# Earning, spending, and budgeting

Creating a budget can evoke many different feelings: confidence, uncertainty, fear, excitement, dread, or confusion. The key to getting a budget to work for you is to honestly evaluate the money coming in and the money going out. Once you have a solid understanding of this, you'll be in a good position to know what you can afford, set some goals, and make the necessary adjustments to meet those goals.

## 1. Let's talk about money

“I have a part-time job, and for some reason, I still feel like I don't have any money. Where does it all go?”

### **Host:**

Ever feel a bit lost on how to manage money? Ever find yourself wondering where it all goes? Or maybe you're so concerned about saving that it's causing you stress. For each of us, our experience with money is different. It can be deeply personal, or maybe something you care little about. One thing is for sure—it can have a big impact on our all of our lives. Many students are just like you, and wish they knew more about how money works. Well, let's try to do something about that! You are not alone!

Hi, I’m your host and I’m going to be here to guide you through this module. If video-watching isn’t your thing. Don’t worry, I won’t be offended. Everything I say is right below this video under “transcript”.

Ok, here's what we're going to do. We’re going to help you to:

* identify the key principles of financial responsibility, financial resilience, and financial planning
* create a budget to help meet financial goals
* use a range of saving strategies to help build financial resilience

Some of the things we talk about here will apply to you right now, while other parts are for your future self, but the important thing is we’re getting started right now.

At a few points throughout this module, you’ll see sections called “Pause. Think. Write.” Guess what you should do in those sections? There are a lot of big issues covered in this module and it’s really helpful if we stop for a minute, reflect on what we’ve learned, and then write down some thoughts, questions, or wonderings. Even if you don’t share it with anyone or you never look at it again, the act of writing about it helps bring the learning home.

Since your thoughts are personal, I won’t ask you to write them down in this module system. You can choose your own method. A notepad, a doc on your phone or computer, whatever works for you, but I strongly encourage you to try it out. It will make this a more impactful experience.

### What does this have to do with me?

Some of the things we talk about here will apply to you right now, while other parts may not be relevant to you right away but will be important to know as you get older. Throughout this lesson, keep in mind both your present and your ideal future self.

### Pause. Think. Write.

Reflection moments in these modules

If you really want to get the best out of this learning module, try to connect the learning to your own life as much as you can. The best way to do this is to pause wherever you see "Pause. Think. Write." and think deeply about the questions provided. Then write down your thoughts in any format you wish—a notepad, smartphone, anything. It's the process of writing that will help connect the content to your life and make it stick.

All students bring to this module a wealth of prior experiences, perspectives, and knowledge of money and finances. As you explore and learn more about financial literacy, what are some key points that you're personally interested it? Here are a couple of examples:

* future education
* my personal impact on the community and environment
* creating a comfortable life for my family or future family

What matters most to you?

## 2. Money and you

“I like spending it, but money seems like it could have a huge impact on my personal life, education, career, and future in general. Should I be scared?”

The more you know, the less scary it is. It's true, money will have a significant impact on your life, and it will affect everyone differently depending on their context. To understand the impact that money has on us, there are three terms we need to understand:

* financial responsibility
* financial resilience
* financial planning

**Financial responsibility** is all about managing your money in a way that is in your best interests and meets your unique wants, needs, and goals. It’s important to keep in mind that, while there are some key ideas that apply to everyone, each person’s approach to their own money is going to be slightly different because we are all unique people with unique experiences.

**Financial resilience** is the ability to adapt and persevere through predictable and unpredictable financial situations and difficulties in life. Most of us are going to go through challenging money moments in our lives and will have to make large and difficult decisions. While we will not all experience the same level of financial stress in our lives (nor do we all have the same opportunities to build wealth), building financial resilience can help us deal with those challenges.

**Financial planning** is the process of creating a plan that outlines your current money situation, your goals, and the ways you will achieve them. An example of a financial planning tool is creating a budget, which is something that is helpful to everyone, regardless of their current financial situation. In a budget, you can understand the money you earn (also called your income) and the money you spend (called expenses) so you can create a plan for how to best organize and spend your money to meet your goals, be financially responsible, and support your financial resilience.

These three concepts will apply to everything else we learn in this module. If you engage thoughtfully with this material, you'll be taking steps towards confidence in making wise financial decisions.

### Host

Throughout your life, you may notice that not every person or family has the same lived experiences when it comes to money. Though the knowledge in this module applies to nearly everyone, we cannot pretend that everyone starts at the same place. You may notice uncomfortable feelings as we start to discuss money in more depth. We encourage you to honour those feelings and speak to a trustworthy and supportive person about it.

It's also important to understand that there are far more factors that influence someone's financial situation than we are covering here. While we'll talk about building skills that empower you to understand and make wise decisions about money, it's not the whole picture around finances. Remember, there is always more to the story.

### Pause. Think. Write.

* Has there ever been a time when you were trying to save up for something and weren’t sure how to get there? Describe what that experience was like.
* What would you like to learn about budgets and the act of budgeting?
* How important do you feel budgeting is?

## 3. Needs and wants

“But I rrrrrreally want it!”

A big part of budgeting is understanding what you need versus what you want.

Take a look at each card to read about the definitions of these terms.

**Needs** are things that are required to maintain a basic standard of living. They support you and your family so you can function and live in your community.

**Wants** are things that you wish to have but are not necessary, even if they may increase your quality of living.

### Host

Let’s talk about needs and wants.

We all have fairly similar basic needs. We all need to eat, sleep somewhere warm, we wear clothes, etc. Needs aren’t entirely the same for everyone. Some people need a car to get to their job, while others could walk, bike, take a bus, or even work from home. Our individual life circumstances will influence our specific needs and how we use our money.

The “wants” end of the scale can be very different between people, and that’s okay. A person who reads a lot might want a lot of books, while someone else might place more importance on video games, and yet another person might prioritize traveling. Our lived experiences, culture, family, community, and more, will all affect our ‘wants’. But you get to decide for yourself what your wants are, and which of those wants are more important than others.

An important step towards financial resilience is understanding your personal needs and wants. Financial resilience is the ability to bounce back from disruptive changes or misfortunes without being overwhelmed. If you have already prioritized your needs and wants, you will be better prepared to make some tough decisions about how you handle your money.

### You decide

Sorting out needs and wants isn't always easy, and there's no exact right or wrong. It's up to you. We each have to do our best to consider the whole context of our financial situation and what we personally value, and then make some decisions.

Sort out your needs and wants

Think about the expenses in the list below and determine if you think it's a need or a want. If 1 is an extreme need and 10 is an extreme want. How would you score the following?

* latest smartphone
* water
* streaming TV service
* workout equipment
* restaurant meals
* rent/mortgage
* beauty products
* transportation
* food/groceries

You won't find any right answers to check here because there are no right answers (although it's likely a bad idea not to consider food as a need.) The process of budgeting is a lot like this activity. It's about making some tough decisions about the value you place on the different aspects of your life that require money.

### Check your understanding

Needs are exactly the same for everyone while wants can be different. True or false?

This one is not true. Though some needs we all share, needs overall are complex and need to be reflectively determined by each person.

### Pause. Think. Write.

* What could happen if you spend money as quickly as it comes in, without reflecting on what your needs and wants are?
* Do you think you would complete the slider activity in the same way 10 years from now? How might it be different?
* How might thinking about your future self affect the budgeting decisions you make now?

## 4. Budgeting for your goals

“How can a budget help me get where I want to be?”

To some, a budget might sound boring, but to others, it could be super exciting. Regardless, a budget is designed to make your life easier. No matter what your wants are, a budget is an important tool to take your needs and wants, and turn them into goals that you can save up for by tracking your spending and saving.

But first, let's explore what you already know about budgeting.

### What do you already know?

Before we get into the process of budgeting, give these questions your best shot.

1. Creating a budget is a one-time effort.
   1. True
   2. False
2. A budget helps you to
   1. keep track of your income
   2. decide what to spend your money on
   3. reach long-term and short-team goals
   4. all of the above
3. If someone knows a lot about money, they don't need a budget.
   1. True
   2. False

#### **Answer key:**

1. Creating a budget is a one-time effort. This one is false. Budgeting is a long-term process and should be revisited often.
2. A budget helps you to “all of the above.” Budgeting can help with a lot of things.
3. If someone knows a lot about money, they don't need a budget. This one is false. If you make and spend money, you need a budget.

### What exactly is a budget?

A budget is "an estimate or plan to manage income and expenses over a set period." According to the Government of Canada website, "it helps you figure out how much money you get, spend and save. Making a budget can help you balance your income with your savings and expenses. It guides your spending to help you reach your financial goals." (source(opens in a new tab))

Making a budget can help you:

* set spending limits
* find ways to pay down your debts
* reduce costs and save more
* reduce stress
* have more money for things that are important to you
* feel in control of your money

([Source, opens in a new tab)](https://www.canada.ca/en/financial-consumer-agency/services/make-budget.html)

There are a lot of decisions required when you make a budget. You'll need to determine how much you're willing to spend on different wants and needs. In order to know how to make those decisions, you really need some goals. These are not necessarily life goals like drinking more water every day or going to bed earlier, but financial goals.

### Financial goals

Goals can be organized into three categories. Select each tab to learn more.

1. A **short-term** goal is one you want to meet in a year or less. For example, buying a new phone, some clothes, or sports equipment.
2. A **medium**-term goal is one that will usually take about one to five years to meet. For example, saving for college or university or buying a car.
3. A **long-term** goal is one you want to meet later in life. For example, buying a house or having enough money for retirement. Achieving these goals can be far in the future, but these goals are affected by the choices we make now.

### Host: Applying your goals

Once you’ve decided on and refined your short and long term plans, you can build your budget around those goals. A personal fitness goal, for example, could mean budgeting more for a gym membership and less for eating out. The clearer you are about your goals, the easier it will be to make budgeting decisions. After all, you don't want to end up over-spending on something that doesn't matter much to you, leaving you with less money for something that really does matter to you.

### Pause. Think. Write.

* What are some short-, medium-, and long-term goals that you have? Write them down, and we'll refer back to them later.
* Do you have any ideas on how a budget could help with those?

## 5. Building a budget

“How do I keep track of all this?”

### Host

Alright, now that we've worked out our needs and wants, and we understand our goals, it's time to dig into making a budget!

Without a budget, you might find yourself spending too much money on what you “think” you need or want. And then you might discover that you don't have enough left for your long-term goals. A budget will help you decide ahead of time what you want to spend your money on and what you want to save for, based on what's important to you.

So when you first set up a budget, you have some decisions to make. Budgets are based on money going in and out within a set amount of time. People can choose different amounts of time in their budgets. Some are based on a week, others are every other week (biweekly), and some use monthly budgets. Monthly is often the easiest to start with.

There’s also different ways to write your budget. Some people like to use special apps or software; others like spreadsheets; while others may prefer using a pen and paper.

What’s most important is:

* Choosing a method
* Making a budget
* Deciding on your tool
* And sticking with it

Remember, for your budget to actually help your life, you’ll need to revisit and update it regularly. As long as you’re working on your budget, that’s a good thing.

What’s most important is that you choose a method that makes sense for you, so that you stick with it. Making a budget just once doesn’t do much. For it to actually help your life, you'll need to revisit it regularly. Then you'll be able to make sure that your budget is realistic and that it is helping you work toward your goals.

### Sample budget

Below is a sample of a simple budget, just to show you what we're working towards. There are a lot of terms in this chart that might be new to you. Don't worry, we'll examine all the different parts in the coming sections of this module.

#### Income, $ per month

Job: $3000

Side gig job: $200

Total income: $3200

#### Fixed expenses

Monthly rent: −$1300

Cell-phone and internet plan: −$170

Streaming service: $30

#### Variable expenses

Groceries: −$400

Transportation: -$200

Dining out / entertainment: -$250

Clothing: -$100

Donation: -$50

Personal expenses: -$150

#### Savings and emergency funds

5% of income: −$60

Emergency fund: -$150

Total expenses: -$2960

#### Remaining for extra savings or investment: $240

It may seem like there is a lot in that budget, but they can get a lot more complex than this. Since everyone has different needs and wants, the items in their budget will vary. Is there anything you see here that you are wondering about? Variable expenses? Side gig job? Stay tuned. We'll explore all these in detail within this module.

Let's now take a look at all of the different parts of a budget starting with income.

## 6. What is income?

“Woohoo! I got my paycheque—but wait a second— it's not all there!”

### Host

There are two main things to track in a budget: money earned (your income) and money spent (your expenses).

Let’s start with income. A common source of income is a job, which is simply an arrangement where you trade your labour for money. If you have a job, you might receive an hourly rate, which is a set amount paid per hour. Or you might earn a salary, which is a set amount you receive each year, and which is divided up and paid out over the course of the year.

There are also different ways that you might be paid for work:

* Weekly, monthly, or biweekly (which means every two weeks).
* Per unit of work, like with deliveries,
* Tips, like if you are a server at a restaurant.

However you get paid, you’ll need to put that into your budget and make sure that your expenses are not higher than your income.

### Components of a paycheque

#### Deductions

The difference between gross pay and net pay:

When people first start earning money, they can be surprised to see that the amount they are actually being paid is different than what they expected. If you make $20 per hour, you don’t actually end up with the full $20 in your bank account. Deductions are made on your paycheque for things like employment insurance, health benefits, government taxes, and more. This is the difference between your gross pay and your net pay. Gross pay is what you earn before these deductions are made. Net pay is the amount that is actually deposited in your bank account or is on your paychque after deductions have been taken off.

#### No Deductions

Being paid the full amount

It is important to keep in mind that not all employers will automatically take off the amount for your taxes and other items. Some jobs, for example being self-employed, will pay you the full amount without deductions, including jobs such as driving for a ride-share service or delivering food through an app-based service.

Other jobs that offer a commission or tips, such as being a server in a restaurant, will take deductions off your paycheque but only on your wages, and not on the commission/tips. However, in all of these situations you will still need to pay the taxes on all of your income when you complete your government tax return.

For these kinds of jobs, it is important to put aside the amount that you would be paying in taxes each month, so you have enough when it comes time to file your income tax return.

### Common types of deductions

* **Canada Pension Plan (CPP) contributions:** The government collects this for your retirement. When you turn 65, you will receive monthly income, which comes from everyone putting money into this "pot" of money.
* **Employment Insurance (EI) premium:** This deduction goes towards another "pot" of money that is used to support people who have lost their job, are sick, or are caring for a newborn or newly adopted child. If any of this applies to you someday, then you'll receive money from this pot to temporarily help you out.
* **income tax:** One way the government funds various government services like roads, healthcare, schools, and parks, is by collecting a percentage of your income.
* **job-specific deductions:** Some jobs have organized representation for workers, called unions, and they collect a small percentage of their members' paycheques; this is called "union dues." Some employers may also offer their employees a retirement pension, which both the employer and employee pay into.

When you see deductions on your paycheque, it's important to remember that the money goes to services that support you, your family, and Canadians in need.

So when creating a budget, it is important that you understand the difference between gross pay and net pay. You don’t want to build your budget around your gross pay, as you don’t actually have that full amount available to spend. Instead, you want to add up your net income for the month, and use that as your income in your budget.

### The pay stub

Take a look at this example pay stub below. This person is a first-year college or university student working part time. Can you correctly identify the gross pay and the net pay?

#### Earnings Statement

Sample Company, 123 Ontario Street, M5M 5M5

M. Morales

Employee ID: 123456

Period ending: 2022/04/05

Payday: 2022/05/02

Check number: 001

Income:

Regular Rate: 29.00

Hours: 40.00

Current total: 1160.00 (Amount earned before deductions)

Deductions

(An amount of money taken off your pay for things such as taxes, employment insurance, benefits, etc.)

CPP Current total: 104.02

CPP Year to date: 81.18

EI Current total: 55.98

EI Year to date: 42.66

Year-to-date gross: 5,800.00

Year-to-date deductions: 800.00

Year-to-date net pay: 5,000.00

Current total: 1160.00

Deductions: 160.00

Net pay: 1000.00

## 7. What is a gig job?

“Budgeting is great, but I just don't make enough money.”

### Host: Gig jobs

If you feel like your income isn’t enough to support your needs and wants, things can feel pretty tight. Sometimes people can address this by looking for a new job, but that isn't always easy or possible right away. Some decide to get a second job, which could be what’s called a “gig job.”

In a gig job, you are your own boss and get paid by the unit, rather than the hour. So you could get paid per lawn mowed, driveway snow shoveled, or dog walked. Gig workers get paid each time the service is provided, regardless of how long it takes.

Some gig jobs can be arranged through organizations, and commonly through smartphone apps, like Uber, Fiverr, DoorDash, or Taskrabbit. Food delivery apps are common, but there are also apps that facilitate other kinds of work, too, like minor home upkeep and repair jobs, graphic design, and tutoring. One benefit of this kind of work is that you can set your own hours and work as much or as little as you'd like.

Here are some things to consider if you're thinking about gig jobs:

* If I divide my unit pay by the number of hours I worked, is it at least the same as minimum wage?
* How much might I have to pay in taxes at the end of the year, since there are no deductions from my pay?
* Is this work contributing to my skills and knowledge and helping me build a strong resume?

The good thing is, as long as you’ve thought it through carefully, your gig job will bring in more money for you to try to balance that budget.

### Gig or not?

Have a look at the images of various jobs in the cards below and think about if it would be a gig job or not. Answers, based on likelihood, are below.

1. Coffee shop server
2. Bike-based food delivery person
3. Snow shoveller
4. Industrial worker
5. Tutor
6. Retail employee
7. Office employee
8. Warehouse worker
9. Graphic designer

Answers:

1. Coffee shop server - Hourly + tips
2. Bike-based food delivery person - Gig job
3. Snow shoveller - Gig job
4. Industrial worker - Hourly / salary
5. Tutor - Gig job or hourly
6. Retail employee - hourly / salary
7. Office employee - hourly / salary
8. Warehouse worker - hourly / salary
9. Graphic designer - Gig job or Hourly / salary

Knowledge check

Which of the following is not true?

1. Gig jobs generally do not get paid by the hour.
2. Gig jobs always pay fairly.
3. I will need to declare my gig job income on my taxes.
4. I can set my own hours with my gig job.

Answer: b. This doesn't mean that gig jobs always get paid unfairly. You just need to be careful to make sure that your pay is worth your time since minimum wage laws do not apply to gig jobs.

## 8. What are expenses?

“Where did all my money go?”

### Host: Fixed expenses

Now that you have an understanding of your income, let’s talk about expenses. Let’s organize, shall we?

Your expenses can be sorted into two categories: fixed expenses and variable expenses.

“Fixed” expenses are expenses that cost the same amount every month, which means they can be easier to track in your budget. Like a streaming subscription, rent, or cell-phone plans are examples of fixed costs.

Fixed costs, however, aren't fixed forever. These are often fixed for a year and then will go up the following year. But, with a solid budget you’ll be ready to keep up with all these changes.

### Fixed expenses in a budget

Let's add some fixed expenses to our budget below.

**Fixed expenses**

* Monthly rent: -$1300
* Cell phone and internet plan: -$170
* Streaming service: -$30

### Host: Variable expenses

Let’s talk about variable expenses. Variable expenses change each month.

You might not be paying for these yourself right now, but your home utilities, like water, heat, electricity, etc., may vary from month to month, depending on how much each service is used. Similarly, if you drive more than usual in a particular month, your gas costs will increase. If you leave the lights on in your room all day, the cost will increase. Understand?

To figure out how much you should plan for expenses in your budget, it can be helpful to look at your past spending and find the average. Watching those expenses through your online banking service is a good way to make sure you’re sticking to your budget.

For example, if in month 1 you spent $200 on groceries, month 2 you spent $250, and month 3 you spend $225, then we could probably safely budget for about $225 per month in groceries.

Variable expenses have flexibility that fixed expenses do not. So, if you need to make adjustments to your budget, variable expenses are often the best place to tighten up.

#### Formula Tip

To get the average of a set of numbers, add them altogether and divide them by the amount of numbers in the set.

($200 + $250 + $225) / 3 = $225

### Variable expenses in a budget

Take a look at the "variable expenses" budget below.

**Variable expenses**

* Groceries: −$400
* Transportation: -$200
* Dining out / entertainment: -$250
* Clothing: -$100
* Donation: -$50
* Personal expenses: -$150

### Pause. Think. Write.

What are some fixed expenses and variable expenses in your own life or in that of your family's? List as many as you can think of, and identify them as either fixed or variable.

## 9. Savings and emergency funds

“Uh oh... I didn't see that coming.”

### Host: Emergency fund

Listen. The reality of life is, things don’t always go as planned.

This is where an emergency fund is super helpful.

An emergency fund is an amount of money set aside in case of unexpected emergencies. An emergency fund is not something everyone has the luxury of, but it may be a good idea to set it as a personal financial goal.

One way to manage your emergency fund is to have a set amount in your bank account that you try to never go beneath.

It may take some time to slowly build up an emergency fund, and the amount in your emergency fund depends on the context of your life. If you stick with a simple plan of putting some money aside whenever you receive it through allowance, your part time job or helping out around the house, this money will help whenever something unexpected comes your way.

If you are able to put a little bit of money into an emergency fund each month, it could really help you out if an unexpected emergency comes your way. One goal that some people use is to put away 2–5% of their income each month. Not everyone will be able to do this, but whatever amount you can put away is a start.

Being ready with an emergency fund is another great step towards financial resilience, since it will help relieve the stress if some kind of disruptive change comes your way.

### Savings

Putting money into your savings means putting money aside for future use. We use the word "savings" when the money is not necessarily intended for emergencies but for anything that you'd like to save up for. Just like with an emergency fund, not everyone has the income required to put money into savings.

Banks offer different methods of holding savings, which you can learn about in Module 2: Bank accounts and credit cards.

Both your emergency fund and your savings can be put together in your budget, but it's ideal to not let your savings dip below the amount you have decided to keep as your emergency fund. For instance, if my savings and emergency fund is up to $800, and I'd like to keep at least $300 for emergencies, then I would need to understand that I only have $500 available in savings.

### Budgeting for savings and emergency funds

Let's add that to our budget.

#### Savings and emergency funds

* 5% of income (In this case, let’s add around 5% of the income to use as a monthly savings goal, which means savings of $60 each month.) -$60
* Emergency fund: -$150

### Saving strategies

Here are some strategies that anyone can use to put away some money for an emergency fund or for savings. Flip each card to learn more.

1. **Round up.** As well as putting aside a certain amount of money each month (called “paying yourself first”), you could also consider saving strategies like using the “round up” method. Many banks offer a feature where you can round up any purchases you make with your debit card to the nearest dollar (or even to the nearest $5 or $10), with that extra money being put into a savings account.
2. **Cut back.** You can also save more money by finding ways to spend less, like watching more movies at home, rather than at the theatre, or committing to bringing lunch to school or work, rather than eating out. It can even be temporary, like deciding to skip a daily coffee for one month. Any reduction in spending can mean more available for savings.
3. **Invest**. Explore options to put the money somewhere you can't easily access it. In another module, we'll talk more about investment options that help you get your savings somewhere not easily accessed, in order to remove temptation.
4. **Tell someone about your goals.** If you're comfortable talking to a supportive and trusted friend or family member, they can provide the extra encouragement you need. Also it helps with personal accountability when you know someone will ask you about how your goals are coming along.

### Pause. Think. Write.

* What are some strategies you have used in the past to help you save money? How did they work for you?
* What might you do the same or differently in the future?
* Can you see yourself trying out any of the above-listed strategies?

## 10. Budgeting for wants

“It looks like I have some decisions to make.”

### Host: Sorting your wants

Just like with your needs, your wants can also be sorted into fixed and variable expenses. For example, a subscription to a streaming service is the same amount each month, so it would be a fixed expense. How much you spend on eating out at restaurants, on the other hand, would be a variable expense.

How you choose to spend this remaining money will vary, depending on your own goals, lifestyle, culture, personality, and many other factors. For example, if you really like eating at restaurants, then you may want to budget more for that. However, someone who prefers to cook at home, may only budget a very small amount. It's totally up to you.

Remember, if you do have money left over after your needs are met, you don't have to spend it all. If you can, try to build up your emergency fund and savings.

### Budget

Let's have a look at our budget with everything added together.

#### Income, $ per month

Job: $3000

Side gig job: $200

Total income: $3200

#### Fixed expenses

Monthly rent: −$1300

Cell-phone and internet plan: −$170

Streaming service: $30

#### Variable expenses

Groceries: −$400

Transportation: -$200

Dining out / entertainment: -$250

Clothing: -$100

Donation: -$50

Personal expenses: -$150

#### Savings and emergency funds

5% of income: −$60

Emergency fund: -$150

Total expenses: -$2960

#### Remaining for extra savings or investment: $240

#### 

### Pause. Think. Write.

* What are some things in your wants category that you would want to budget for?
* Are they fixed or variable expenses?

## 11. Making your budget work for you

“How do I make sure this budget is something that's actually useful?”

Here are two magic ingredients for a successful budget. Try to guess what these might be and then reveal the 'ingredients' below.

1. **Ingredient #1**: The most important ingredient in successful budgeting is that you actually STICK with your budget. A budget won't be helpful to you if you don't commit to it.
2. **Ingredient #2**: The second most important ingredient is that you routinely UPDATE and MODIFY your budget as you go. For the first year especially, you'll continually discover new needs or wants. Edit your budget to reflect this. If your income changes, up or down, modify your budget to reflect it. Keep your budget current and meaningful to your life.

Making a budget just once and then never looking at it again isn’t going to help much. Set aside some time at least once a month to sit down, add up all your income and expenses, and track them to make sure you are really sticking to your budget. This way, you can take any necessary steps to get yourself back on track if you need to or to adjust your budget as your life evolves.

Yes, it takes time, but it’s worth it!

## Check your understanding

You can use this optional quiz to review the content, just to make sure you've got it.

1. Financial responsibility is
   1. managing your money in a way that is in your best interest and meets your unique wants, needs, and goals
   2. the ability to adapt and persevere through predictable and unpredictable financial situations and difficulties in life.
   3. the process of creating a plan that outlines your current money situation, your goals, and the ways you will achieve those goals
2. A friend tells you that cell phones are always "wants." Select the best response.
   1. They are correct. A cell phone is a want.
   2. That are not correct. A cell phone is a need.
   3. Actually, a cell phone can be either a want or a need, and it is up to each individual to decide for themselves based on their life situation.
3. A budget is
   1. an estimate or plan to manage income and expenses over a set period
   2. a list of all expenses and income
   3. a spreadsheet that documents all money spent throughout a month
   4. something I don't need since I live with my parents
4. Connect the terms to their matching definitions.
   1. Terms
   2. Gross pay
   3. Net pay
   4. Real pay
   5. Expenses
   6. Income
   7. What you earned before deductions are made.
   8. The money you actually receive after deductions are taken off.
   9. Not a "real" term.
   10. Things that one spends money on.
   11. Money that an individual receives in exchange for work or from investments.
5. Fixed expenses are things that
   1. vary each month
   2. cost the same each month
   3. are paid yearly
   4. are really expensive
6. Select the best definition of a "gig job."
   1. short for gigantic job that takes a lot of work to complete
   2. a performance booking for your garage band
   3. a job where the worker is not an actual employee of a company and usually is paid by the unit
   4. a temporary position like a seasonal farm worker
7. **Two** important ingredients for successful budgeting are
   1. Stick with it.
   2. Update it regularly.
   3. Ignore it.
   4. Never change it.

#### Answer key:

1. Financial responsibility is:

(a) managing your money in a way that is in your best interest and meets your unique wants, needs, and goals. Yes, with financial responsibility, you are responsible to yourself within your unique situation.

1. A friend tells you that cell phones are always "wants."

(c) Actually, a cell phone can be either a want or a need, and it is up to each individual to decide for themselves based on their life situation.

1. A budget is

(a) an estimate or plan to manage income and expenses over a set period. Your budget is your plan, over a period like a month, on how to manage your money to meet your goals.

1. Matching terms
   1. Gross pay: What you earned before deductions are made.
   2. Net pay: The money you actually receive after deductions are taken off.
   3. Real pay: Not a "real" term.
   4. Expenses: Things that one spends money on.
   5. Income: Money that an individual receives in exchange for work or from investments.
2. Fixed expenses are things that

(b) cost the same each month

1. Select the best definition of a "gig job."

(c) a job where the worker is not an actual employee of a company and usually is paid by the unit

1. Two important ingredients for successful budgeting are:

* Stick with it
* Update it regularly

## Complete!

Congratulations—you're all done!

So that's it my friends. You've made it to the end of this module.

I hope that you can now see that when you factor in your financial goals, income and expenses, you can create a budget that works for you. Whatever those goals are, having a budget will help you get there. And remember, it's not about a perfect budget—it's about making progress. So, don't be discouraged if you have to make some adjustments along the way. Creating a budget is an ongoing process that will help you get ready for the future.

If you haven't already, I suggest that you check out our other financial literacy modules on “Borrowing and Investing”, and “Banks and Credit cards”. For now, take care and happy budgeting.

That’s it for today, let me know what you think in the comments below or hit me up with new ideas for future videos. If you haven’t already, make sure you smash that subscribe button and hit that bell so you always know when your boy Mike has new content coming your way. Peace out guys, and see you next time.

### Remember those learning goals?

Let's have a look at them.

* identify the key principles of financial responsibility, financial resilience, and financial planning
* create a budget to help meet financial goals
* use a range of saving strategies to help build financial resilience

Do you feel like you have a better handle on those? Or do you need to go back and review anything? You can use the green navigation box to the left to jump back to another section if you'd like to revisit any material.

### What's next

When you're ready, you can move on to the next module.