



# Creating a Personal Budget



Part of economics is understanding how to spend and save money. As consumers, we spend money on many aspects of our lives! This is how our economy grows and succeeds. It is important to *budget* money so that we spend wisely and can afford everything we need AND want!

We also have a duty as citizens to pay money to help support federal (national) and state programs through our incomes. These types of payments are called *taxes*. Through this activity you will practice budgeting and determining taxes in order to practice some important life and money skills.

## TASK 1: Starting your budget...

1. You will receive an occupation card with information about your occupation for the activity and your **yearly** income.
2. You need to determine your monthly income from the information you are given. We will practice budgeting for one month based on your salary.
3. When you have calculated your monthly income this will be the first item you write down in your budget sheet. You can write "Salary" or "Paycheck" in the description column. Then write "+ (amount)" in the INCOME column of your budget sheet. The expense column is for when money is spent or subtracted from your account. We are ADDING money right now. Then write the total amount again in the "Available" column because that tells us the total amount of money you have available to spend.



## TASK 2: Calculating Taxes...

1. Part of your income is taken out by state and federal taxes. The two taxes we will work with are Federal Income Tax and State Income Tax.
2. The **Federal Income Tax** for the United States is broken into different "brackets." You pay an amount based on the income you make. For our scenario...  
Income: \$8,926-\$36,250 – pays 15% FIT – calculate now  
Income: \$36,251-\$87,850 – pays 25% FIT – calculate now
3. After you have calculated your Federal Income Tax amount, we need to record it in our budget sheet. In the Description Column we should write "Federal Income Tax." Then in the EXPENSE column record the amount of money you pay in Federal Income Tax. Then subtract that amount from your total amount and write that in the Available column.
4. Now we need to calculate State Income Tax. Colorado has a **flat tax rate** for State Income Tax. That means that everyone pays the same amount, no matter your salary level. The rate is 4.6%. We must now calculate how much of our total income this will be. Calculate from your monthly SALARY (not the amount we just calculated with Federal Income Tax).
5. Record this amount in your budget sheet. Write "State Income Tax" in the Description Column. The amount in the EXPENSE column. Then subtract the amount from the amount in the Available column that we calculated after Federal Income Tax.

## TASK 3: Budgeting what you need...

1. Now you must budget what expenses you may have for the rest of the month. Be sure to make smart decisions to stay within your budget. Part of budgeting is also trying to save money for potential situations or expenses for which you didn't plan or for future expenses. Try to **save** as well as afford what you need and want.
2. Using the expenses list on the back of this page to choose different aspects of life on which to spend money! Remember, you only have your income and need to try to spend it wisely as well as save!
3. As you choose a new expense for your budget, you NEED to record it in the Description column, Expense Column, and Available Column for each entry! You need to keep track of your available funds after each expense!



**FIXED EXPENSES** – same payment amount each month

- Rent Payment / Home Mortgage Payment
  - 1 bed, 1 bath apartment = \$650 per month in (rent)
  - 2 bed, 1 bath apartment = \$880 per month (rent)
  - Single level home with 2 beds, 1.5 baths = \$1,150 per month (mortgage)
  - Multi-level home with 3 beds, 2 baths = \$1,870 per month (mortgage)
- Water & Utilities- must purchase if paying for house or apartment
  - \$50 for apartment per month
  - \$90 for home per month
- Electric + Gas Bill - must purchase if paying for house or apartment
  - \$100 per month-apartment                      \$200 per month-house
- Cable & Internet Service Payment - must purchase if paying for house or apartment
  - \$50 per month (Internet Only)                      \$175 (Cable & Internet Bundle)
- Cell Phone Bill - must purchase if paying for house or apartment
  - \$65 per month for data, unlimited text, calls (per person, beware of data overages!)
- Car payment -- if you choose to have a car you **must** pay car insurance too
  - \$220 per month for small car                      \$300 per month for mid-size car
  - \$450 per month for truck/SUV                      \$800 per month luxury brand car/SUV
- Car insurance – must pay for if you have a car
  - \$80 per month for small & mid-size car
  - \$100 per month for truck/SUV
- Health Expenses (Prescriptions, Dentist Visits etc.)
  - \$75 per month (per person)

**FLEXIBLE EXPENSES** – varying/changing amounts per month

- Groceries
  - \$150-200 per month (single)                      \$250-\$300 per month (2 person family)
  - \$350-\$400 per month (4 person family)
- Fuel
  - \$75-100 per month for small car                      \$190-225 per month for truck/large car
  - \$125-175 per month for mid-size car
- Entertainment (PER PERSON)


\$15.00 -movie ticket	\$25.00-\$50 Hair Cut	\$50.00 Gym membership
\$15.00 eat out (fast food)	\$25.00 eat out (sit-down)	\$5.00 Starbucks/Jamba Juice
\$15.00 Bowling/Mini Golf	\$60.00 for concert tickets	\$25.00 Manicure OR Pedicure
- Clothes & Shoes


\$50.00	\$75.00	\$100.00	\$200.00	\$300.00
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- Savings
  - How much do you want to **save** this month? "Just in Case" fund? Future expenses?  
(Think about- Home Improvements, Car Maintenance, College Fund Savings etc.)
- Other expenses? Travel/Vacation, Pet Care, House Keeping, Landscaping ,Gifts, Babysitting, Club Sports Fees, Netflix/Hulu Subscriptions, Charity Donations etc.



## **\$Reflection Questions\$**

*Answer the following reflection questions, each answer should be 3-4 complete sentences! You will be graded on how detailed your reflection questions are!*

1. From your scenario, how was making a budget helpful? (Give at least 3 specific reasons or examples)

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2. Reflect on the budgeting process. What was easy for you, what was more difficult? Overall, what is your recommendation about budgeting money as a form of money management?

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3. Why is saving money important through a budget instead of spending your whole budget?

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