

# BUDGETING

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**Financial Awareness Means Equity 2011**

# OVERVIEW

- Review
- How to Start a Budget?
- Examples on How to Start on Budget

(Reference: Personal Finance How to do it Powered by 2007 Quamut)

# REVIEW

- Review on what is a budget
- Group presentataion of the assignment from the first day

# How to Start a Budget?

- Monthly expenses
- Monthly income

# EXPENSES

- Fixed costs such as rent and mortgage payments
- Variable costs such as restaurants and entertainment

# INCOME

- Paycheck
- Investment dividends
- Alimony
- Child support payments

# STEPS TO START A BUDGET

- Track your spending for a month
- Add up your monthly expenses
- Add up your monthly income
- Compare expenses and income

# TRACK YOUR SPENDING FOR A MONTH

- Every time you spend money, write down the precise amount of the expense with a brief description, such as “movie, \$10”
- Divide all of your expenses into two main categories – essential expenses and discretionary expenses



# ESSENTIAL EXPENSES

- Food (groceries)
- Medical care
- Housing (rent or mortgage)
- Childcare (daycare, babysitting,...)
- Auto-related expenses (gas, maintenance,...)
- Utilities (water, heat, electric, cell phone,...)
- Insurance (auto, homeowners, health,...)
- Taxes (income and property taxes)
- Tuition and textbooks

# DISCRETIONARY EXPENSES

- Clothing
- Personal care (haircuts, manicures,...)
- Cable TV and internet service
- Entertainment
- Restaurant bills
- Travel
- Pet-related expenses
- Health club memberships
- Alcohol and tobacco

# PRACTICE

- Lists your essential expenses and discretionary expenses in the last three months including the detailed cost

# EXAMPLE 1

(When I was a high school student...)

- Average total income in each month: \$100

- Main costs

Essential expenses

- public transportation - \$35

Discretionary expenses

- restaurant bills - \$25

- entertainment including movies, music tapes, and CDs - \$40

- Summary = monthly income - total monthly expenses

$$= \$100 - \$100$$

$$= \$0$$

# EXAMPLE 2

## (When I was a college student...)

- Average total income in each month: \$1,200
- Main costs
  - Essential expenses
    - public transportation - \$100
    - tuition and textbooks - \$150 (\$1800/12 months)
    - medical care - \$100
    - food - \$300
  - Discretionary expenses
    - restaurant bills - \$150
    - entertainment including movies, music tapes, and CDs - \$300
- Summary = \$1,200 - \$1,100  
= \$100 is left over

# ASSIGNMENT

- Identify your total income
- Itemize your money spending lists including detailed cost together
- Practice those two lists in the above for your current situation and for your first year out of high school (as an estimation)