <ul style="list-style-type: none"> • Rent/mortgage • Electricity • Gas • Water • Internet • Mobile phone 	<ul style="list-style-type: none"> • Cut back on mobile phone use
Transport <ul style="list-style-type: none"> • Public • Car rego • Car repairs and services • Petrol • Taxis 	<ul style="list-style-type: none"> • Take trains only • X
Council fees <ul style="list-style-type: none"> • Rates • Pet registration 	<ul style="list-style-type: none"> • N/A
Insurance <ul style="list-style-type: none"> • House • Contents • Car • Health • Life 	
Repayments <ul style="list-style-type: none"> • Loans • Credit card interest • Lay-by 	<ul style="list-style-type: none"> • X • X
Pets <ul style="list-style-type: none"> • Food • Vet costs 	<ul style="list-style-type: none"> • N/A • N/A
Other	<ul style="list-style-type: none"> • X

Now that you have sorted your expenses (into regular and variable) and decided what you can cut back on, you can put this information into an expenses table. This shows the amounts of money you are spending and allows you to calculate your totals.

Here is an example of an expenses table for Kelly and Sam's regular expenses.

The months are listed at the top and the expenses are listed in the left-hand column.

The amount of each expense is then recorded in the correct place on the table.

The total for each expense is then calculated and recorded in the 'Expense total' column on the right.

The total for each month is also added and recorded in the row at the bottom of the table.

So, you should:

- add each row amount to get each expense total
- add each column amount to get the monthly total
- add the 'Expense total' column amounts to get the overall regular expenses for the year.

Regular expenses (RE) table

Expense/bill	Estimated amount (\$) and month of payment												Expense total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Food/groceries	800	600	600	600	600	600	600	600	600	600	600	800	7600
Housing	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Electricity	400			400			400			400			1600
Gas		100		100		250		250		100		100	900
Water			100			100			100			100	400
Internet	60	60	60	60	60	60	60	60	60	60	60	60	720
Mobile phone	90	70	70	70	70	70	70	70	70	70	70	90	880
Transport				450									450
RACV												75 x2	150
Petrol	400	300	300	300	300	300	300	300	300	300	300	400	3,800
Train	80	160	160	160	160	160	160	160	160	160	160	80	1,760
Council fees x													
Insurance		120											120
Contents		230											230
Car		300											300
Health	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Life			300			300			300			300	1,200
Repayments	20	20	20	20	20	20	20	20	20	20	20	20	240
Pets x													
Other x													
Monthly totals (RE)	3,250	3,360	3,010	3,560	2,610	3,260	3,010	2,860	3,010	3,110	2,610	3,500	\$37,150
Total regular expenses for the year (RE)													\$37,150

Activity 6

Use Kelly and Sam's regular expense table to answer the following questions.

1. Which expenses/bills were paid every month?

2. Which bills were paid every two months?

3. Which bills were paid every three months?

4. Which bills were paid once a year?

5. Which was the most expensive bill for the year?

6. Which months were the least expensive?

[Click to complete Activity 6](#)

Activity 7

Now follow these steps to practise setting up your own regular expenses table.

1. Have your envelope marked 'Regular bills' ready.
2. Use your bills to calculate rough amounts and months when payments are due.
3. Using the list of categories given previously, cross off what you don't need and add what you do need to those lists.
4. Now practise filling in the expenses table on the next page. Remember, you don't have to use exact amounts. If you don't know them, estimate the amounts.
5. Don't forget to add the column amounts to get the monthly totals, and add the row amounts to get each expense total. Also add the 'Expense total' column to get the total regular expenses for the year.

[Click to complete Activity 7](#)

Regular expenses (RE) table

Expense/bill	Estimated amount (\$) and month of payment												Expense total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Food/groceries													
Housing													
Rent/mortgage													
Electricity													
Gas													
Water													
Internet													
Mobile phone													
Transport													
Car rego													
RACV													
Petrol													
Train													
Council fees													
Insurance													
House													
Contents													
Car													
Health													
Life													
Repayments													
Credit card													
Pets													
Pets													
Other													
Other													
Monthly totals (RE)													
Total regular expenses for the year (RE)													

Variable expenses

As with regular expenses, your variable expenses should also be recorded in an expenses table. To do this, you can divide your variable expenses into the following categories:

- House
- Garden
- Car
- Medical
- Entertainment/lifestyle
- Other

You may like to make other categories for your variable expenses if yours don't fit into the categories above.

Once you've separated your variable expenses, you can record them in a table. Remember, estimates are okay.

The table is similar to the regular expenses table.

The expenses are listed in the left-hand column; the amounts are listed next to the expense and the total for each row is listed in the right-hand column.

The 'Expense total' column is then added and recorded on the bottom right-hand side to give the overall variable expenses total.

Here is Kelly and Sam's variable expenses table.

Variable expenses (VE) table

Expense/bill		Estimated amount for the year (\$)	Notes	Expense total \$
House	Maintenance	400	Possible furniture repairs or replacements	400
Garden		50	Pot plant re-potting or fertiliser, new mulch	50
Car	Car	$(4 \times 50) + 200$	Tyres, services, repairs	400
Medical	Doctors	4×30	Allow for four possible doctors visits	120
	Chemist	200	Allow for medicines and health products	200
	Dentist	200	Allow for two check-ups plus some repairs; private insurance covers our dental	200
Entertainment/ lifestyle	Clothes and shoes	1,200		1,200
	Sports/gym		Try jogging; try sports that don't cost money	0
	Parties	200	New Year's Eve party at our place	200
	Cinema/theatre	200	Movie money – one theatre booking for the year	200
	DVDs and music	30×4	Two each for this year	120
Other	Dinner out	300	Including two birthdays, one wedding anniversary	300
	Gifts and cards	$(10 \times 20) + (20 \times 2)$	10 gifts and 20 cards	240
	Newspapers	50		50
Total variable expenses for the year (VE)				\$3,680

Activity 8

Use Kelly and Sam's variable expenses table to answer the following questions.

1. Which expenses/bills should Kelly and Sam review? Can you suggest ways they could save money?

2. What bills do Kelly and Sam list as variable expenses that you wouldn't need to have on your list?

3. What expenses/bills would you add to your list of variable expenses that Kelly and Sam didn't list?

[Click to complete Activity 8](#)

Activity 9

Now follow these steps and practise setting up your own variable expenses table.

1. Have your envelope marked 'Variable bills' ready.
2. Use your bills to calculate rough amounts of when payments are made.
3. Use the list of categories given previously to cross off those you don't need and add any you do need to your list.
4. Now practise filling in the expenses table on the next page. Remember you don't have to use exact amounts. If you don't know them, estimate the amounts. Also include notes to remind yourself how you worked out your estimated costs. For example, you may have more visits to the dentist than Kelly and Sam.
5. Don't forget to add up your rows and final column get the total. Also add the 'Expense total' column to get the total variable expenses for the year.

[Click to complete Activity 9](#)

Expense/bill		Estimated amount for the year (\$)	Notes	Expense total \$
House	Maintenance			
Garden				
Car	Car			
Medical	Doctors			
	Chemist			
	Dentist			
Entertainment/ lifestyle	Clothes and shoes			
	Sports/gym			
	Parties			
	Cinema/theatre			
	DVDs and music			
Other	Dinner out			
	Gifts and cards			
	Newspapers			
Total variable expenses for the year (VE)				

Calculating your savings

Now that you have calculated your income and expenses, the third part of your budget needs to be created. This part is where we find out how much money you have each year that you can save or spend on other things. We will use Kelly and Sam's calculations to explain how.

When we calculated Kelly and Sam's income, it came to \$65,200.

When we calculated Kelly and Sam's expenses, they were:

- regular expenses total (RE) = \$37,150
- variable expenses total (VE) = \$3,680.

So the total expenses are $\$37,150 + \$3,680 = \$40,830$.

To work out the savings, use the following sum:

Total income - total expenses = savings

So, to work out Kelly and Sam's savings, you would do the following calculation:

$\$65,200 - \$40,830 =$

Activity 10

- Complete the following savings table using Kelly and Sam's amounts.

Savings table

Item	Amount (\$)	Comments
Total income		
Total expenses		
Savings		

- Using the practice income table you completed previously and the practice expenses tables you completed, calculate your totals and write them in the following savings table.

Item	Amount (\$)	Comments
Total income		
Total expenses		
Savings		

- On this practice budget, how much did you work out you could save?

[Click to complete Activity 10](#)

Using your budget

You have now had a go at completing your own budget. Are you surprised by how much money you spend? Are you surprised by how much money you have left over?

Hopefully you have some money left over. If you have less income than expenses, you would have got a negative number in your calculations. For example, if your total income is \$25,000 and your total expenses are \$27,000, you would do the following sum:

$$\$25,000 - \$27,000 = -\$2,000$$

This means you are \$2,000 short, or owe this amount of money. You should now go back to your budget to find areas where you can further cut back to save money. If you are in more debt than this, it may be a good idea to seek financial advice to help you plan your finances and budget. This way you won't get into further debt.

Following your budget

You should have calculated that if Kelly and Sam stick to their budget, they can save about \$24,370 per year. This is quite a lot of money; however, the hard thing isn't creating your budget – it's sticking to it.

Many people find the time to create their own budget, but then don't follow it, so all their hard work goes to waste. Other people find they have more money than they think they did, so they spend more. If this is the case, it is a good idea to calculate a weekly allowance (set amount of money) to spend for yourself – this may be an extra 20 or 30 dollars. If you set this aside to spend, you are less likely to spend any more than that.

Some people also set aside some money in case of an emergency. This money can be factored into your budget into the regular expenses table, in the 'Other' column. For example, you may like to include an amount of \$10 per week, which can be used to pay for anything unexpected that comes up.

It is also a good idea to review your budget every few months. Changes in your life (like a pay rise, loss of work, taking on a new loan or even buying a fridge) all have an impact on your finances. So, your budget will need to be updated to take these changes into account.



What you have learnt

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

- A budget is a plan of how your money is allocated.
- When creating a budget, it is a good idea to have a goal in mind.
- When calculating your income, include salary, wages, interest, investments and any other income.
- When calculating expenses, first divide them into regular expenses and variable expenses to help you see how you spend your money. Then, see if there are any areas where you can cut back your spending.
- To calculate your total savings use the following sum:
Total income – total expenses = savings.
- After you have created your budget, the important part is to follow it.
- If your situation changes, update your budget to include these changes.

Check your learning

For this task you need to use what you have learnt to create your final budget.

After you completed your practice budget, you may have thought of additional income, regular expenses or variable expenses. Or, you may have seen areas where you think you can save some money or cut back some expenses. Add these changes into what will become your final budget.

Steps to follow

1. Complete the income table (following) to calculate your total income. Remember to add any extra sources of income that you think of. Record your total income.
2. Complete the regular expenses table (following). Add the columns and rows carefully to find your total yearly regular expenses.
3. Complete the variable expenses table (following). Add the columns and rows carefully to find your total yearly variable expenses.
4. Complete the savings table (following). Use the sum (Total income – total expenses = savings) to calculate your total savings. This is the amount of money you can save (or spend) each year while sticking to your budget.
5. Answer the questions about your final budget, which are after the tables.

Your budget

Income table

Source of income	Amount	Details
Salary		
Wages		
Interest		
Investments		
Other		
Total income		

Expense/bill	Estimated amount (\$) and month of payment												Expense total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Food/groceries													
Housing													
Rent/mortgage													
Electricity													
Gas													
Water													
Internet													
Mobile phone													
Transport													
Car rego													
RACV													
Petrol													
Train													
Council fees													
Insurance													
House													
Contents													
Car													
Health													
Life													
Repayments													
Credit card													
Pets													
Other													
Monthly totals (RE)													
Total regular expenses for the year (RE)													

Expense/bill		Estimated amount for the year (\$)	Notes	Expense total \$
House	Maintenance			
Garden				
Car	Car			
Medical	Doctors			
	Chemist			
	Dentist			
Entertainment/ lifestyle	Clothes and shoes			
	Sports/gym			
	Parties			
	Cinema/theatre			
	DVDs and music			
Other	Dinner out			
	Gifts and cards			
	Newspapers			
Total variable expenses for the year (VE)				

Savings

Item	Amount (\$)	Comments
Total income		
Total expenses		
Savings		

1. Have you saved any money? If so, how much?

2. Is the amount more or less than the amount that you calculated in your practice budget?

3. Look at your expenses again. Can you make any more cut-backs or savings to save even more money?

[Click to complete](#)

Answers

Answers to activities

Activity 1

Answers will vary depending on the person and how much they have spent.

Activity 2

No answers are required for these tasks.

Activity 3

Answers will vary. They may include, for example:

- saving a deposit for a car
- spending less money on clothes
- paying off a car loan.

Activity 4

Answers will vary greatly depending on the person.

Activity 5

Regular expense	Variable expense
<ul style="list-style-type: none"> • Electricity • Gas • Car insurance • House insurance • Internet • Food/groceries • Water • Car registration • Pet licences • Rent/mortgage • Mobile phone • Petrol 	<ul style="list-style-type: none"> • Dinner out • Raffle tickets • Cinema • DVDs and music • Clothes/shoes • Taxis • Medicines • Public transport • Vet bill • Education/training • Repairs • Takeaway food

Activity 6

Answer to Question 1

The bills paid every month include: food/groceries, rent/mortgage, internet, mobile phone, petrol, train, health insurance, credit card payments.

Answer to Question 2

The gas bill is paid every two months.

Answer to Question 3

The water, electricity bill and life insurance are paid every three months.

Answer to Question 4

The bills paid once a year include: car registration, RACV, house insurance, contents insurance and car insurance.

Answer to Question 5

The most expensive bill for the year is for rent/mortgage.

Answer to Question 6

May and November are the least expensive months.

Activity 7

Answers will vary greatly depending on the person.

Activity 8

Answer to Question 1

It may be a good idea for Kelly and Sam to review the most expensive bills; for example, clothes and shoes and also house and car maintenance. They could save money by cutting back the spending in these areas.

Answer to Question 2

The answers to these questions will vary depending on the variable expenses.

Answer to Question 3

The answers to these questions will vary depending on the variable expenses.

Activity 9

Answers will vary greatly depending on the person.

Activity 10

Answer to Question 1

Item	Amount (\$)	Comments
Total income	\$65,200	
Total expenses	\$40,830	
Savings	\$24,370	

Answer to Question 2

Answers will vary depending on individual figures.

Answer to Question 3

Answers will vary depending on individual figures.

Answers to Check your learning

Answers to the check your learning activity will vary depending on the person's final budget.

The following documents should be completed accurately:

- Total income table
- Regular expenses table
- Variable expenses table
- Savings table

The three questions about the completed budget should also be answered. These answers are also specific to the person's individual budget.