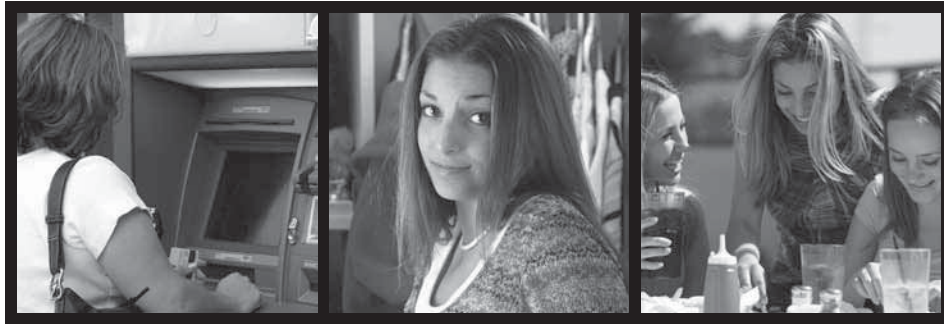


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Personal Finance

Developing the ability to make sound financial decisions is an important stepping stone to independence. Young people transitioning to adulthood must evaluate the basic components involved in managing personal finances. Personal finance includes banking, budgeting, record keeping, saving, investing, insurance and taxes. Developing and adhering to a personal budget allows a young adult to prioritize necessary spending and avoid the perils of debt. The financial decisions made in young adulthood lay the foundation for future financial stability.

PERSONAL FINANCE

Personal Finance is a broad term used to describe an individual's decisions related to banking, budgeting, record keeping, credit, saving, investing, insurance and taxes.

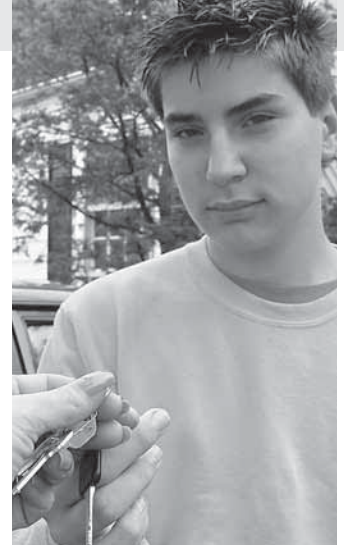
Consider each of the components listed in the personal finance definition provided. Which components are familiar? Which components are unfamiliar?

Budget

A budget is a representation of the income you earn and the expenses you incur within a specific period of time.

Think of a budget as a simple financial planning tool. When a budget is developed and used accurately, it helps individuals plan for living expenses. A budget is a way to distribute your money so that you are able to pay for the items you need and want.

In adulthood, you will incur expenses that you will need to plan for. By developing a budget and knowing ahead of time how much those expenses will cost, you will be less likely to find yourself in a mess of bills and debt that you are unable to manage.



BUDGETING BASICS

A budget includes both income, expenses and a time frame.

Income

Your take home pay and other money you receive.

Expenses

What you spend your money on (needs and wants).

Time Frame

The period of time for tracking income and expenses.

***A budget is a tool
for keeping track of
your income and
expenses.***

To begin the process of developing a budget, first make a list of the sources and amount of income you receive on a monthly basis.

Next, make a list of expenses you incur on a monthly basis. Separate expenses from needs and wants. This may be helpful if at some point you need to cut expenses. The last category to include under expenses is a miscellaneous expense category. This is a listing of expenses that you may have occasionally or by surprise but are not expenses you would have on a regular basis.

What are some possible miscellaneous expenses?

In the space provided, make a list of expenses you incur daily, weekly and monthly. For each expense listed, write the approximate cost for the expense. Complete the activity by adding the listing of expenses to get your total monthly expenses.



What items did you include?

Were you surprised by your monthly expense total?

Are there items you forgot to include?

Are all of your expenses necessary?

Below is a list of sample budget expenses you will likely incur in life.

- Rent
- Utilities (Electricity, Gas, Water, Garbage)
- Phone (Home, Cellular)
- Transportation (Automobile, Insurance, Maintenance, Bus, Taxi, Gas, Parking)
- Groceries
- Eating Out
- Cleaning Supplies
- Household Items
- Clothing
- Self-Care Items
- Entertainment
- Medical Expenses (Co-pays, Healthcare Premiums, Medications)
- Loans
- Education/Training Costs
- Miscellaneous (Unexpected Emergencies, Gifts, Church)



Fixed Expenses

Fixed expenses are costs you must plan for and include in your budget. They include things such as the following.

- Housing
- Utilities
- Basic Food
- Basic Clothing
- Transportation (Automobile, Insurance, Maintenance, Gas, Bus, Taxi, Parking)
- Health Care
- Renters Insurance
- Hygiene/Self Care Items

Budget for necessities and save for emergencies.

Discretionary Expenses

Discretionary expenses are costs you may or may not need to include in your budget. They include things such as the following.

- Cigarettes
- Alcohol
- Cable TV
- Cell Phone
- Cosmetics
- Gifts
- Church
- Hobbies
- Dry Cleaning
- Loans

