

Module 3 - Budgeting

ACTIVITY SHEET 3-6

Making your own budget

Step 1 - Get ready.

Gather all of the papers you need, including:

- Pay stubs
- Stubs from government cheques or direct deposit notices
- Receipts
- Bills
- Bank and credit card statements
- Loan documents.

Step 2 - Income

List all your sources of income in a month. Put down how much you get from each source in a month. Add them up. This is your Total Monthly Income.

Step 3 - Expenses

List all your expense categories. Fill in the amounts for the fixed expenses first. These are likely listed on a bill or do not change each month. Next, do your best to estimate how much you spend in each of your variable categories.

Seasonal spending: Includes things like yearly insurance costs, back-to-school clothes for the kids, or holiday gift buying. Divide the total yearly cost by 12 to get an average monthly amount. Include that as a fixed expense in your monthly budget. **Example:** You get a bill each year for \$800 in car insurance. Divide \$800 by 12. You get \$66.67. That is your fixed monthly cost for car insurance.

Pay yourself first: If you want to save towards a goal, take the total cost of your goal and divide it by the number of months you want to save up for it. Include that as a fixed expense in your budget. **Example:** In a year and a half, you plan to buy a new computer. It will cost \$1000. Divide \$1000 by 18 months. You get \$55.56. That is your fixed monthly savings cost for your goal.

Savings tip: You can transfer the amounts for seasonal costs and savings goals out of your spending account into separate savings accounts. If you do that each month, the money builds up. It will be there for you to spend when you need it.

Step 4 - Do the math

Add up your Total Monthly Expenses. Subtract this amount from your Total Monthly Income. Do you have money left over? Or are you spending more than you earn?

Step 5 - Revise your budget

If your expenses are greater than your income, think honestly and realistically. Where can you cut back on expenses? Where can you increase your income? Should you change your savings goals?