

CURRICULUM RESOURCE

Financial Management for the Newly Employed: Budgeting

OALCF ALIGNMENT

Competency	Activity Group	Level
Competency A - Find and Use Information	A1. Read continuous text	2
Competency A - Find and Use Information	A2. Interpret documents	2
Competency B - Communicate Ideas and Information	B1. Interact with others	2
Competency B - Communicate Ideas and Information	B3. Complete and create documents	2
Competency C - Understand and Use Numbers	C1. Manage money	2

Goal Paths (check all that apply)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Employment | <input type="checkbox"/> Postsecondary |
| <input type="checkbox"/> Apprenticeship | <input checked="" type="checkbox"/> Independence |
| <input type="checkbox"/> Secondary School Credit | |

Embedded Skills for Success (check all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Adaptability | <input checked="" type="checkbox"/> Numeracy |
| <input type="checkbox"/> Collaboration | <input checked="" type="checkbox"/> Problem Solving |
| <input checked="" type="checkbox"/> Communication | <input checked="" type="checkbox"/> Reading |
| <input type="checkbox"/> Creativity and innovation | <input checked="" type="checkbox"/> Writing |
| <input checked="" type="checkbox"/> Digital | |

NOTES: Part one of a five-part series on financial management for the newly employed.

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FINANCIAL MANAGEMENT FOR THE NEWLY EMPLOYED

Note for practitioners:

This series of **Skills for Success Curriculum Resources** is a beginner's guide to financial management for LBS learners who have recently entered the workforce. The goal is to provide newly-employed learners with resources to aid with effective money-management, budgetary planning, and savings. This series will also provide support for learners navigating certain online financial platforms, like online banking and the Canada Revenue Agency website.

These resources are learner-based and activity-focused, with each topic area serving as a mini-lesson, followed by personalized activities. The activities are optional, but they will help embed the key points of the lessons, by inviting learners to respond to lesson material or explore the given online platforms.

The series is divided into five sections that can be used separately or in tandem:

Financial Management for the Newly Employed – **Budgeting**

Financial Management for the Newly Employed – **Opening a Savings Account**

Financial Management for the Newly Employed – **Using the CRA Website**

Financial Management for the Newly Employed – **Credit Cards**

Financial Management for the Newly Employed – **Dealing with Debt**

*This is Section One, Financial Management for the Newly Employed:
Budgeting*

***Note:** Learners may need assistance with banking terms. Definitions of banking terms can be found here: <https://www.consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/glossary/>

Financial Management for the Newly Employed: Budgeting

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Overview

Landing a new job is quite exciting. You should be proud of your accomplishment!

Now that you are earning money, there are many important things to think about. Here are some questions you might ask yourself:

- Do you know how much you are earning each week?
- Do you know what your weekly expenses are?
- Do you have a bank account where your money will be deposited?
- Do you have a savings account to save your money?
- Would you like to try to save some money from each paycheque? How much?
- Do you know how much you pay in taxes?
- How can you learn about your tax returns?
- Do you know how to find out your credit score?
- Do you know how to build up your credit score?
- Do you want a credit card?
- Do you have debt that you need to attend to?

This series, **Financial Management for the Newly Employed**, will answer these and other questions. It will help you make the most of your earnings.

Complete the lessons and activities in this series and begin to:

- take your finances seriously
- spend wisely
- understand your banking and taxes
- save for emergencies and the future

Budgeting

Introduction

When you begin to earn a paycheck, you have more responsibility. You should treat the money you earn with care. You should make smart financial choices. The first step is **budgeting**.

1. What is Budgeting?

Budgeting is a way to manage your money sensibly. It means keeping track of what you spend and making better decisions. Sometimes it means changing your spending habits.

Some advantages to budgeting are that you will:

- have a better sense of where your money goes
- be able to track what you spend on needs and wants
- find ways to adjust your financial choices
- make your money stretch further
- maybe even be able to save for emergencies and the future

2. What is a Budget?

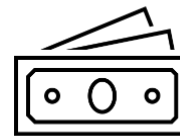
A budget is a **plan** for your money. It doesn't have to restrict your spending. It begins with understanding the numbers. How much money comes in every month? How much goes out?

Have you thought about that? Have you done the tracking and calculations? That's what a budget does. It allows you to take control of your money concerns. It helps you move toward your **financial goals**.

3. Why is Budgeting Important?

Budgeting is done at all levels. Countries have detailed budgets to manage spending. Companies hire people to help with their budgeting. People start personal budgets to take charge of their own finances.

Starting a budget helps you set your money goals. Budgeting is especially important when your income changes after starting a new job.



4. Is Budgeting For You?

Everyone could benefit from developing a personal budget. People who should really consider budgeting:

- are spending all of their earnings (not saving)
- lose track of how they spend their money
- have debt they would like to address
- want to learn to save for emergencies or the future
- feel helpless with money matters
- want to develop more financial control and confidence

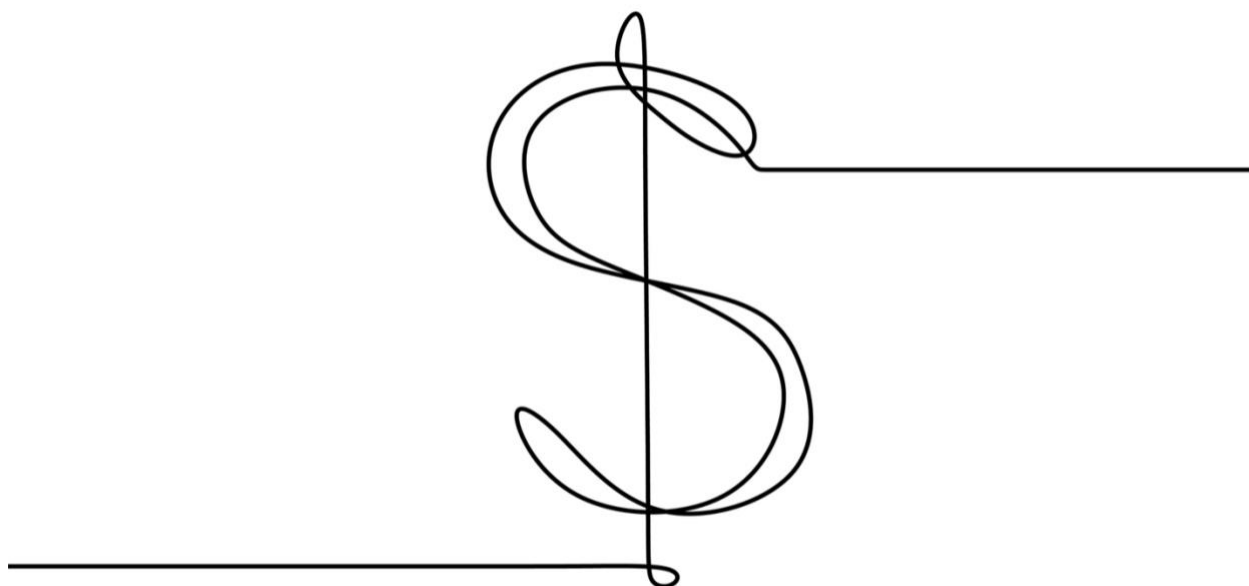
Does budgeting sound difficult? It can be a little tricky. Working with money and numbers can be quite challenging.

This resource will give you simple steps so that you can start budgeting on your own. It will also provide a list of resources to help with your budgeting needs.

Activity #1

1. What are some advantages to budgeting? Discuss with your teacher or partner.
2. What are two reasons people should consider budgeting? Discuss with your teacher or partner.
3. Have you ever tried budgeting? Discuss with your teacher or partner.
4. Would you like to try budgeting? Discuss with your teacher or partner.
5. What challenges might you face if you tried budgeting? Discuss with your teacher or partner.

(Practitioners see answers on page 27.)



Income

1. Step One: Calculating Your Income

Budgeting begins with tracking money in and money out. The first step is determining your income. Income could be money you get from:

- work earnings
- government payments like Ontario Works or ODSP
- WSIB or insurance
- pensions

When it comes to budgeting, everything is done monthly. So you start by determining how much income you receive in one month.

To determine your monthly income, consider a few questions:

- Do you work part time or full time?
- Do your hours change from week to week?
- Do you have more than one job?
- Do you have other sources of income?
- Do you share expenses with a partner or family member?

If you have steady earnings:

- you can determine your income quickly.

If your earnings change each month:

- it may take a few months to determine your income.

If you share your expenses with a partner or family member:

- you might do your budgeting together or separately.

a) Regular Income

Erica earns a regular paycheck from her job at a grocery store. Erica earns \$500 a week.

Erica is paid bi-weekly. That means she is paid every other week. Her monthly income is:

$$\begin{array}{rcl} 1,000 & \text{for her first two weeks of the month} & \\ +1,000 & \text{for her second two weeks of the month} & \\ = 2,000 & \text{total income for the month} & \end{array}$$

This is her **gross** income. Gross income is the total amount a company pays an employee. However, the employee doesn't receive that amount in their paycheck or bank account.

What she gets to keep is her **net** income. Net income is the amount earned after deductions. Net income is the amount employees receive in their paycheck or bank account. It is sometimes called "take-home pay". Net income is less than their gross income.

Your paycheck will show the difference between gross and net income. The higher number is gross income and the lower is net income. The difference the result of deductions, which are taken off your paycheck. Deductions include:

- taxes
- employment insurance payments
- Canada pension payments
- Contributions to employee benefits like health insurance or pension

Activity #2

1. Erica gets two paycheques in June.

On each paystub her gross income is \$1,000.

However, on each paystub there are \$25 in deductions.

Can you calculate her net income for the month of June?

(*Ask your teacher or partner for help if you need it!)

(Practitioners see answers on page 27.)

Remember to use your **net** income when budgeting!

b) Irregular Income

Ping earns paycheques from two different jobs. She works irregular hours at both jobs. She also sells jewelry she makes herself.

Her first job is working the grill at McDonald's. She receives \$300 net income on her first paycheque of the month. She receives \$170 net income on her second paycheque of the month.

- $300 + 170 = \$470$
- **So she receives \$470 net income a month from McDonald's.**

Her second job is working cash at a car wash. She receives \$115 net income on her first paycheque of the month. She receives \$240 net income on her second paycheque of the month.

- $115 + 240 = \$355$
- **So she receives \$355 net income a month from the car wash.**

This month Ping also makes \$49 selling her jewelry.

All together that is:

470	received a month from McDonald's
+355	received a month from the car wash
<u>+ 49</u>	received a month from her jewelry sales
=874	total net income in the month

Ping has done well to calculate her income for this month. She should do so again next month because her income may change.

She finds that her income next month is only **\$807**. To be safe, she should use the **lower** number when budgeting.

- By using the lower number, she is less likely to find herself short.
- If she has money left over, she can save for the future.

Activity #3

1. Why should people with irregular income calculate their income for more than one month? Discuss with your teacher or partner.

(Practitioners see answers on page 28.)



Expenses

3. Tracking Your Expenses

Now you have determined how much money you are bringing in. Next you must figure out what you are spending.

- The amount you spend in a month is called your monthly **expenses**.

Tracking expenses can be tricky. Income often has only a few sources. But we all have dozens of expenses.

Still, tracking your expenses is a very important step. It will help you see where you are spending your money. It will show you where you may be able to cut back. This is a key part of controlling your spending and beginning to save.

a) Separate Fixed and Variable Expenses

Fixed expenses are your regular monthly payments. They are payments that are about the same each month:

- rent or mortgage
- required transportation
- insurance payments
- childcare and healthcare
- fixed bills
 - internet
 - phone
 - some utilities

Variable expenses are costs that may change from month to month:

- food costs
 - entertainment
 - laundry
 - parking costs
 - variable bills
 - heat
 - hydro
 - water
- Your variable expenses may be an area where you can save some money.

b) Record Everything

Record your fixed expenses first. Then try to record everything you spend for at least a month:

- Keep a notebook handy to write down all your purchases.
- Use the note-taking app on your phone.
- There are also budgeting apps you can get.
- Look at your bank or credit card statements.
- If you do online banking, you can find all these expenses listed there.

You can also use a spreadsheet like the one on the next page.

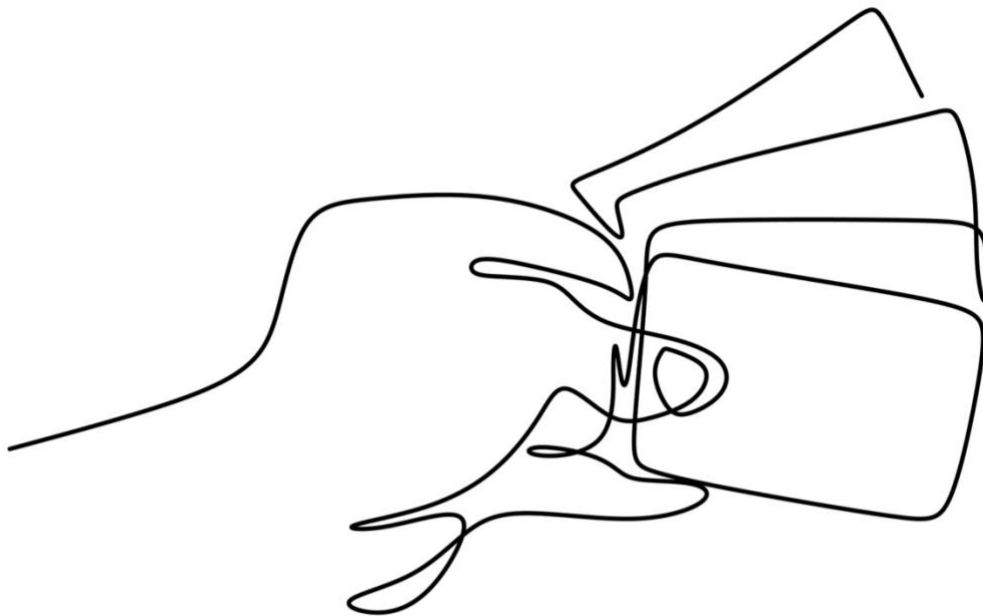
Month: _____

[illegible]

Activity #4

1. What are some examples of fixed expenses? Discuss with your teacher or partner.
2. What are some examples of variable expenses? Discuss with your teacher or partner.

(Practitioners see answers on page 28.)



4. Separate Needs and Wants

Separating your needs from your wants is important. **Needs** are essential for you to work and live:

- healthy food
- housing
- basic utilities
- transportation
- insurance
- minimum loan payments
- childcare and healthcare

Wants refer to the extras in your life. They are nice to have but not necessary. Some examples include:

- eating out
- entertainment
- travel

You would need to reduce your spending on “wants” if:

- you are not able to pay for the essential needs every month
 - you are trying to save more money
 - you want to pay off debt faster
- Everyone deserves to have some indulgences.
- If there's no money for fun, you may have trouble sticking to your budget!

Discretionary Spending

5. Calculating Your Discretionary Spending

Another term for your wants is **discretionary spending**. Discretionary spending refers to your non-essential spending.

Some tips for calculating discretionary spending:

a) Be specific

Be specific when you record your expenses. Don't just write "dinner." Write groceries or takeout. Why?

- Groceries are needs.
- Takeout can be considered discretionary spending.

Track the differences carefully. You might find places to save.

b) Look in your variable expenses

Your fixed expenses will usually not change from month to month. Your variable expenses will go up and down. Track expenses for more than one month to see where your costs change. Were any of these discretionary?

- Did your entertainment costs change?
- Did any of your bills rise?

You may not be able to reduce some bills. However, you **can** manage your treats and entertainment expenses.

Here's an example:

Carmen tracks her expenses for two months. She finds that she spends about **\$80** every month on takeout coffee. If she made her own coffee, she would spend only **\$22** a month.

80	a month for takeout coffee
<u>- 22</u>	a month to make own coffee
58	savings a month on coffee

Drinking coffee this way, Carmen would save **\$58** dollars a month!

Savings on discretionary spending can go toward your **financial goals**.

Activity #5

1. Carmen can save \$58 a month on coffee, by making it instead of buying takeout coffee. Calculate what her savings could be over a year.

(Practitioners see answers on page 29.)

Goals & Planning

6. Determine Your Spending Goals

The point of a budget is to reach your financial goals. Here are some example goals:

- saving for emergencies
- paying off debt
- saving for an expense like a car or home
- saving for your or your child's education



7. Make a Budgeting Plan

Now you are better able to understand your monthly income and expenses. You have learned how to understand and calculate your income.

You also know:

- some money has to cover the things you need to live, such as food, housing, health, clothing, and possibly transportation
- some expenses are fixed, as they happen every month.
- some things are discretionary, and those are the things you may be able to do without

If you don't know where to start, try a simple plan:

- How much is needed for:
 - shelter (housing, heat, electricity, other utilities)
 - healthy food
 - clothing and other requirements
 - travel
 - How much is needed for debt repayment or saving for emergencies?
 - How much is left for wants (to spend over the month and/or save for a dream)?
- Hint: Set aside the money for your monthly “wants” allowance. Maybe put it in a different place in your wallet. Use only this money when you buy something that is a want, not a need. When you run out, no more discretionary purchases that month.

If you have debt:

- **you will need to set aside money for repayment.**

If you want to save for a dream or a future expensive necessity:

- **you may need to save more in the long term.**

If you don't have much left for discretionary spending,

- **you must limit your spending on things that aren't necessary.**

But even saving a little can go a long way. Over time, a little adds up to a lot. Slow and steady saving is a great way to achieve your financial goals!

Activity #6

1. What are some examples of financial goals? Discuss with your teacher or partner.
2. What are some things to keep in mind for a budgeting plan? Discuss with your teacher or partner.

(Practitioners see answers on page 29.)



Monitoring

8. Keep Monitoring Your Budget

Once you have your budgeting plan, you're not done. You should keep monitoring your income and expenses. Things might change. You might find it easier or harder to save in different months.

- If your income goes down, you may have to reduce your spending and savings.
- If your income goes up, you may be able to spend more on your wants and save more for the future.

But don't stop tracking your income and expenses. Keep on your budget until you have met your financial goals.

Here are some **saving tips** for the hard months:

a) Watch for small savings

Even small savings add up! Use coupons to save on groceries or meals.'

b) Watch your impulse spending

Unplanned spending can upend your budget. Try to stick to your spending plan.

c) Find free entertainment

Look for free entertainment at libraries and parks to save.

d) Stop using your credit cards:

Credit card interest rates can be very high. Try to avoid using your credit card to keep interest payments down.

Activity #7

Anika has two jobs working as a cashier. Her minimum monthly net income from No Frills is \$1,225.00. She makes at least \$1,025 net a month at Dollarama.

1. In the chart on the next page, under Income, enter the companies where Anika works. Put each on a separate line. Enter her two monthly incomes in the column beside the company names.
2. Add up all Anika's monthly income and place the sum on the line labeled **Total Monthly Income**.

Anika has some fixed expenses:

Rent	\$1,150
Hydro & Utilities	\$ 100
Food	\$ 850
Phone, Television & Internet	\$ 40

3. In the Expenses section, list Anika's fixed expenses. Use a separate row for each expense. Put the name of the expense in the first column and the amount in the second column.
4. Add the expenses and place the sum on the row labeled **Total Fixed Monthly Expenses**.

Anika wants to know how much she will have left for discretionary saving and spending.

5. Amount Remaining for Discretionary Expenses

- a. Subtract the Total Fixed Monthly Expenses from the Total Minimum Monthly Income
- b. Put the difference on the row labeled **Amount Remaining for Discretionary Expenses**

Anika's Monthly Budget

Income		
Total Minimum Monthly Income		

Expenses		
Total Fixed Monthly Expenses		
Amount Remaining for Discretionary Expenses		

(Practitioners see answers on page 30.)

Budgeting: Next Steps

Still find the idea of budgeting hard? That's okay. Numbers and math can be very tricky. The good news is that there's **help**.

Here are some **resources** that can help you with your budgeting plan:

- 211 Ontario offers financial assistance 24/7. Dial **211** to reach their hotline. They offer financial assistance in over 150 languages.
- The Canadian Government offers financial planning advice at their website: <https://www.canada.ca/en/financial-consumer-agency/services/make-budget.html>
- It also has a budget-making tool: <https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner>
- Credit Canada offers debt guidance and counselling: <https://www.creditcanada.com/>
- Toronto Healthline offers budget and credit counselling: <https://www.torontocentralhealthline.ca/listServices.aspx?id=10447>

For help budgeting also check out:

- your local Service Canada
- your local Service Ontario
- other local service centres in your area



Answer Key for Practitioners

Activity 1 Answers:

1. Some advantages to budgeting are that you will:
 - have a better sense of where your money goes
 - be able to track what you spend on needs and wants
 - find ways to adjust your financial choices
 - make your money stretch further
 - maybe even be able to save for emergencies and the future
2. People who should consider budgeting:
 - are spending all of their earnings (not saving)
 - lose track of how they spend their money
 - have debt they would like to address
 - want to learn to save for emergencies or the future
 - feel helpless with money matters
 - want to develop more financial control and confidence

Activity 2 Answers:

1. Erica's net income for June is \$1,950:

First paycheque of 1,000 – 25 in deductions = 975

Second paycheque of 1,000 – 25 in deductions = 975

Two paycheques after deductions = $975 + 975 = \$1,950$.

Activity 3 Answers:

1. People with irregular income should calculate their income over more than one month to account for income changes.

Activity 4 Answers:

1. Examples of fixed expenses are:

They are payments that are about the same each month:

- rent or mortgage
- transportation
- insurance payments
- childcare and healthcare
- fixed bills
 - internet
 - phone
 - some utilities

2. Examples of variable expenses are:

- food costs
- entertainment
- laundry
- parking costs
- variable bills
 - heat
 - hydro
 - water

Activity 5 Answers:

1. Carmen saves \$58 a month by making her own coffee instead of buying takeout. If she does this for all twelve months of the year, she will save \$696.

$$58 \times 12 = \$696$$

Activity 6 Answers:

1. Examples of financial goals are:
 - saving for emergencies
 - saving for the future
 - paying down debt to lower interest payments
 - paying off debt
 - saving for an expense like a car or home
 - saving for your or your child's education
2. Things to keep in mind for a budgeting plan are:
 - How urgent is your debt? (Are you paying high interest charges?)
 - How much do you want to save?
 - How much of your spending is discretionary?

Activity 7 Answers:

Income

No Frills	1,225	
Dollarama	1,025	
Total Minimum Monthly Income		2,250.00

Expenses

Rent	1,150	
Hydro & Utilities	100	
Food	850	
Phone, Television & Internet	40	
Total Fixed Monthly Expenses		2,140.00
Amount Remaining for Discretionary Expenses		110.00