

BUDGETING FOR TEENS



Budgeting is one of the most important skills you can have when it comes to managing your money. As a teenager, it's important that you learn this skill now to ensure a successful financial future. Budgeting is simple once you understand the basics. Presented by Cedar Point Federal Credit Union, this packet will walk you through the basics of budgeting and help you create your own monthly budget.

Budgeting is a balancing act between your income and your expenses. It's a way to understand your spending habits, while keeping yourself on track. Let's break down these two important components.

Income is the money you receive and can come in many different forms:

- Paycheck from your job
- Money from an odd job
- Allowance
- Cash gifts for your birthday

You must understand your total monthly income before you can start budgeting. You can do this by simply adding up your different income amounts for each month. Let's take a look at an example of a basic monthly income:



← **This is Junior.** Junior earns \$5 per day walking a neighbor's dog when she goes on vacation for one week. He earns \$10 dollars per week mowing another neighbor's lawn. His parents give him an allowance of \$20 per month. Let's put this information into a chart to figure out Junior's monthly income.

Junior's Monthly Income

Income Type	Rate	Total per Month
Dog walking	\$5 per day (x 7 days)	\$35
Mowing Lawn	\$10 per week (x 4 weeks)	\$40
Allowance	\$20 per month	\$20
Total:		\$95

By adding his incomes together, it looks like Junior can expect to make about \$95 dollars per month. That means that he has to keep his expenses for the month at \$95.

Keep in mind that your income can change from month to month depending on how many odd jobs you do, if you find a part-time job, if you receive any money for your birthday, or if your allowance changes. You should review your income once every month to make sure you are budgeting for the correct amount.

An expense is the money you spend on purchases, bills, or donations. You need to be aware of your expenses to make sure you have enough income to cover your costs. To figure out your total expenses for the month, you need to predict and budget what you will spend your money on. If you have recurring expenses, such as a monthly cellphone bill, you should budget for that before budgeting for entertainment or fast food. Once again, let's look at Junior's finances to better understand expenses.

Here's how Junior usually spends his money. Junior pays \$40 per month on his cellphone bill. He spends \$15 every other week to go to the movie theatre. He spends \$10 per week on snacks or fast food. He gives \$2 to his church every week. Let's put this information into a chart to figure out Junior's monthly expenses.

Junior's Monthly Expenses

Expense Type	Cost	Total per Month
Cellphone Bill	\$40 per month	\$40
Movie Theatre	\$15 every other week (x 2)	\$30
Snacks	\$10 per week (x 4)	\$40
Church Donation	\$2 per week (x 4)	\$8
Total:		\$118

Uh-oh! It looks like Junior's monthly expenses exceed his income by \$23! Junior can only spend money that he has, so he must cut back on some expenses. His parents say he needs to pay his cellphone bill in order to keep his cellphone. Church is important to Junior, so he won't give up his church donations. It looks like he'll have to cut back on his snacks and movie theatre trips. Junior decides to limit his movie theatre trips to once per month which saves him \$15 per month. He decides to also limit his snack expenses to \$8 per week instead of \$10. With that small change, he saves an additional \$8 per month. His income and expenses are now balanced.

If Junior had decided that he didn't want to give up movie theatre trips or his snacks, he could increase his income to cover the costs. In order to do this, Junior could find another neighbor who needs a dog walker, or he could offer to mow another neighbor's lawn. He could also get a part-time job after school. If Junior increased his income enough, he could also save his money for his future in a savings account.

Cedar Point's Budgeting for Teens Challenge

Now that you know the basics about budgeting, Cedar Point Federal Credit Union challenges you to budget your expenses for the next few months. On the attached page, you will find a **budget tracking worksheet** that will help you determine your monthly income and expenses. Every time you have an expense, write it on this worksheet. If you spend less or more than you budgeted for, you need to enter the actual amount under "Actual." At the end of the month, add together all of your columns to see whether your income and expenses are well balanced. If they're not balanced, brainstorm where you can decrease your expenses or increase your income for next month. Happy budgeting!

