

**Budget Exercises for Students, Exercise 20, The Budget after Three Years (Chapter 10)**

In Chapter 10 Jasper received a raise after three years and you have been rewarded for your hard work as well. Your employer has decided to give you an 8% bump in salary. First determine what the new salary is as well as the take home pay.

So what now? It is up to you, your classmates and your instructor's discretion on what to do with the money. This is what Jasper chose below with his budget consolidation efforts. His accomplishments came by way of reduced expenses through pretax vehicles, a raise in pay and debt reduction.

<b>Item</b>	<b>From</b>	<b>To</b>	<b>Monthly Gain/Loss</b>
Emergency Fund Paid off	\$460	\$0	\$460
Increase in Pay (2 checks)	\$2,146	\$2,248	\$204
Student Loan, Paid off	\$300	\$0	\$300
Furniture Paid off	\$65	\$0	\$65
Credit Card Paid off	\$50	\$0	\$50
Removed Home Phone	\$45	\$0	\$45
Computer Paid off	\$33	\$0	\$33
Cell Phone Bill Reduced	\$115	\$85	\$30
Cable Bill Reduced	\$115	\$87	\$28
<b>Total</b>			<b>\$1,215.00</b>

Jasper chose to add these items to his budget. What will you do? Some of these items are in your budget currently.

<b>Item</b>	<b>Added Cost</b>
Pet Insurance	\$80
Sports / Leisure	\$25 increase
Life Insurance	\$25 increase
Travel	\$100
Clothes	\$80

So after a three year simulation what is the potential money that you could generate? Jasper's is below. The results show that liquidity has been established due to planning and discipline. These numbers reflect straight saving of money without spending any of it; however some of this money may not be there after three years due to having to use Savings and Miscellaneous. Keep in mind that you will be purchasing a home and you will need money from some of these accounts to pay for it.

Also remember that you started with \$5,000 in savings. Did you use any of that money to pay down debt? (Credit Card, Student Loan, Car Payment) Did you allocate any money for added cash to establish Supplemental expenses?

The beauty of this exercise is that you can go back and make adjustments to your expenses and debt consolidation. The goal is to make this as realistic as possible so that you gain the

understanding of flexibility and the discipline of preparing a budget. Remember . . . live for today while planning for tomorrow.

<b>Item</b>	<b>Amount</b>
Emergency	\$16,100
Savings	\$5,482
Miscellaneous	\$4,140
Rainy Day	\$2,275
College Fund	\$1,800
Bonus Checks	\$12,714
<b>Total</b>	<b>\$42,511</b>

[REFER TO THE STUDENT BUDGET VIDEOS FOR DETAILED INSTRUCTION](#)