

Course Project - Establishing and Maintaining a Budget for Students

As with Jasper's budget you will be responsible for creating and maintaining your own budget (and modifying it) that will carry on through the entire content of the book/videos. The goal is to maintain a comfortable living and create a three-year goal to have enough money saved to:

- Purchase a home
- Increase retirement
- Any large personal goal

The first step is to open a spreadsheet in from the Budget Template or request a Google doc from the Squad or any desired software program and create a grid to fill in expenses and income. Refer to Chapters 1-3.

Note, if you use a program other than provided on the website above they may not have all the details that are provided in the templates, therefore, you may have to make adjustments based on the software's capabilities.

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

Budget Exercise Task 1 – Expenses and Paycheck

You're going to live off an \$80,000 salary based on biweekly paycheck schedule with a total tax of 25% and there are pretax items coming out first which are: 401(k) at \$200, medical at \$100. You also have a child 50% of the time.

The first step is to calculate what your paycheck will be each period. Next using the 2016 Calendar, beginning from January and with the first paycheck received on the first Friday of the month, determine the two months that you will receive a third check for your bonus money.

Additionally, you have \$5,000 in savings and \$2,500 (\$7,500 total) dedicated for a vehicle to get established with the cost of living.

Budget Exercise, Task 2 - General Expenses (Chapter 1)

Create your own list of expenses based on the items below. Once this is complete input these items into the Project column – the Remain column will automatically be completed. Next, in Due column inputting random dates of your choosing.

Bill Name	Project	Actual	Remain	Due
Base Items				
Mortgage/Rent				
Leftovers	<i>This will be filled out at the end</i>			
Child Care				
Groceries				
Car Payment				
Auto Insurance				
Dining Out				
Cable Bill/Internet				
Cell Phone				
Gas/Transit				
Gifts				
Clothes				
Electric Utility				
Gas Utility				
Health Expenses				
Hair Cut				
Monthly Credit Card (No int)				
Credit Card (interest)				
Student Loan (interest)				
Netflix				
Life Insurance				
Supplement				
Satellite Radio (quarterly)				
Other Supplement				
Savings				
Miscellaneous				
Emergency				
College Fund				
Optional				
Travel				
Pet				
Sports / Leisure				
Health Club				
Memberships				

Note: your instructor will provide sample expenses that were charged on the credit during the classroom exercises/lesson plans

Creating the Budget, Exercise 1 Leasing an Apartment

Go to a search engine on the Internet and look up apartments for rent in the area you want to live for a one year lease. Your task here is to make a choice on the cost which will be entered into your budget spreadsheet. Create a table and document your results as shown below.

Consider at **least three** options in your search before you narrow it down to one. Key items to consider are geographical area and if there is a washer/dryer in the unit or is it shared among tenants (community washer/dryers are pay machines). Do they allow pets? Is there a carport? (This may be an additional charge each month)

Given Variables

- Assume the security deposit will be one month’s rent upfront
- For the utilities water will be covered; however, gas and electric are estimated between \$35- and \$50 per month
- Use the sample grid below

Apt. Name	Rent	Laundry in unit?	Pets Allowed	Carport	Clubhouse	Pool	Location
XYZ	\$	No	No	Yes	No	Yes	
ABC							
DEF							

Tip: Consider that where you live is what really determines the cost. More than likely the price in St. Louis is less than in San Francisco due to the cost of living. Based on this premise you may consider living outside of your city limits to reduce cost.

Also look assume that you will have \$25 month cost for renter’s insurance.

Which apartment did you choose? What lead you to that decision including outside factors. Add the monthly amount into your spreadsheet.

Creating the Budget, Exercise 2 Child Care (Chapter 3, Section 3.3)

You will need to provide child care for your son for a total 12 days per month. You will need to search on the Internet for local daycare centers and obtain three estimates for cost and also determine if there is any registration fee.

As with leasing an apartment consider that where you live is what really determines the cost. So you may consider finding a facility outside of major city limits to reduce the expense. Consider at least three options in your search before you narrow it down to one.

Facility Name	App Fee	Daily Rate	Location
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Creating the Budget, Exercise 3 Purchasing a Vehicle

You will need to lease or buy a used or new vehicle for transportation. (New meaning brand new or leased) and will have \$2,500 for a down payment and have to spend at least \$5,000 for used or a new car. There is no restriction on the lease cost.

Considerations:

- If you do not lease a vehicle then the used or new car will require no less than \$2,500 in financing and your finance term must be three years or more.
- Be sure to check if there any ancillary fees such as tax, title and destination.
- Go the Internet and search dealerships, online line sellers such as TrueCar or Auto Trader or car manufacturer’s websites for offerings (one simple search is to type in the car you desire and go from there)
- You may opt to call a vehicle seller and speak to a live person.
- Consider gas mileage as you will determine the amount of gas you’ll need each month
- Consider at least three options in your search before you narrow it down to one.

Given Variables

- Purchasing a new car or leasing will come with a standard warranty
- Buying a used car may not have a warranty

Go to bankrate.com/auto and input basic information such as zip code and length of the finance term and choose the lowest interest rate. It may just list the average rate which you can choose. Once you have the interest rate go to <http://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx> and input the interest rate, amount financed and the term to determine the

monthly payment. Use the sample grid below to document your results. Use the **Automobile Comparison** grid provide on the website.

Which car do you want to choose? What lead you to that decision? **Tips:** If you lease a vehicle consider the amount of miles that you drive in that if you exceed the limit you will assessed further charges. Additionally, the down payment on the lease may be lower than \$2,500. So you have two options: one is to pay the entire \$2,500 which will reduce the monthly cost or pay the lesser amount and you will have excess cash in your savings.

As for leasing or buying when choosing a vehicle you will be able to determine how much gas, maintenance and auto insurance will cost in the budget. (Discussed in the subsequent exercises). Therefore, as you narrow down your choice you will need to consider those items before making a final decision.

Auto Grid Comparison

Description	2003 Mini Cooper	2016 Focus
New, Used, Lease	Buy Used	Lease
Interest Rate	5.5%	N/A
Down Payment	\$2,500	\$1,500
MPG City/Hwy	25/35	35/45
Taxes	Use the state tax rate if applicable (tax rate multiplied by purchase price of the car)	Use the state tax rate if applicable (tax rate multiplied by purchase price of the car)
Title	\$17	\$100
Destination Fee	\$0	\$500
Warranty	1 year or 10,000 miles	3 years / 30,000 miles
Miles	120,000	0 (new car)
Cost	\$5,500 (\$8,000 - \$2,500)	N/A
Term	3 years	36 months
Monthly Payment	\$166	\$225
Other		~20 per mile charge over 30,000 miles ~Oil changes included in the lease

Creating the Budget, Exercise 4 Vehicle Maintenance

In addition to owning a vehicle allocating money in the budget is needed to pay for maintenance such as an oil change, breaks and tires and wipers. Based on the vehicle that you drive determine the miles driven per month and that the oil needs to be changed every 6,000 miles at \$50 per change.

You will need to determine future cost for:

-Front and rear brakes (three years)

-Front and rear tires (three years)

-Wipers (yearly)

-Air Filter (yearly)

You will need to call three auto service centers for pricing on tires and brakes. You need to simply ask for a quote . . . You can go to the Internet for wipers and air filters to search for auto parts suppliers.

These costs will need to be divided by their frequency of occurrence and listed as “Car Maintenance” in the budget and sent to the Supplemental account each month. For example, if the brakes the calculation is $\$300 / 36$ months it is $\$8.33$ per month and the oil change at $\$100 / 2$ is $\$10$ per month and so on . . .

Creating the Budget, Exercise 5 Gasoline,

In addition to purchasing a vehicle you will need to understand the cost to fill it up. Perform the gasoline exercise to establish monthly cost. ***Refer to Book / Video Chapter 3, Section 3.5 for the complete set of instructions.***

-Determine gas mileage on the vehicle and fuel tank size

-Determine the fuel mileage by way of an owner’s manual or a web search - mileage will be displayed by city and highway.

-Determine how many miles are driven each week

-Determine the percentage of city and highway miles driven

Destination	Miles (2x)	Trips	Total
Work	12	4	96
Gym	5	2	20
Errands (est)	--	--	15
Family / Friends	4	2	16
Leisure Activities (est)	--	--	15

-Take the current cost of gas and add .25 cents to it and multiply by the number of fill ups each year to establish total cost. Then divide by 12 to determine monthly cost.

-Next run the **12 month budget exercise** as seen in the example below:

Month	To Supp	From Supp	Balance	Added Cash	New Balance in Supp
Jan	\$7	--	\$7	--	\$7
Feb	\$7	--	\$14	--	\$14
Mar	--	\$14	(\$18)	\$18	\$0
Apr	\$7	--	\$7	--	\$7
May	\$7	--	\$7	--	\$14
Jun	\$7	--	\$7	--	\$21
Jul	\$7	--	\$7	--	\$28
Aug	--	\$28	(\$4)	\$4	\$0

Month	To Supp	From Supp	Balance	Added Cash	New Balance in Supp
Sep	\$7	--	\$7	--	\$7
Oct	\$7	--	\$7	--	\$14
Nov	\$7	--	\$7	--	\$21
Dec	\$7	--	\$7	--	\$28

Note that adding .25 cents creates a surplus in your budget in light of knowing the 12 month budget exercise has been ran. As long your projections are correct and gas is under the .25 cents you've projected you will have surplus. If your exercise determines that you need extra cash still follow through with adding the money. Gas prices can fluctuate often so creating surplus will help mitigate spikes in prices. If gas rises above the projection adjust the budget accordingly.

Creating the Budget, Exercise 6, Auto Insurance (Chapter 4)

If you drive a car auto insurance is required and there are many companies willing to provide you with a policy. Based on the cars you are considering you need to speak to three insurance carriers to compare pricing.

To understand minimum coverage amounts needed for your vehicles the representative can provide recommendations. You can look at websites such as 360FinancialLiteracy.org that will list minimum coverage information; however, you need confirm with insurance company. Keep in mind that if you drive an older car you may opt for less coverage due to the car's value. Other items to consider:

- Gap Insurance
- Roadside Assistance
- Car Rental
- Collision and Comprehensive coverage deductible amount
- Miles driven to work and total miles each year
- General discounts, seat belt, alarm, college affiliation . . . ask what is available
- Multicar discounts (two or more cars insured) and/or Homeownership policy discount. You will be asked if you want to have a quote to lower your premium. Simply decline the offer and just get the car insurance quote

Use the grid below to compare the insurance carriers. Note that you should be seeking the same coverage items for each policy that you compare meaning the liability coverage and deductibles in most cases are standard. So if you want a \$500 collision deductible ask for that quote for the all the companies that you speak to.

This is also a great exercise to speak to an adult about what is contained in their policies; however, as get used to speaking to a few carriers you'll get an understanding of the lingo.

Carrier	Premium	Term	In Full Discount	Car Rental	Roadside
AAA	\$1,400	6 months	Unlimited		

One have chosen your company run the 12-month budget exercise if you do not have a fixed payment else, then add this to your spreadsheet.

Filling out the Budget, Exercise 7, The Grocery Bill (Chapter 5)

The grocery bill is often the largest budget item in the budget. You will use the **Food Calendar** grid provided on the website to plan out meals to better manage the food that is needed for purchase against what your supplies are in your kitchen. The website will provide a video tutorial on how to use the calendar.

Secondly, seeing that you have not had to pay for groceries yourself use the following survey help estimate the weekly food cost.

**Official USDA Food Plans: Cost of Food at Home at Four Levels,
U.S. Average, April 2016 ¹**

Age-gender groups	Weekly cost ²				Monthly cost ²			
	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
Individuals ³								
Child:								
1 year	\$21.80	\$29.10	\$33.00	\$40.30	\$94.30	\$126.20	\$142.90	\$174.50
2-3 years	\$23.80	\$30.40	\$36.60	\$44.60	\$103.10	\$131.70	\$158.70	\$193.40
4-5 years	\$25.00	\$31.40	\$39.00	\$47.70	\$108.20	\$136.00	\$169.10	\$206.60
6-8 years	\$31.90	\$44.50	\$53.40	\$63.30	\$138.40	\$193.00	\$231.20	\$274.10
9-11 years	\$36.00	\$47.80	\$61.90	\$72.10	\$155.80	\$207.00	\$268.20	\$312.20
Male:								
12-13 years	\$38.80	\$55.00	\$69.00	\$80.90	\$168.00	\$238.40	\$299.10	\$350.70
14-18 years	\$39.90	\$55.90	\$71.20	\$81.70	\$172.80	\$242.10	\$308.50	\$354.00
19-50 years	\$42.90	\$55.60	\$69.60	\$85.70	\$186.00	\$240.70	\$301.70	\$371.50
51-70 years	\$39.10	\$52.30	\$65.10	\$78.70	\$169.50	\$226.60	\$282.00	\$340.90
71+ years	\$39.40	\$51.60	\$64.10	\$79.60	\$170.70	\$223.80	\$277.70	\$345.00
Female:								
12-13 years	\$38.70	\$47.30	\$57.00	\$69.90	\$167.90	\$204.90	\$247.00	\$303.10
14-18 years	\$38.00	\$47.40	\$57.40	\$70.80	\$164.70	\$205.40	\$248.80	\$306.80
19-50 years	\$38.00	\$48.10	\$59.40	\$75.80	\$164.50	\$208.50	\$257.40	\$328.30
51-70 years	\$37.60	\$46.80	\$58.30	\$70.30	\$162.90	\$202.60	\$252.60	\$304.80
71+ years	\$36.60	\$46.20	\$57.50	\$69.40	\$158.50	\$200.30	\$249.00	\$300.60
Families								
Family (Male & Female) of 2: ⁴								
19-50 years	\$89.00	\$114.00	\$141.90	\$177.70	\$385.50	\$494.10	\$615.10	\$769.80
51-70 years	\$84.40	\$109.00	\$135.70	\$163.90	\$365.60	\$472.10	\$588.10	\$710.30
Family of 4:								
Couple (Male & Female), 19-50 years and children—								
2-3 and 4-5 years	\$129.70	\$165.40	\$204.70	\$253.80	\$561.80	\$716.80	\$887.00	\$1099.90
6-8 and 9-11 years	\$148.80	\$196.00	\$244.30	\$296.80	\$644.70	\$849.20	\$1058.50	\$1286.20

Keep in mind that you have a son who is 9 years old whom you have 50% of the time so you need to incorporate that into your planning. Using the chart establish the weekly average and then the monthly estimates. Note that for four months of the year there are 5 weeks so these months will have a higher grocery cost. See the grid below that will help establish the monthly estimates.

Example monthly estimates for food cost

Month	Cost	Month	Cost
January (4)	\$230.76	July (4)	\$230.76
February (5)	\$288.45	August (5)	\$288.45
March (4)	\$230.76	September (4)	\$230.76
April (4)	\$230.76	October (5)	\$288.45
May (5)	\$288.45	November (4)	\$230.76
June (4)	\$230.76	December (4)	\$230.76

Then next move is to run the **12-month exercise** to determine if any added cash is need to start the budget.

Grocery Store Exercise

Using the Food Calendar provided on the website, your task is to meal plan for one week for dinners. You can seek the guidance of an adult for help to fill out what is currently available in the kitchen in terms of common staples such as milk, butter and herbs and spices. The adult can suggest meals and help determine what ingredients are needed to prepare meals or you can choose your own items and go the Internet to learn how prepare the meals.

Complete the **Food Items List** provided on the website to determine the item that you need to shop for. While at the grocery store use an app or write down what each item costs from your list (you will need a printed copy). You also need to consider where you shop for the items. Is it the local store or a warehouse club? Ask your adult helper where he/she shops and if some of the shopping is at the warehouse club you'll need to membership card to enter the building.

Item	Have ✓	For	Amount	# of Meals
Ground beef	--	Sloppy Joes Meatloaf Mexican Night	3 lbs.	2
Soup	✓	--	--	--
Lettuce (premix)	--	--	1 bag	4
Garlic Bread	--	--	1 loaf	2
TV Dinner	--	--	1 package	1
Taco Kit	✓	--	--	--
Chicken Breast	✓	--	--	--
Potatoes	--	Mashed Potatoes	2	1
Bread	✓	--	--	--
Soup	✓	--	--	--
Mayo	✓	--	--	--
Mustard	✓	--	--	--
Turkey	✓	--	--	--
Sour Cream	✓	--	--	--
Shredded Cheese	✓	--	--	--
Black Olives	✓	--	--	--
Broccoli	✓	--	--	--
Asparagus	✓	--	--	--

Determine if there is tax on food in your state by going to [money-zine](#). You can also perform a simple search in google. If tax exists then apply that to your total. For example, 6% tax on a \$200 purchase is \$12 for a total of \$212.

This is a very critical exercise due to the many items purchased each month and the variation in prices. What the food calendar will provide is a true handle on spending because you are committing to a week's worth of groceries at a time. It allows for less food waste and creates more food variety in the meal planning rather than preparing meals on the fly.

Creating the Budget, Exercise 7, FSA (Chapter 6)

Assume that your employer offers an FSA and it begins with the first paycheck in the calendar year. You need to determine what medical expenses you will incur that the FSA will be applicable to. In the example below the estimated \$1,078 or approximately \$90 a month in the so this will give you the gauge of what you need from the FSA.

Item	Frequency	Amount	Yearly Cost
Office Copays	12	\$30	\$360
Deductibles	Several	\$200	\$200
Prescriptions	12	\$13	\$158
Contacts	12	\$30	\$360

Remember this is a pretax item so will need a recent check stub to see the taxes coming out to estimate the new take home paycheck. Be sure to calculate the percentage of what each taxed vehicle is removing from your check: Medicare is 1.25% and FICA (Social Security is 6.2%). You will need to account for any state or city tax as well. For Federal look at the paystub and subtract the all pretax items listed to generate the subtotal. Then find taxable items and divide the subtotal into them to generate the taxed percentage.

In the paycheck sample below the gross earnings are \$3,177 less \$100 for 401(k) leaving \$3,077 in taxable income. So for example the Federal tax rate is 7.77% (\$239.23 / \$3,077).

Sample Paycheck

EMPLOYEE PAYCHECK							
EMPLOYEE NO.	EMPLOYEE NAME		SOCIAL SECURITY NO.	PERIOD BEGIN	PERIOD END	CHECK DATE	
	Jasper Jamison		123-45-6789	12-23-2012	1-6-2016	1-11-2016	
EARNINGS	HOURS	RATE	CURRENT AMOUNT	WITHHOLDING/DEDUCTIONS		CURRENT AMOUNT	YEAR TO DATE
						\$3077	\$3077
REGULAR PAY	80	Salary	\$2,408	MEDIC ARE		\$44.61	\$44.61
				SOCIAL SECURITY / FICA		\$190.77	\$190.77
				FEDERAL TAX		\$239.23	\$239.23
				STATE TAX		\$276.93	\$276.93
				PRETAX			
			401(k)		\$100	\$100	
CURRENT AMOUNT	CURRENT DEDUCTIONS		NET PAY	YTD EARNINGS	YTD DEDUCTIONS	YTD NET PAY	CHECK NO.
			\$2,408	\$3177	\$750.84	\$2,408	12345

You will need to take the gross income that was calculated earlier in the first exercise and factor in the FSA calculation in addition to the 401(k) and the medical cost. Then you will be able to adjust your take home paycheck. Note, that while the pretax income will lower overall income it will also provide more money in your overall disposable income.

Creating the Budget, Exercise 8, DCAP (Chapter 7)

Using the **12-month budget exercise** that you performed for daycare you know how much that you will need for the DCAP. Note, that while the pretax income will lower overall income it will provide more money in your overall disposable income.

Perform the same exercise as you did for the FSA to determine the new take home paycheck.

Creating the Budget, Exercise 9, Credit Card Management (Chapter 8)

As with many students you will have student debt to pay down as well a credit card. Your goal is to pay these down aggressively within a three year time frame:

Student Loan: \$15,000 balance at 3.2% for 20 years – current payment \$113

Credit Card: \$16,000 balance at 12% APR – minimum payment \$324.53

First calculate from the **Credit Card Interest Tracker and Formula** grid how long it will take to pay the card off. Next determine the amount interest will accrue for the student loan using an amortization calculator from the web.

Note that the best financial path to paying down cards is to pay off the highest interest accruing interest credit and/or loan first (highest meaning what is accruing the most interest from month-to-month) and pay the minimum payments on the others. Once the first credit/loan is paid down then you apply the freed up money in addition to that current payment on the next interest accruing credit card/loan card. Repeat the cycle until the debt is paid off. Once your debts are paid off you will open up more disposable income in the budget. Remember you may also have a car payment. Refer back to Chapter 8 to see the examples of how to achieve this goal.

Another path to seek is bill consolidation – assume that you are taking an offer from Bank of America for a credit card for 12 months at zero interest with a balance transfer of 3%.

Creating the Budget, Exercise 11, Cell Phone Bill

Just about everyone owns a cell phone and most of the time the parents are paying for it. So you need to call three cell phone carriers for pricing plans now that you can afford it.

Look for a plan that incorporates these elements: for example, the cell phone plan is \$121 every month based on 1,400 minutes for \$60, 20MB of data for \$20, unlimited texting for \$30 and taxes at 10% or \$11. Keep in mind about overcharges for minutes used and exceeding data limits. For example, a plan may state that exceeding the data limit for every 1GB he will assess an additional \$15 for the billing cycle.

Next you need to shop for a new phone and determine the cost to lease or buy. Buying means that you will own the phone outright with an ongoing monthly payment until you reach a zero balance and leasing means you will always have a monthly payment but you will get a new version of the phone you own as soon as it comes out.

In order to gauge the cost ask a parent or guardian to show you their current cell phone statement. When you choose a phone plan it will just be for an individual account. Use the grid below to compare the cost for the phone.

	for 1 year						
RECORDING OPTIONS							
Recording Package	Pro X				Pro Z		
Pause and Record	X	X	X	X	X	X	X
Record and Watch on Any TV	X	X	X	X	X	X	X
# of Recordings at Once	6	6	6	6	5	5	5
Recording Capacity	2TB	2TB	2TB	2TB	1TB	1TB	1TB
Watch Anywhere (iPhone, iPad, Computer)	X	X	X	X	X	X	X
Watch Anywhere	Sling	Sling	Sling	Sling	Nomad	Nomad	Nomad
Additional Equipment	\$60	\$60	\$60	\$60	\$149	\$149	\$149

Internet

The other part to consider is the Internet cost as it is a separate component and often bundled it with the television service.

-Is there a promotional price?

-Ask the representative how much speed will you need? You will need to consider what draws from the Internet connection that will bog down the speed. Are you a gamer? How often do you surf the net and you also have Netflix. Will there be simultaneous use of electronics by way of multiple users?

Example Internet Package

Package 1	Package 2
Price: \$15/month	Price: \$34.95/month
Download Rate: 3Mbps	Download Rate: 6Mbps
Upload Rate: 1Mbps	Upload Rate: 1Mbps
Data Allowance: 250GB/month	Data Allowance: 250GB/month

The last piece to consider what is the cost for early termination (if you cancel service before the contract ends) and additional fees for beginning the promotion. In the example below there will be \$199 to start service and \$180 to cancel early. Therefore, when choosing a company, you need upfront cash to account for the \$199.

Example Additional Fees

Additional Fees
Early Termination Fee: Up to \$180
Equipment Lease Fee: \$100 One-Time Fee
Installation Fee: \$99 Professional Installation
One-Time Setup Fee: None

Creating the Budget, Exercise 12, Electric & Gas Bills

In climates with seasons that have huge swings in temperature, the usage of electricity and natural gas fluctuates. This applies more for those who own or rent a home. (Often times when renting an apartment or condo these bills can be included in the rental price) In order to complete this exercise speak to a parent or guardian or someone who pays these bills.

Ask of him or her to go online to the utility companies and review the bill history over the last year so you can obtain an average cost to input into your spreadsheet. More than likely the cost of your utilities will be less than the example you are looking at therefore, the base monthly average for this exercise to start will be 2% of your gross income. For example, a gross income of \$1,000 per check at 2% is \$20 so this is what you would enter into the spreadsheet for gas and electric. This equates to a yearly cost of \$240 for each utility.

The next move is to run through the **12-month budget exercise**. In order to complete this exercise go back online and review the last 12 months of billing history. Then calculate the difference in the bill cost month-over-month for that entire 12 months to determine the fluctuations in price. For example, if the bill in November was \$28 and \$46 in December then the increase is a little over 64% ($\$46 - \$28 = 18/28$). After determining the increases and decreases over the year's cycle take your base budget amount and apply the changes to it. For example, if the average was \$50 and in December the increase is 64% then the bill will be elevated by \$32 ($50 \times .64 = 32$). The bill will then be \$82.

Lastly, you will need to create a spreadsheet add up all of the costs for the year and divide by 12 to establish the average monthly amount for budget for both utilities.

Sample projection grid for Electrical or Gas

Month	Project	% Over \$50	% Under \$50	Actual
December	\$50	64%		\$82.00
January	\$50	75%		\$87.50
February	\$50	82%		\$91.00
March	\$50		24%	\$38.00
April	\$50		20%	\$40.00
May	\$50		0%	\$50.00
June	\$50		52%	\$24.00
July	\$50		67%	\$16.50
August	\$50		76%	\$12.00
September	\$50	18%		\$59.00
October	\$50	23%		\$61.50
November	\$50	45%		\$91.00

The amount for the year totals \$652.50. Hence the average amount for the utility would be \$54.37 each month. Now you can use the 12-month budget expense exercise to see if you need added cash. Remember to run the exercise for both utility bills.

Note, for purposes of this exercise of living in an apartment there will no water bill.

Creating the Budget, Exercise 13, Gifts Tracker

Use the **Gift Expense Tracker** budget spreadsheet provided on the website and determine cost based on birthday, holiday and any occasion where you will buy gifts. Take it from the perspective that you have your son and otherwise review the holidays and special occasions that your family purchases for. Determining how much you will spend and when is based on your discretion. Keep in mind that you are in a simulation so you have a salary that will afford the ability to pay for items that you would not be able to in your real life.

One you have completed your estimates. The **Gift Expense Tracker** also has the **12-month tracking** exercise built in to determine if extra cash is needed.

Sample Gift Cost Estimator

Item	Projected	Month
Mom Birthday	\$50	February
Dad Birthday	\$50	April
Brother Birthday	\$50	August
Son Birthday	\$150	September
Kids Birthday Parties	\$120	Random
Grandma Birthday	\$25	January
Friend (1) Birthday	\$20	March
Friend (2) Birthday	\$25	March
Mom Christmas	\$75	December
Dad Christmas	\$75	December
Brother Christmas	\$75	December
Son Christmas	\$125	December
Grandma Christmas	\$20	December
Father's Day	\$20	June
Mother's Day	\$20	May
Miscellaneous	\$60	Random
Total	\$960.00	

Creating the Budget, Exercise 14, Optional Items

Budgets are based on necessity and also by discretion. At this point in the exercise we have covered many of the common expenses. For the rest of the items you need to choose what else that you'd like to incorporate. Some items that the Squad suggests are:

- Dining Out
- Hair and nail appointments
- Clothes

- Travel
- Music services
- Hobbies
- Memberships

You can also seek the direction of adults on common things that they spend each month. Your instructor may choose to expand these or other items into exercises; however, for whatever items that you choose you will need to go on your own and determine what these items will cost.

Creating the Budget, Exercise 15, Life Insurance (Chapter 10)

Seeing that you have a son it is recommended that you obtain a life insurance policy in case of an unfortunate event. Your task is to go online and search for **term** life insurance quotes. To avoid receiving phone calls from people seeking your business., only use sites that provide an estimated quote meaning you are not providing any contact information. You can go to this [Met Life](#) link and obtain a quote. If you are under 18 just change the birthdate.

Seek out a \$250,000 policy for 20 years. You can play with the health questions (There's just a few of them). Once this is completed add the monthly cost to your budget.

Creating the Budget, Exercise 16, Supplemental items (Chapters 1-2)

It is now time to add in the savings vehicles. These items are discretionary in terms of what you'd like to put away; however, it is mandatory that you have a Savings, Miscellaneous and Emergency Funds. Miscellaneous covers the unexpected items so be generous in how much you put away each month. (In real life, you can pare down the amount as you learn what needs to be paid for and also how much you have built up over time)

For Emergency fund plan to save 3-6 months. This is at your discretion as well; however, the Squad recommends that you shoot for six months. Keep in mind that in part two of the book we will get into purchasing a home so it is important to build this fund along with the others over the next simulated three years.

Periodic expenses

Monthly expenses are automatic every month; however, you need account for expenses that occur quarterly, biannually or yearly. Depending on the period of when the bill is due divide by the number of units to determine the monthly amount. For example, if you have a quarterly bill of \$39 for then \$13 needs to be put away each month. Samples of these expenses are below:

- DMV registration, plates, license etc.
- Trash and sewer service
- Music services
- Memberships
- Term life insurance
- Auto insurance
- Veterinary service

Creating the Budget, Exercise 17, Leftovers/Spending Money (Chapters 1-10)

At this point you have chosen all of your expenses and savings vehicles. As you have gone through the class you should have been comparing your decisions and making adjustments to

ensure that you do not go over to your budgeted amount. This means that your Leftovers cell in the budget will be balanced at zeroed amount

Bill Name	Amount
Left for Deposit	\$8,100
Balance in Account	\$1,000
Sub total	\$9,100
Remain	\$9,100
Leftovers	\$0

The last piece to consider is . . . do you have a positive balance remaining in the Leftovers? If so this is the money that goes into the Spending money category. This is your free spend any way that you choose:

If you have a negative balance then your budget is too high. In any case you will need to make adjustments to have spending money.

If you have spending money you need to consider is if it is too much. This is a judgment call on your part but remember that you saving for a house in three years, while paying debt off and you can never put enough money away into retirement. Therefore, keep the 401(k) in mind while making a decision.

Credit Card 

Credits are often used to pay many bills rather than an EFT or a check. For purposes of this exercise there are not actually payments being made so it cannot be simulated. **The Budget** 
Example video discusses the management of the budget and it shows examples of how to manage this. 



Bill Name	Project	Actual	Remain	Due Date	Sent	Posted
Spending	\$703	X \$100	X \$603	8/1	7/30	Credit card
Student Loan	\$300	X \$300	X \$0	8/8	8/5	Credit card
Child Care	\$300	X \$300	X \$0	8/3	8/2	Credit card

Bill Name	Project	Actual	Remain	Due Date	Sent	Posted
Credit Card	\$700	\$0	\$700	8/1	7/30	8/1

The Project column for the credit card is really a running total due to the fact determining a fixed amount each month is difficult to predict. The actual column is what has been paid at the given moment because more than one payment may be applied during a month.

Complete the Supplemental spreadsheet by inputting all of the categories that apply. This worksheet is included in the Budget Example spreadsheet that you been using to fill out the budget.

Bill Name	Jan	Feb	Mar . . .	Total
Electricity Utility				
Gas Utility				
Miscellaneous				
Savings				
Emergency				
Rainy Day				
Totals				

In Chapter 10 from the book/videos the italicized blue font shows the upfront cash needed to establish particular expenses. At this point add in all of the categories that apply in your budget into the Supplemental spreadsheet.

Child Care <i>\$161.6</i>	\$300
Groceries <i>\$38.36</i>	\$250
Auto Insurance <i>\$105</i>	\$105
Gas/Transit <i>\$22</i>	\$85
Gas Utility <i>\$104</i>	\$50
Memberships <i>\$312</i>	\$26

Creating the Budget, Exercise 19, 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.

Item	From	To	Monthly Gain/Loss
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
Total			\$1,215.00

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

Item	Added Cost
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.

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

Spending Money and Life Changes (Chapters 3-10)

This is last piece is from the adult section for reading purposes only. Keep in mind that there is a 75% chance that your instructor lives paycheck to paycheck and has not followed these principles. So it is realistic that you may be learning together.

After you have accounted for all of your expenses you need to make sure that you pay yourself back so there needs to be money in the Spending money line item in the budget. Yes, depending on your situation this may a smaller amount than what you want. If you find that you are in the negative when completing the budget you will have make concessions in your life to achieve your goals. This may not be completed by simply reducing current expenses alone. Some people downsize:

- Sell their cars
- Sell their homes
- Sell their clothes
- Sell any other item of value

The more you are willing to take a few steps back to gain several steps later the better chance you will live a less stressful life and you will sleep better at night. This may bruise your ego or pride as it is difficult to downsize but you will thank yourself later. Additionally, once you have things under control and if you make more money in your career or receive money from an inheritance you will be in position to build a better daily life and plan for your future. Remember that a little success can breed a lot of confidence.

