

# Module 4: Using Personal Budget

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# Remember – Group Agreement

- Respect people's confidentiality
- Be non-judgemental
- Be patient when others are speaking
- Respect others' opinions
- Work according to the scheduling
- Work to understand cultural and professional differences
- Everyone has the right to be listened to
- To have fun and enjoy the course
- To make mistakes
- To be respected
- To share ideas
- Be active!
- Be positive and creative!

# Module 4: Introduction

- Aims
- Module content
- Objectives

# Module 4: Aims

- Understand the meaning and the importance of personal budget
- Increased knowledge about personal budget
- Development of skills that related on how to make a monthly personal budget



Source:  
<https://www.etmoney.com/blog/make-a-personal-budget-in-6-steps/>

# How Do you Manage your Personal Budget?

A budget will show you how much money you expect to bring in, then compare that to your required expenses (e.g. rent and insurance) and your discretionary spending (e.g. entertainment or eating out)

Follow the steps below in order to manage your personal budget and achieve the best way to use it.

# How Do you Manage your Personal Budget?

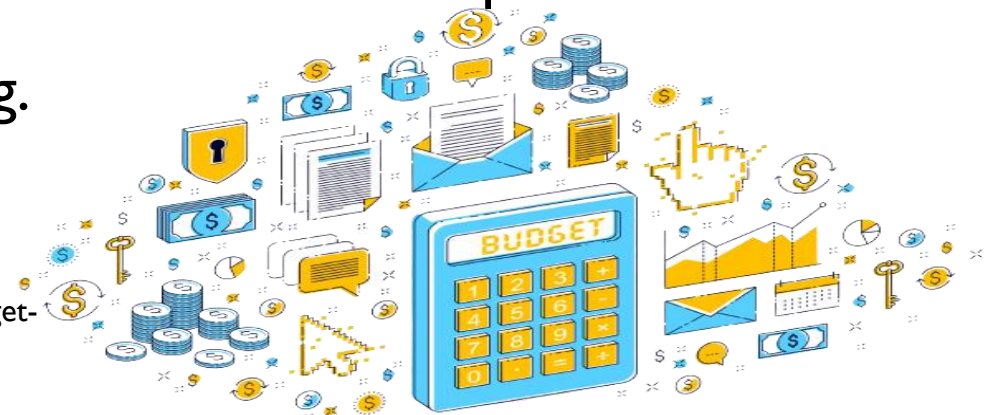


Source:  
[https://www.thebalance.com/  
how-to-make-a-budget-  
1289587](https://www.thebalance.com/how-to-make-a-budget-1289587)

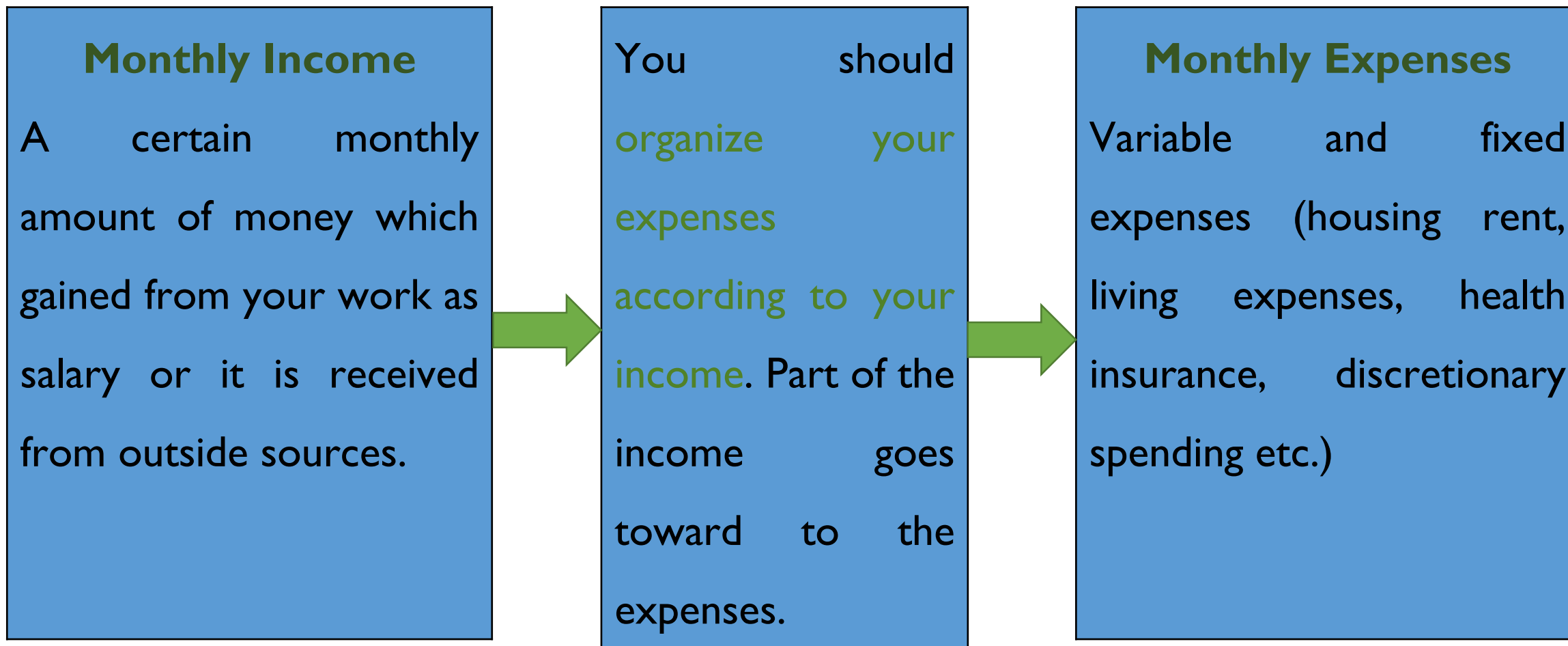
# Module 4: Definition of Personal Budget

**Personal budget-** or home budget is the financial plan that allocates future personal income towards expenses, savings and debt repayment. Past spending and personal debt are considered when creating a personal budget. Through this plan, an individual will be helped to spend less and only for things that are needed, and save more. Having a personal budget that you review on a regular basis is an essential part of financial literacy, and it's the best way to prevent overspending.

Source:  
<https://struggle.co/budget-categories/>



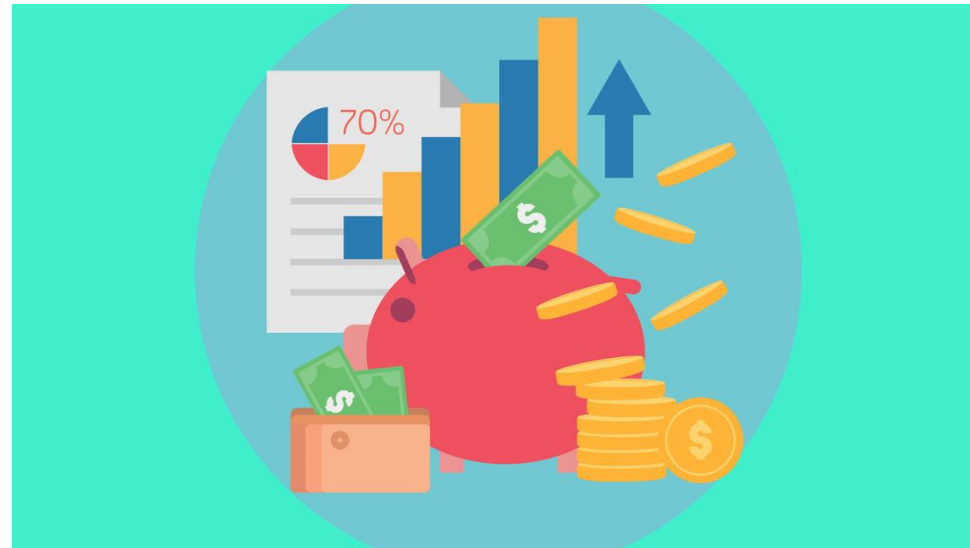
# Module 4: Monthly Income vs Monthly Expenses





# Module 4: Monthly Income vs Monthly Expenses

A budget helps ensure that these two sides of the equation match up. Tracking the money you spend, minimizing unnecessary spending and maximizing your monthly savings can prevent you from overspending and use your savings toward important financial goals.



Source:  
<https://www.wiselyfrugal.com/personal-budget-the-13-must-have-categories/>

# Module 4: Personal Budget

- Make an effective budget without being restrictive
- Work in detailed and accurate information about your earning and spending habits
- View the budget as a tool which helps you map out how you are going to organize your future investments



Source:  
<https://www.commercebank.com/personal/ideas-and-tips/2020/why-now-is-a-good-time-to-re-evaluate-your-budget>

# Module 4: Personal Budget

- Control your personal budget and save money for long-term goals, like planning for retirement or buying a house, earning an advanced degree or making an investment
- Keeping your personal and/or family budget in order because budgets rely on balance
- Make an effort to spend less in one category in order to spend more in another type of expenses

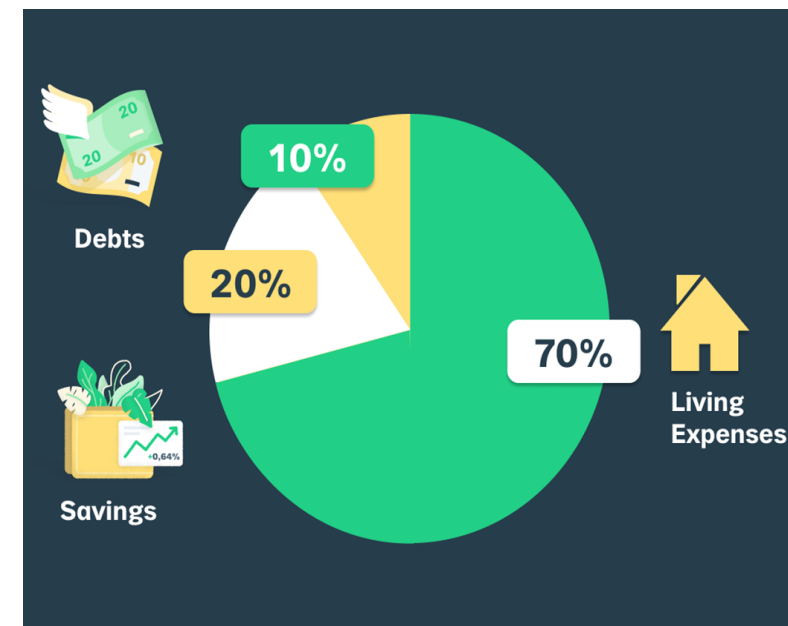


Source:  
<https://www.iggsoftware.com/learn/wp-content/uploads/2018/11/savings.jpg>

# Module 4: The 70% 20% 10% Rule

A financial planning tool aims to help you to spend, save and invest long-term:

- ✓ Write down your monthly income
- ✓ Use the 70% 20% 10% rule which helps you visualize how much money you have to work with and in which categories you are able to spend it
- ✓ Divide the monthly income in the following percentages
- ✓ 70% for expenses
- ✓ 20% for investments
- ✓ 10% for savings



Source: <https://blog.ovalmoney.com/en/post/the-70-20-10-rule-and-how-it-can-help-you-save/>

# Module 4: The 70% 20% 10% Rule

Another option is to write exactly down the amounts which you have spent each week for your daily expenses. This option aims to manage your costs per week and have better control of your personal budget. For example, if you notice that a week you spent more than it is expected then the next week you should reduce your spending further.



Source:  
<https://www.canstar.com.au/saving-s-accounts/make-a-budget/>

# Module 4: The 70% 20% 10% Rule

<https://www.youtube.com/watch?v=pYJOcuzHtVs>



DEBT

then you can now start **allocating** the

**20%** back to investments.

3:02 / 4:31

# Module 4: Budgeting Software for Personal Finance

- <https://www.youneedabudget.com/>
- <https://mint.intuit.com/>
- <https://www.quicken.com/personal-finance/budget>

Source:  
<https://www.incharge.org/tools-resources/best-money-apps/>



# Module 4: How to Use your Personal Budget



Firstly, you should set up your budget and then monitor and track your expenses in each category, ideally per month. The following template describes two different options in using of your personal budget.



Source:  
<https://www.pixtastock.com/illustration/72094145>



# Module 4: How to Use your Personal Budget

	
<p>If your income is higher than your expenses, you are implementing successfully your personal budget management. You are able to use these savings towards categories of your budget, such as retirement savings or paying off debt.</p>	<p>If your expenses are more than your income, then you are overspending and need to make some changes. You should find categories in your variable expenses which you can cut or reduce, like eating out less, eliminate a category or cancelling your gym membership.</p>

# Module 4: How to Use your Personal Budget

As you use your budget, you should have control on how much you have spent. Your goal should be to keep your expenses equal to or lower than your income for the month.



Source:  
[https://www.mymoneycoach.ca/budgeting/  
what-is-a-budget-planning-forecasting](https://www.mymoneycoach.ca/budgeting/what-is-a-budget-planning-forecasting)

# Module 4: Review and Tweak


Circumstances change and your priorities may be shifted. Examine every few months your personal budget and make sure that it is working for your current goals, otherwise prioritize your expenses.



<https://www.dreamstime.com/financial-audit-personal-budget-planning-vector-concept-hands-notepad-magnifier-calendar-business-risk-analysis-tax-report-image202257304>

# Case Study:

## “Sara and her Family’s Financial Situation”

**Materials**  :  
laptop with internet  
connection

**Time**  :  
5 minutes

### Directions for Step 1:

- Read about Sara, her family and their financial situation
- Find the following words in the text and try to work out the meanings  
take home pay good value receipts household goods treat
- Note any further unknown word
- Search the terms here: <https://financial-dictionary.thefreedictionary.com/>

# Case Study: “Sara and her Family’s Financial Situation”

Sara is married to Adam and they have three children who are all at primary school. Adam works as a postal delivery worker and gets 1,266€ take home pay per month. He gets the bus to work which costs him 10€ per week and he eats lunch in his work canteen which costs 20€ per week. Sara works as a teaching assistant in a school and gets 742€ take home pay per month. As the school is near her house, she walks to work and on the way home, she buys some take-away food for her lunch. This costs 25€ per week. They don't have a car, but they would like to get one in the future.



Sara does most of their weekly shopping in the supermarket, but sometimes gets fresh fruit and vegetables at the local market. She looked through her shopping receipts and worked out that she spends about 520€ per month on food and other household goods.

The three children all take packed lunches to school. Sara buys their school uniform at the supermarket as the clothes there are good value. One of the children does extra maths and English tuition after school, which costs 35€ per week and another one learns the violin, costing 12,50€ per week. These lessons take place all year round.

As a family treat, they like to go to the cinema once a month which costs 44€ for the tickets and 15€ for drinks and popcorn.

Sara and her husband both have mobile phones on a contract and together they cost 19,90€ per month. They also have a house phone and an internet connection which costs 29,90€ per month. Their other household bills are paid monthly, by Direct Debit.

# Case Study:

## “Sara and her Family’s Financial Situation”

### Materials



laptop with internet  
connection

### Time



5 minutes

### Directions for Step 2:

- Answer if these statements are true or false (find the correct answers at the end of the module).
  1. Adam works as a postman.
  2. Sara makes her own lunch at home.
  3. Adam and Sara both take the bus to get to their workplaces.
  4. All three children do extra activities during the week.
  5. They only use mobile phones and don't have a landline.
  6. Sara goes to the Post Office to pay all their bills.

# Case Study:

## “Sara and her Family’s Financial Situation”

### Materials



laptop with  
internet  
connection

### Time



10 minutes

### Directions for Step 3:

- Do the following activities:
  1. Create two columns named “Income” and “Expenses” and put the suitable amounts (e.g. wages or salary, benefits, housekeeping, gas, electricity etc.) of Sara’s family.
  2. Find out the total income and total expenses of Sara’s family.
  3. Find out how much money is left over from their budget.

# Case Study: “Sara and her Family’s Financial Situation”

The figures used in a budget are either weekly or monthly, it's important to choose one type of figures and not mix the two.

- To change weekly figures to monthly figures:  
weekly figure x 52 (weeks) divided by 12 (months)
- To change monthly figures to weekly figures:  
monthly figure x 12 (months) divided by 52 (weeks)



Source:  
<https://www.practicalmonneyskills.com/resources/newsletter>



# Case Study: “Sara and her Family’s Financial Situation”

## Materials

laptop with  
internet  
connection

## Time

10 minutes

### Directions for Step 4:

- Answer the following questions reading the external resources:

If Sara's expenses are more than her income, then she will be in debt.

1. What is the meaning of 'to be in debt'? Read here:

<https://economictimes.indiatimes.com/definition/debt>

2. What could Sara do to help herself? Read here:

[https://www.tiaa.org/public/learn/retirement-planning-and-](https://www.tiaa.org/public/learn/retirement-planning-and-beyond/managing-your-money/seven-steps-to-more-effectively-manage-and-reduce-your-debt)

[beyond/managing-your-money/seven-steps-to-more-effectively-manage-](https://www.tiaa.org/public/learn/retirement-planning-and-beyond/managing-your-money/seven-steps-to-more-effectively-manage-and-reduce-your-debt)

[and-reduce-your-debt](https://www.tiaa.org/public/learn/retirement-planning-and-beyond/managing-your-money/seven-steps-to-more-effectively-manage-and-reduce-your-debt)

# Exercise:

## “Calculate the Income”

### Materials



laptop

with

internet

connection

### Time



15 minutes

### Directions:

- Fill in it with the amount of your incomes per month in Euros

How much income can you expect each month?	
Monthly Income	Money per Month (€)
Salary/Wage	
Investments	
Outside Sources	

\*If you have a variable income (for example, from a seasonal or freelance job), consider using the income from your lowest-earning month in the past year as your baseline income when you set up your budget.

# Exercise:

## “List of Monthly Expenses”

### Materials :

laptop with

internet

connection

### Time :

15 minutes

### Directions:

- Note your expenses in the following categories in Euros (you can note an average of the category's expenses amount using your bank statements, receipts, and credit card statements from the last three months)
- Identify the costs which are variable

# Exercise: “List of Monthly Expenses”

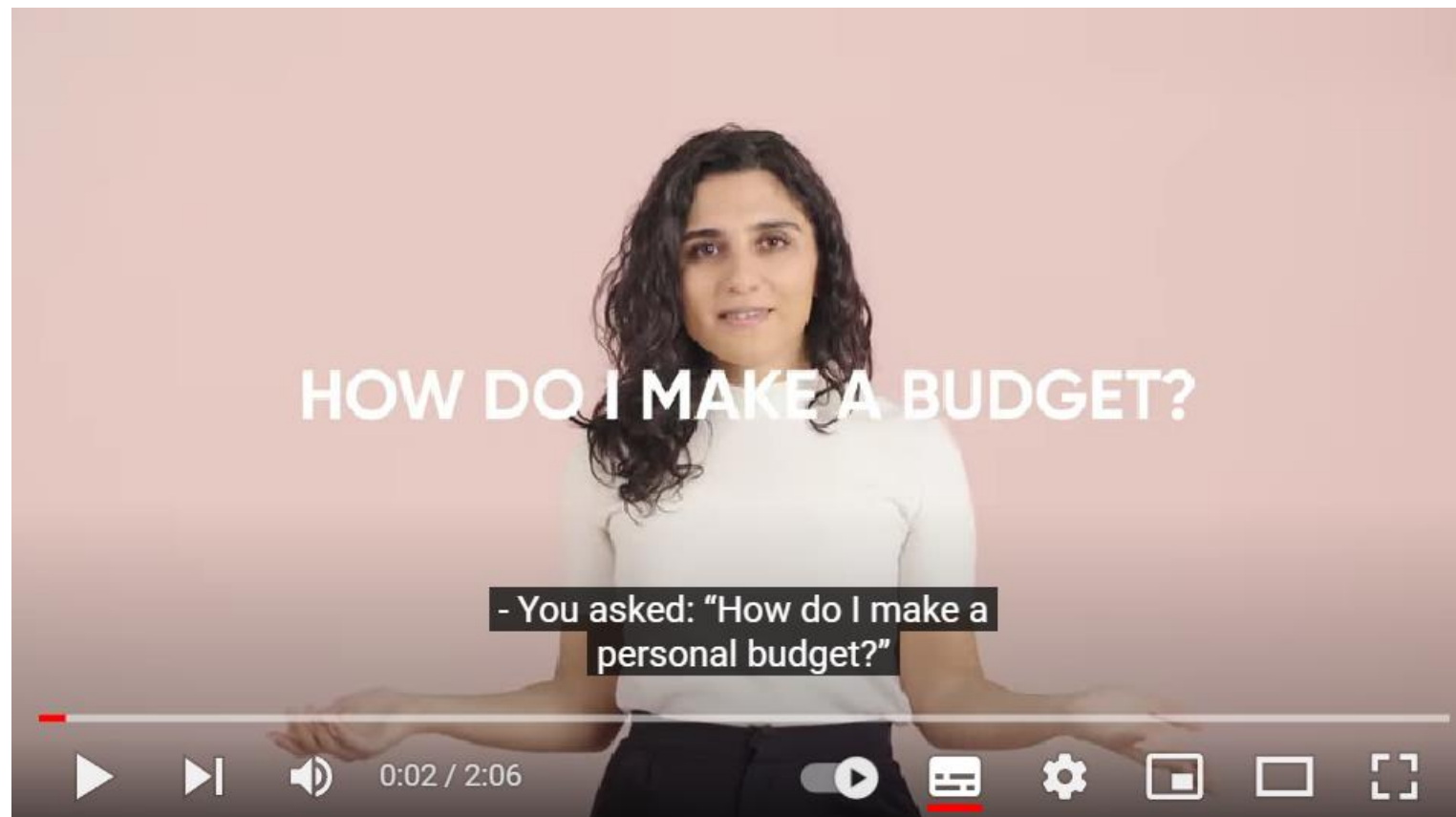
Write down a list of all the expenses you expect to have during a month.	
Monthly Expenses	Money per Month (€)
Mortgage payments or Housing Rent	
Housing bills for services (if they are not including in the housing rent)	
Car payments	
Credit Cards Debt	
Repayment of loan	
Insurance	
Groceries	
Utilities	
Entertainment	
Personal Care	
Eating Out	
Childcare	
Transportation Costs/Gasoline	
Travel	
Student Loans	
Savings	
Donates	

Source: <https://www.eluniversity.co.za/blog/6-money-tips-to-survive-on-a-tight-student-budget/>



# Module 4: Additional Material

<https://www.youtube.com/watch?v=25K6hqe05ac>



# Module 4: Objectives

- Understand what is a personal budget and personal expenses
- Understand why is important to prepare and use the personal budget
- Learns options to create a personal budget
- Simple steps to control your personal budget
- Understand the meaning of the debt

Source: <https://www.globaledulink.co.uk/wp-content/uploads/2017/03/BUDGETING-FOR-YOUR-DAILY-LIFE.jpg>



# Module 4: Resources

- Federal Trade Commission. "Making a Budget - What It Is." Accessed June 6, 2020.
- Consumer Financial Protection Bureau. "Financial Terms Glossary - Fixed Expenses." Accessed June 6, 2020.
- Consumer Financial Protection Bureau. "Financial Terms Glossary - Variable Expenses." Accessed June 6, 2020.
- <https://www.youtube.com/watch?v=25K6hqe05ac>
- <https://www.quizbreaker.com/icebreakers-for-adults>
- <https://www.youtube.com/watch?v=pYJOcuzHtVs>

# Module 4: Quiz Answers

- 1. T
- 2. F
- 3. F
- 4. F
- 5. F
- 6. F



<https://fly-in-eu.com/>

 <https://www.facebook.com/Fly-In-103951485213724>

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