Financial literacy – Personal budgeting

Levels 9 and 10,
Economics and Business,
resources

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**Note:** Please see the accompanying Financial literacy – Personal budgeting activities document for a full description of the sample activities.

Worksheet A: Introduction to personal budgeting

These activities will introduce the concept of budgeting and explore strategies and apps that can be used to create and follow a personal budget.

1. Watch the video ‘[Apps to help save and manage money](https://www.youtube.com/watch?v=0WnD5U-Try0)’ (Today Show Australia, YouTube). Make a list of the apps named, with a brief description of what each app does.

2. Watch the video ‘[Simple ways to budget and save money](https://www.youtube.com/watch?v=2jUZF0gRjJk)’ (ABC News, YouTube) and answer the following questions:

a. Briefly describe how the Cash Envelope system works.

b. List the categories you would use if you were following the Cash Envelope system.

c. Outline the advantages of the Cash Envelope system.

d. Outline the disadvantages of the Cash Envelope system.

e. According to the Balanced Money Formula:

 i. 50% should be allocated to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 ii. 30% should be allocated to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 iii. 20% should be allocated to\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

f. Outline the advantages of using the Balanced Money Formula.

g. Outline the disadvantages of using the Balanced Money Formula.

h. Outline the advantages of using the Traditional Budget system.

i. Outline the disadvantages of using the Traditional Budget system.

j. List three ways to budget and save money.

Worksheet B: Personal budgeting examples

For each scenario, read the information provided and answer the questions given.

Scenario 1

Minh needs help working out how much he has spent and saved in a typical week.

Minh has a bank balance of $420 at the beginning of the week. During the week that follows, he:

* works for 20 hours at the local supermarket at $25 per hour
* pays a phone bill of $150
* pays his mother back $100 he owed
* buys a textbook for school for $75
* spends $85 on a new pair of jeans
* earns $45 for mowing the lawns for a neighbour.

1. Complete the following tables based on the information above.

Cash budget for week

|  |  |
| --- | --- |
| **Income**  | **$** |
| Wages |  |
| **Total income** | **$** |

**Less expected expenses**

|  |  |
| --- | --- |
| Expenses  | $ |
| Books and entertainment |  |
| Clothing |  |
| Mobile phone expenses |  |
| Loan repayment |  |
| **Total expenses** | **$** |

**2. Excess of receipts over payments $\_\_\_\_\_\_\_**

**3. Bank balance at the beginning of the week $\_\_\_\_\_\_\_**

**4. Bank balance at the end of the week $\_\_\_\_\_\_\_**

Scenario 2

During the week, Xavier decides that he wants to take his family to a Taylor Swift concert. Tickets cost $135. Being a huge fan of Taylor Swift, Xavier wants to take as many of his family members to enjoy the concert as he can afford. Completing the following tables will allow you to work out how many of Xavier’s family members will be able to attend based on the amount of money left in his bank account on the Monday tickets go on sale.

Xavier has a bank balance of $825 at the beginning of the week. During the week that follows, he:

* receives $50 from his mother as his weekly allowance
* works for six hours at the local supermarket at $20 per hour
* spends $60 on mobile phone credit
* takes his friend Vera to the movies and spends $65 on tickets and refreshments
* buys his sister a present for her birthday for $80.

1. Complete the following tables based on the information above.

Cash budget for week

|  |  |
| --- | --- |
| **Income**  | **$** |
| Wages |  |
| Allowance |  |
| **Total income**  | **$** |

**Less expected expenses**

|  |  |
| --- | --- |
| **Expenses**  | **$** |
| Clothing |  |
| Mobile phone expenses |  |
| **Total expenses** | **$** |

a. Excess of receipts over payments $\_\_\_\_\_\_\_

b. Bank balance at the beginning of the week $\_\_\_\_\_\_\_

c. Bank balance at the end of the week $\_\_\_\_\_\_\_

2. Based on his bank balance at the end of the week, Xavier will be able to buy \_\_\_\_\_ Taylor Swift tickets.

Worksheet C: Electronic personal budgeting

This activity is designed as an introduction to what is involved in preparing and working with a personal household budget. An online budgeting tool is used.

Scenario 1

You are a 15-year-old working part-time at the local fast-food restaurant. You earn $10.70 an hour and work 10 hours a week (you are not required to pay tax). You receive $200 a year in dividends from shares that you own.

Your expenses are:

* Entertainment
* school canteen $15 per week
* fast food $20 per week
* Spotify Premium account $12 per month
* coffee $20 per week
* telephone $30 per month
* Transport
* public transport $617 annually
* Shopping
* clothing and shoes $300 annually
* cosmetics and toiletries $10 per fortnight
* gifts for family and friends $20 month.

1. Go to ASIC Moneysmart ‘[Budget planner](https://moneysmart.gov.au/budgeting/budget-planner)’. Click on ‘Excel spreadsheet’ to download the Excel spreadsheet template.

2. Use the above information to construct a personal budget for 12 months using the Excel spreadsheet.

3. Determine how much you can contribute to your savings account each week.

4. You are trying to save money to buy a car when you turn 18, so you have decided to increase your hours at work to 15 per week. You have done some research and the car is going to cost $6000, and you will need an extra $1000 for running costs. How long will it take to save this money, in weeks?

5. Suggest two ways that you could decrease the amount of time it is going to take to save for the car.

6. You have decided to buy a new iPhone for $1000. How many weeks will it take you to be able to purchase this, and how much longer will you need to wait to purchase your car, as a result of the decision to buy the iPhone?

Scenario 2

You are a 21-year-old working a part-time job and studying full-time at university. You live in a share house with three other people.

Your income is as follows:

* your take-home pay is $400 per fortnight (after tax)
* you receive $462.50 in Youth Allowance from the government per fortnight
* you earn $40 per month from interest on your term deposit.

Your expenses are:

* Financial commitments
* your portion of rent is $200 per week
* you pay $87 per week for your car loan
* Home and utilities (you pay one quarter of the following expenses, apart from your mobile bill)
* rental insurance of $12 per week
* electricity $350 per quarter. (A ‘quarter’ is three months of a year. Bills are often charged quarterly.)
* gas $140 per quarter
* internet $80 per month
* water $1000 per year
* mobile phone $30 per month (you do not split this with your housemates)
* Education and health
* you put all your university fees into FEE-HELP, so you do not need to pay these yet
* you pay $450 for books per semester (twice a year)
* pharmacy and medicines $10 per month
* Shopping and transport
* supermarket $30 per week
* clothing and shoes $300 annually
* cosmetics/toiletries $30 per month
* hairdresser $150 per year
* gifts $200 annually
* car insurance $20 per fortnight
* car registration $400 annually
* petrol $20 per week
* public transport $15 per week
* Entertainment
* holidays (you go to two music festivals per year) $1000
* one night out at a bar per week $100
* take-away food $35 per week
* coffee $20 per week
* lunches $50 per week.

1. Go to ASIC Moneysmart ‘[Budget planner](https://moneysmart.gov.au/budgeting/budget-planner)’. Click on ‘Excel spreadsheet’ to download the Excel spreadsheet template.

2. Use the above information to construct a personal budget for 12 months using the Excel spreadsheet.

3. Answer the following questions.

a. Do you have savings at the end of the year? If not, how much more are you spending than you are earning?

b. Suggest three things that you do to help your financial situation (include specific figures) Note: you cannot work more; if you do, your Youth Allowance will drop.

c. Once you make those changes, one of your housemates moves to the country and you cannot fill their spot. If your rent increases by $50, will your income be higher than your expenses? If so, how much would you have left over?

Scenario 3

You are a 37-year-old working in a full-time job. Your partner works part-time. You have one young child and rent a house. You currently have $5580 of savings in your bank account.

Your income is as follows:

* your take-home pay is $2600 per fortnight (after tax)
* your partner’s take-home pay is $1800 per fortnight after tax
* you work two hours overtime per week at $50 per hour (after tax)
* you earn $40 per week from interest on your investments
* you receive $100 per fortnight in Family Tax Benefit**.**

Your expenses are as follows:

* Financial commitments
* you rent a house at $450 per week
* you have car loan repayments of $140 per week
* you make a voluntary contribution of $150 to your superannuation per fortnight
* you put $80 per fortnight into a savings account
* Home and utilities
* you pay house and contents insurance of $800 per year
* you spend $500 per year on new furniture and appliances
* electricity $200 per week
* gas $120 per fortnight
* water $80 per month
* mobile phones $180 per month
* broadband internet $50 per month
* Education and health
* childcare costs $300 per week
* doctor $500 annually
* dentist $500 annually
* pharmacy and medicines $20 per month
* vet bills for your pet dog $250 annually
* Shopping and transport
* supermarket $250 per week
* fruit and vegetables $80 per week
* baby products $50 per week
* clothing and shoes $500 annually
* cosmetics/toiletries $25 per week
* hairdresser $150 per quarter (every three months)
* gifts $500 annually
* car insurance $120 per fortnight
* car maintenance and repairs $1500 annually
* car registration $834 annually
* petrol $65 per week
* tolls and parking $500 annually
* public transport $85 per week
* Entertainment
* holidays (a weekend away for the family once a year) $1000
* one bottle of wine per week $15
* movies $80 per quarter
* family celebrations $200 annually
* restaurants $200 per quarter
* take-away food $50 per week
* coffee $20 per week
* lunches $50 per week.

1. Go to ASIC Moneysmart ‘[Budget planner](https://moneysmart.gov.au/budgeting/budget-planner)’. Click on ‘Excel spreadsheet’ to download the Excel spreadsheet template.

2. Use the above information to construct a personal budget for 12 months using the Excel spreadsheet.

3. How much do you save for the year, based on the $80 put aside per fortnight?

4. How much in total do you have saved in your bank account at the end of the year?

5. Suggest two ways you could save an extra $2000 per year.

6. Your partner reduces their hours at work. They now earn $200 less per fortnight.

a. Outline the impact that this would have on your budget.

b. Explain two ways that this problem might be overcome.

Worksheet D: Developing your own budget

For this activity you are going to be saving for a new car. You will calculate a personal budget in order to save money to purchase and maintain your new car.

1. Identify your average monthly income.

a. Create a list of all of the sources and amounts of income you receive/earn in a typical month. Include things like allowances/pocket money, earnings from working, payments you receive from the government, tips, cash gifts and bonuses.

b. Add these up.

 Tip: Because your income will vary from month to month, add up all of the income received over the past six months. Then divide the total by the number of months. This will give a monthly average.

2. Track your spending (expenses) and create a list of everything you consume/buy regularly.

a. For the past month, document all of your expenses. Include canteen, food/drinks, streaming services, games/apps, public transport, sports, entertainment, clothing, cosmetics and health, school supplies and any other expenses you have.

b. Categorise all your expenditure into fixed expenses (which do not change month to month) and variable expenses (these can be changed if you choose).

c. Calculate your total monthly expenditure, as well as the amount for your fixed costs and variable expenses.

3. Determine your own budget.

a. Go to ASIC Moneysmart ['Budget planner'](https://moneysmart.gov.au/budgeting/budget-planner) and download the Excel spreadsheet.

b. Enter your income into the spreadsheet.

c. Enter your expenses into the spreadsheet.

d. After completing the spreadsheet, determine if you are spending more than you receive in income, or if your budget is at a surplus (you are able to save money each month). If you are spending more money than you earn (or would like to save more), refer to your list of variable costs, and see what you can cut out.

4. As a class, brainstorm the annual expenses associated with running a car (for example, petrol, service costs, insurance). Generate a list of the types of expenses, and their approximate amounts.

5. Using the budget information from Step 4, determine when you will be able to purchase a car worth $5000 as well as be able to pay for all the annual expenses associated with running a car.

Worksheet E: Using an online budgeting tool

Remember there are usually several different approaches that can be taken to prepare a budget. The approach you choose will differ to that of another person according to your needs and priorities. The following activity allows you to consider how changes in circumstances and priorities can impact personal budgets.

Using the following information and online resources, complete the questions below.

Milly has just moved to the city to commence studying a four-year university degree part-time. She has developed the following estimates of her budget.

Milly is renting a room in a share house for $200 per week. She earns $3200 per month from her job and receives $150 per week allowance from her parents. Her other estimated expenses are as follows:

|  |  |
| --- | --- |
| Item  | Amount  |
| Food | $120 per week |
| Electricity  | $40 per week |
| Gas  | $80 per month |
| Water  | $15 per week |
| Streaming service | $10 per month |
| Internet  | $40 per week |
| Mobile phone | $120 per month |
| Public transport | $55 per week |
| Petrol  | $60 per week |
| Car insurance | $120 per month |
| Car loan  | $100 per week |
| Savings (for a holiday) | $30 per week |
| Credit card interest | $150 per month |
| Movies  | $40 per month |
| Going out with friends | $100 per week |
| Car registration and licence | $200 per year |
| Education expenses | $350 per quarter |
| Computer games | $30 per week |
| Cosmetics and toiletries | $20 per week |
| Tolls and parking | $55 per month |

1. Using an online budgeting tool, such as the ASIC Moneysmart ['Budget planner'](https://moneysmart.gov.au/budgeting/budget-planner), construct an annual budget for Milly based on these figures.

2. Describe the current state of Milly’s budget.

3. Make three recommendations for Milly that would improve the state of her finances.

4. If Milly’s parents stopped paying her allowance, what options would she have in order to avoid having to borrow money to cover her expenses?

5. Assuming that Milly still wishes to go on holiday with her friends at the end of the year, and therefore wants to keep saving $30 per week, suggest how Milly can reduce expenses so her income exceeds her expenses (other than selling her car).

6. Milly decides to sell her car and use public transport instead. Her public transport expenses will increase to $80 per week but all car related expenses would be gone. Analyse and discuss the effect this would have on Milly’s annual budget.

7. You are a financial adviser. Milly has come to see you to ask how she could improve her financial position. Draw up two alternative budget options for each of the following scenarios that you could put to Milly as suggestions.

a. Milly wishes to save an extra $1000.

b. Milly’s parents stop paying her allowance.