

AW Math 11

DAY 2 *The Budgeting Process class notes*

Surplus Amount that income exceeds expenses
 • often put into Savings

Deficit Amount expenses exceeds income.

Conservative Budget

- Round expenses UP to the nearest \$5 increment
- Round income DOWN to the nearest \$5 increment

→ \$372.65 bill → \$375
 ↪ \$52 gift → \$50

Skill to Review: Calculating an Average

• Add all amounts, divide by the # of amounts.

Ex heating bill: 375, 380, 360, 290 → $\frac{\$1405}{4} = \351.25

EXAMPLE 1 Creating a Timeframe

Manny has two part-time jobs. At one, he works 20 hours per week and earns \$12.75 per hour. At the second, he works 15 hours per week at \$18.20 hour.

He has created a budget and expects to save 10% of his salary. How many weeks will it take him to save \$900.00?

1. $20 \times \$12.75 = \255

2. $15 \times \$18.20 = \273

$\$528 \times 0.10 = \52.80

$\frac{\$900}{\$52.80} = 17 \text{ weeks}$

EXAMPLE 2 Calculate Monthly Expenses and Create a Budget

Kate works on salary and earns \$2259.09 per month. She kept track of her monthly expenses for a period of 6 months.

Item	April	May	June	July	August	September	Average	Conservative
Rent	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450.00	\$450	450
Utilities	\$150.00	\$125.00	\$125.00	\$155.00	\$150.00	\$200.00	\$150.83	155
Groceries	\$260.00	\$300.00	\$100.00	\$275.00	\$150.00	\$125.00	\$201.67	205
Car payment	\$175.00	\$175.00	\$175.00	\$175.00	\$175.00	\$175.00	175	175
Gas	\$90.00	\$125.00	\$100.00	\$200.00	\$50.00	\$100.00	110.83	115
Meals out	\$120.00	\$90.00	\$150.00	\$120.00	\$100.00	\$120.00	116.67	120
Entertainment	\$75.00	\$85.00	\$50.00	\$325.00	\$350.00	\$200.00	180.83	185
Car insurance	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	\$115.00	115	115
Clothing	---	\$75.00	\$350.00	\$45.00	\$90.00	---	93.33	95
Miscellaneous	\$75.00	\$50.00	\$50.00	\$100.00	\$50.00	\$75.00	66.67	70
								<u>\$1685</u>

a) Use this information to calculate her average monthly expenses in each category for the 6-month period. Show above.

b) Create a possible conservative budget for Kate. If she has a surplus, allocate the extra money to savings. **How much to savings per month?**

income: 2259.09 ^{con.} → \$2255
 $\$2255 - \$1685 = \$570 / \text{month surplus}$

Assignment Pg 12-15

Quiz Day 1-2 tomorrow

DAY 2 *Budgeting Process assignment*

1. Craig and Stefanie live in Vancouver, BC. They are creating a budget to help them control their spending. Craig earns semi-monthly pay of \$1400.00. Stefanie's semi-monthly pay is \$1385.00. They have kept track of their other expenses for 4 months.

Craig and Stephanie's Monthly Expenses				
Item	November	December	January	February
Mortgage payment	\$1850.00	\$1850.00	\$1850.00	\$1850.00
Utilities	\$175.00	\$175.00	\$175.00	\$175.00
Cat care	\$75.00	---	---	\$100.00
Clothing	---	\$250.00	\$175.00	\$90.00
Food	\$375.00	\$420.00	\$500.00	\$250.00
Gas	\$150.00	\$120.00	\$200.00	\$125.00
Car insurance	\$112.00	\$112.00	\$112.00	\$112.00
Gifts	\$275.00	\$200.00	---	\$25.00
Entertainment	\$100.00	\$150.00	\$75.00	\$125.00
Loan payment	\$150.00	\$150.00	\$150.00	\$150.00
Home insurance	\$122.00	\$122.00	\$122.00	\$122.00
Trip fund	\$250.00	\$250.00	\$250.00	\$250.00
Cell phone	\$135.00	\$135.00	\$135.00	\$135.00
Miscellaneous	\$125.00	\$175.00	\$75.00	\$100.00

- a. Use their financial records to create a **conservative monthly budget** for Craig and Stefanie. Show averages in the column provided, round where necessary.

Income: _____

Expenses: _____

- b. If they follow this budget, how much money will they be able to save in one year?

2. Minh has kept track of his finances over the last 4 months. Averages for his income and spending are listed below. He has already rounded conservatively.

Average Income over 4 months		Average Expenses over 4 months	
Regular	\$1665.00	Rent	\$640.00
Tips	\$300.00	Utilities, phone, internet and cable	\$115.00
		Food	\$275.00
		Transportation	\$100.00
		Entertainment	\$200.00
		Other	\$475.00

- a. Finish the monthly budget analysis for Minh. Allocate any surplus to savings.

Income: _____ Expenses: _____ Savings: _____

- b. Minh wants to buy a new pair of skis at the beginning of the next ski season, which is 6 months away. The skis he wants to buy cost \$1059.99. Will he be able to afford the skis?

3. Georgina earns approximately \$4050.00 per month. She has made the following monthly/yearly budget.

Expenses	Amount	Per month?	Expenses	Amount	Per month?
Mortgage	\$1025.00/month		Miscellaneous	\$150.00/month	
Car insurance	\$122.00/month		Entertainment	\$150.00/month	
House repairs	\$800.00/yr		Home insurance	\$1500.00/year	
Gifts	\$500.00/year		Clothing	\$125.00/month	
Charity	\$300.00/year		Car maintenance	\$500.00/year	
Gas	\$120.00/month		Food	\$350.00/month	
Loan payment	\$220.00/month		Skiing season's pass	\$650.00/year	
House taxes	\$4200.00/year				

- a. How much money can she save per year? (don't round conservatively).

- b. What percentage are these savings of her income?

4. Jane works as a server and earns an hourly wage plus tips. She works about 40 hours per week, at a rate of \$10.75 per hour. She takes home about \$500.00 in tips each month. Her fixed and variable expenses account for about 80% of her income.
- How much money does Jane put into savings each month?
(Assume there are 4 weeks in a month.)
 - Jane spends about \$75.00 **per week** on food. What percentage of her monthly income does food represent?
5. Justin works on contract as a landscaper. He earns about \$2700.00 a month. He is creating a budget and wants to put 12% of his income into savings.
- If he follows his budget, how much will he save each month?
 - How long will it take him to save \$1500.00?
6. Vince is saving for his college tuition. Since his parents do not charge him room and board, he plans on saving 55% of his income.
- If he earns \$1725.00 month, how long will it take him to save the \$6000.00 he needs for tuition **and** \$550.00 for books?

7. Pierre has kept a record of his spending over the past 4 months. He earns semi-monthly pay of \$1475.59.

Item	August	September	October	November	Avg	Rounded
Mortgage payment	\$1450.00	\$1450.00	\$1450.00	\$1450.00		
Utilities/phone	\$139.00	\$142.00	\$142.00	\$159.00		
Groceries	\$276.00	\$312.00	\$248.00	\$363.00		
Loan payment	\$250.00	\$250.00	\$250.00	\$250.00		
Charity	\$100.00	\$25.00	---	\$30.00		
Entertainment	\$95.00	\$128.00	\$212.00	\$145.00		
Transportation	\$245.00	\$189.00	\$196.00	\$212.00		
Miscellaneous	\$84.00	\$98.00	\$75.00	\$54.00		

- a. Create a conservative budget for Pierre.
- b. Approximately how much will he save in a month? A year?
8. Chantal has kept track of her income and expenses over the last 6 months. Averages for her income and spending are shown.

Income		Expenses	
Regular	\$1110.00	Rent	\$675.00
Regular	\$1110.00	Utilities, phone, internet and cable	\$150.00
Tips	\$135.00	Food	\$395.00
		Transportation	\$285.00
		Entertainment	\$125.00
		Other	\$350.00

- a. Create a conservative monthly budget for Chantal. Allocate any surplus to savings.
- b. What percentage of her income is Chantal putting into savings?
- c. How many months will it take Chantal to save up for a new computer, which she estimates will cost about \$1000.00?