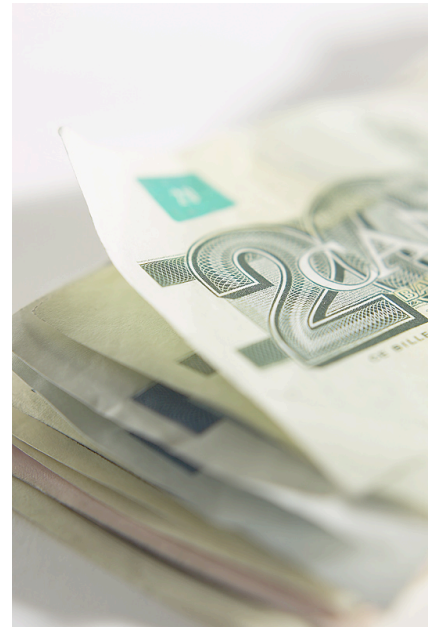


Budgeting

Setting Money Goals

Money can help us achieve our dreams in life. Setting goals can help you. You can make a plan to get to those dreams. You need to set specific goals. You need to find out how much they will cost. You also need to decide when you want to achieve these goals.



Goals may be short term, medium term or long term. A **short term** goal is something you want to do in the next one to four weeks. This might be paying your next months rent or bills on time. It could also be buying a birthday present or going out for dinner.

A **medium term** goal is something you want to do in the next two to twelve months. You might want to buy a large household item. You might want to go on a vacation. You might want to buy Christmas presents.

Long term goals are ones that something that will take longer than a year to do. You might want to save up for a down payment on

your first home. You might want to retire in comfort. You might want to send your children to college or university.

Goal Setting Process

In our society it is common for people to want things right away. Many people buy things before they have the money to afford them. They use credit to get what they want. This can make the item cost a lot more. Instead, think about setting up a savings plan to get what you want.

1. **Goal:** Decide what your goal is. Be very specific.
2. **Cost:** Figure out how much it will cost you.
3. **Time frame:** Decide when you want to get it. How many months will it take you to get there?
4. **Breakdown:** Make a monthly savings goal. Divide the cost by the number of months.
5. **Reality check:** Make changes as you need to. Make sure you are realistic about your goal.

Example:

1. **Goal:** A new television.
2. **Cost:** \$400.
3. **Time frame:** 6 months
4. **Breakdown:** To save \$400 in six months, you need to save \$67 a month.



5. **Reality check:** Can you save this much money each month?

If not, think about getting a cheaper TV or a second hand one. Or you could save for a longer time. You might have to wait until you are making more money.

Exercise

Think about some of your medium and long term goals. If you have a family, have them help set these goals. That way you can all work together to make a plan.

My medium term goals:

Goal	Cost	Time Frame	Monthly Savings

My long term goals:

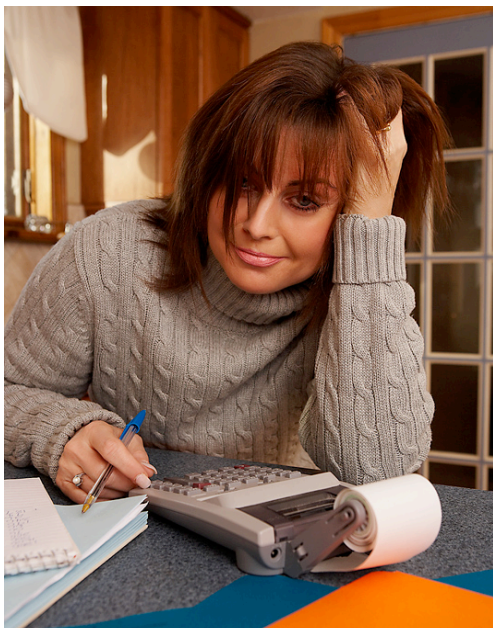
Goal	Cost	Time Frame	Monthly Savings

A Budget Is a Tool

Using a budget can help you to keep close track of your money. It can help you see how you spend it. This is very important, even if you have only a small income. A budget tells you where your money is coming from. It tells you where it is going to. It can help you to achieve your goals.

You can use a budget to:

- stretch your money to cover your monthly needs.
- make sure your bills are paid – and paid on time.
- keep track of your income and how you are spending your money.
- help you balance your spending between your needs and your wants.



- save toward your goals.
- help pay off your debt.
- show the areas where you have made progress and where you need to improve.
- save for emergencies.

Making a budget

Step One: List your income

- Make a list of all the places where you get some income.
- Know the difference between your gross income and your net income. Your gross income is what you make before taxes and deductions. Your net income is what you take home.
- Add up what your net income is each month.

Step Two: List your expenses (costs)

- Fixed: Some expenses are fixed. They are the same each month. These might be your rent or mortgage, or loan payments. They might be money you put into your savings account.
- Variable: Some expenses change each month. These might be what you spend for utilities, or food. They could also be what you spend for having fun, gifts and vacations.
- Regular yearly expenses: This could be something like car insurance that you pay once a year. You could include them by dividing the amount by 12 months. That way you can save for these costs.

Needs and Wants

Know the difference between your needs and your wants. Needs are things that you must have. These are the things you have to pay first. Food, clothes and shelter are things each person must have.

But we have a choice about what kind of clothes to buy and how many. We might not need another pair of shoes. We might just want them. We can also decide what kind of food to buy. We can decide what kind of place to live in. These may also become wants.

Each person will have different needs and wants. It is good to know which is a need and which is really a want. This can help you take charge of your money.



Exercise: Define your needs and wants

Make a list of the last twelve items that you bought. They could be food, jeans, coffee, cigarettes, shoes, etc.

	Item	Need	Want
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			

Look back over your list. Look at each item. Decide if it is a need or a want. If it is a need, put a check mark in that column. If it is a want, put a check mark in that column. Be honest with yourself. Do you see any patterns in how you are spending money?

It is important to know why you spend money. Look at the things you bought because you wanted them. Ask yourself why you wanted them.

Sometimes we buy things on impulse. We spend money we weren't planning to. We see something we like, and we tell ourselves that we deserve it. Sometimes we spend money because we are unhappy. Buying things might make us feel better. Sometimes we buy things to fit in or to impress people. Knowing why you buy things can help you have more control over your money.

Exercise:

Write down some of your thoughts about the items in the want category. Why did you buy them? What were you feeling at that time?

Why and when do you spend money? Can you see some things that make you spend money?

Before you buy on impulse:

STOP and think about what you are buying.

Ask yourself:

- “Do I need it?”
- “What else could I use this money for?”
- “Is it more important to me than the goals I am saving for?”
- “Is it the best value for my money?”
- “Could I get it cheaper somewhere else?”

Some useful tips:

- Put a picture of your savings goal in your wallet with your money.
- Don’t buy impulse items on credit.

- Put the item on hold. Walk away to give yourself time. Decide if you really must have it.
- Give yourself an allowance for impulse buys.
- If you buy things because you are unhappy, think about what makes you unhappy. Get support for that.

Step Three: Using the monthly budget

Now you need to keep track of how much you earn and how much you spend each month. To keep track of expenses, you could keep all your receipts. You could write them down in a little notebook. You could buy things with your debit card. Then your bank statement will tell you how much you spend. But watch out for bank fees.

Once you write it down, you have to make sure that it balances. What you are spending should be equal to or less than your income. If not, you need to spend less. Or you can try to find ways to make more money.

You might ask for a raise at work. You could get an extra part time job. You might take in a foreign student. You might start a small business. You might sell things you don't use.

Exercise: Monthly budget

Make yourself a monthly budget. Write down all your sources of income.

Write down all your expenses. See if the amount you budget and the amount you spend balance. The difference at the end should be zero.

MONTHLY INCOME			
Income Source	Budget Amount	Actual Amount	Difference
Total			

MONTHLY EXPENSES			
Item	Budget Amount	Actual Amount	Difference

Total			
Income – Expenses			



Your relationship with money

The way you think about money may come from a number of things. These could be your family, your culture or things that you have been through. It is important to understand how you think and what you believe about money.

This also includes how much money you think you can make. It is also how you think can manage your money.

Exercise:

Answer the following questions. They can help you understand your feelings and beliefs about money.

1. How did your family manage money?

2. How do you manage money? How is it the same or different?

3. What negative things about money do you tell yourself?

4. What is your biggest fear about money?

5. What is your goal for the future in regards to money?

6. What steps can you take to get to that goal?

Exercise:

Think of some ways that you can save money on:

Utilities

Food and Groceries

Car

Banking

Entertainment

Here are some ways to save money

Utilities

- Turn down the heat at night and when you're away.
- Close blinds and drapes during the hottest part of the day in the summer. This will help keep the sun out.
- Use area rugs on cold floors to keep your feet and body warm. Put on a sweater to keep warm.
- Turn off lights. This also keeps the house cooler.
- Take a shower instead of a bath.
- Use energy-saving light bulbs.
- Don't leave taps running while you cook or brush your teeth.
- Phone BC Hydro to come pick up an old working fridge. They will pay you \$30. Call 604 881-4357.
- Get an Energy savings Kit from BC Hydro. Call 604 431-9463. They are free to low income households.



- If you are with BC Hydro, you can sign up for the Equal Payment Plan. This way you pay the same amount each month. Call BC Hydro at 604 224-9376.

Food and Groceries

- Make a list and stick to it.
- Clip coupons only for items you need.
- Eat before you shop.
- If you can, don't shop with children.
- Look for special sales. Stock up on things that won't spoil.
- Shop at a store that you know and know the prices of items.
- Don't go down an aisle more than once.
- Read labels and compare unit prices.
- Don't buy on impulse.
- Buy fresh and frozen foods last. Put them away first.
- Food warehouses have lower prices.
- Bring your own bags or boxes.
- Eat more poultry and less red meat.
- Make casseroles and vegetarian dishes.

- Buy less food in packages. Make your own dishes like soups, stews, macaroni and cheese, etc.
- Buy fruits and vegetables that are in season.
- Look at the price and quality of store brands.
- Make sure the food is not spoiled.
- Check the best before date.
- Rotate food at home. Use the oldest food first.

Car

- Don't use your car for a lot of short trips. Try to combine them or walk instead.
- Turn off the air conditioner. It uses up to 20% more fuel. Try opening the windows. Park in the shade.
- Idling can waste fuel. Turn off your engine.
- Speeding uses more gas. If you slow down, your tires will also last longer.

Banking

- Sometimes youth can get “free” accounts at banks and credit unions.

- Look at how much you pay in bank fees. See if you can lower that with a different package.
- Make fewer withdrawals.

Income Tax

- File your taxes each year even if you have no income. You may get some benefits from the government.
- There are free clinic to help with your income tax. They are in community centers and other places. They are between February and April each year. Call 1-800-959-8281 to find out more.

Entertainment

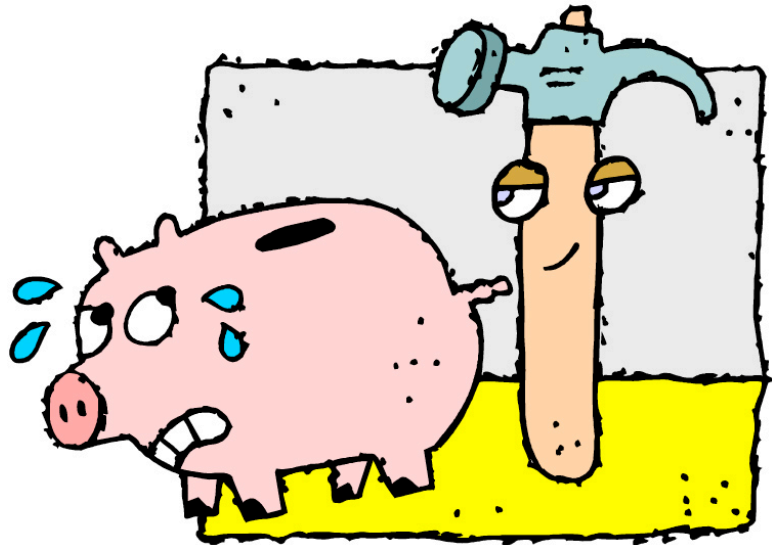
Eating Out

- Look for 2 – for – 1 coupons in the newspaper or flyers.
- Invite friends over for a potluck instead of going out.
- Go for a picnic in the park or at the beach instead of eating out.
- Go to buffets or look for specials.
- Buy a coupon book.
- Eat out with a friend and split the food and the bill.
- Look for off-hour specials.

- Buy coffee and make it at home instead of at a coffee shop.
- Drink water instead of buying a drink.
- Take water from home instead of buying water.
- Don't buy appetizers and dessert.
- Bring your lunch to work or school.

Movies

- Go to afternoon shows,
- Don't buy popcorn and drinks at the theatre.
- Eat before you go to the movie.
- Watch movies at home with friends instead of the theatre.



Videos, DVD's and CD's

- Borrow videos and DVD's from the public library.
- Look for special nights.
- Many video places give you the tenth one free. Some give you a free rental on your birthday.

- Rent new movies on weekdays. Weekends cost more.
- Buy videos, CD's and DVD's at thrift stores. Trade them with friends.
- Look at garage sales for videos, CD's and DVD's.
- Don't buy CD's from CD clubs.
- Buy used CD's

Books

- Borrow books from the library.
- Buy used books instead of new ones.
- Trade books with friends.
- Try garage sales for cheap books.
- Buy books at warehouses.

Sources: Money Skills Financial Literacy Program, courtesy of Family Services of Greater Vancouver

This material was written by Marilyn Smitshoek for the Douglas College I-CARE adult literacy tutoring program. You are free to use it with acknowledgement. Images from clipart.com