

EXCEPTIONAL. UNCONVENTIONAL.



Lakehead
UNIVERSITY

Your Financial ToolKit

Developed by the Financial Consumer Agency of Canada,
the Investor Education Fund and l'Autorité des marchés financiers



Income, Expenses and Budget



INCOME, EXPENSES, AND BUDGET

Agenda

Start time: 12:00pm

End time: 1:00pm

Please set phones to silent ring and answer outside of the room.

This module covers:

- How to decide what's really important when you spend money
- How to track your expenses and reduce them if you need to
- How to prepare a realistic personal or family budget

How do you make your spending decisions?

Needs and wants



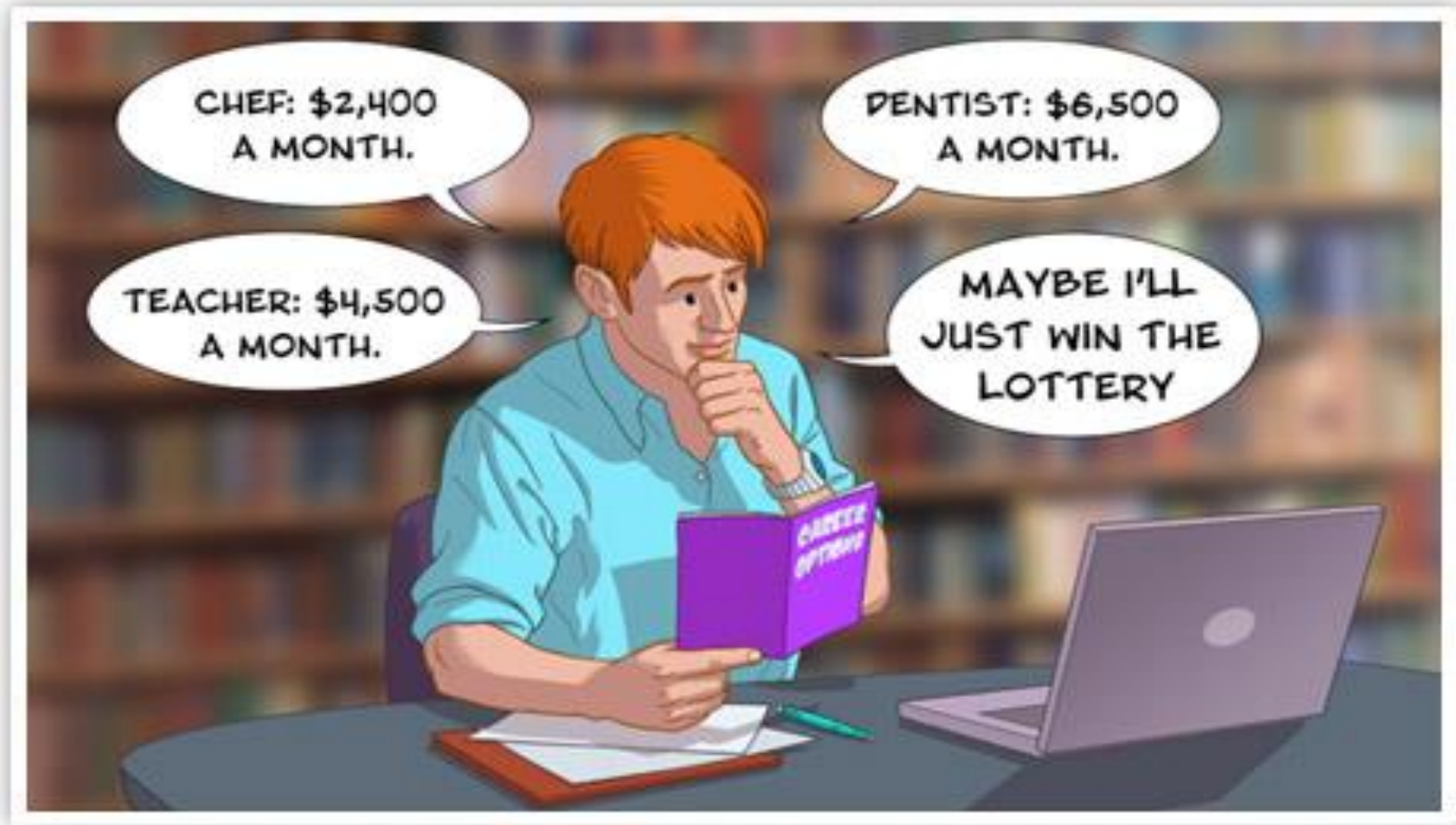
Needs, wants and priorities

- **Need:** a necessity, something required, something essential for life
- **Want:** a desire, something wished for, something non-essential
- **Priority:** something that you have to do first because it is more important than other things
 - 1 = items that are essential for healthy living
 - 2 = items that are not essential but are important
 - 3 = items that are not essential and not important

Summary of Key Messages

- Needs are essential for life; wants are other things
- Balance your needs and wants
- Priorities focus on things you really need and want
- Awareness of personal factors like emotions, habits and behaviours can help control your spending

Income



My Sources of Income

Sources of income

My sources of income

In addition to your job, you may have other sources of income. Use this chart to identify all your sources of income. Then calculate your total monthly and yearly income. You may want to collect recent pay stubs and income tax statements to get accurate figures.

Source	How often paid	Net income	Net annual income
Employment income ⓘ	Daily ▾	\$ <input type="text"/>	\$0.00
Bonuses	Daily ▾	\$ <input type="text"/>	\$0.00
Tips or commissions	Daily ▾	\$ <input type="text"/>	\$0.00
Income from investments	Daily ▾	\$ <input type="text"/>	\$0.00
Government payments ⓘ	Daily ▾	\$ <input type="text"/>	\$0.00
Self-employment ⓘ	Daily ▾	\$ <input type="text"/>	\$0.00

Summary of Key Messages

- A job is the main source of income, but there are others
- Deductions are taken off paycheques for taxes, social programs, etc.
- Net income is what you take home after deductions

Expenses



Know What You Spend

- Keep every receipt
- Record every expense every day
- List irregular expenses (gifts, donations, taxes, repairs, etc.)
- Total your expenses at the end of the month
- Do this for at least three months

Calculating Your Expenses

Track your spending to gain control

- **Fixed expenses:** the same every month
- **Variable expenses:** you can cut back more easily
- **Irregular expenses:** come up through the year
- **Unplanned expenses:** surprises you can't plan for

My Monthly Expenses

My monthly expenses	
To figure out what you actually spend, use this worksheet to enter your monthly expenses. You'll get more accurate figures if you've been tracking your expenses for a few months.	
Fixed expenses	Monthly cost
Rent or mortgage payment	\$ <input type="text"/>
Property taxes and/or condo fees	\$ <input type="text"/>
Home insurance	\$ <input type="text"/>
Utilities (electricity, water, heat)	\$ <input type="text"/>
Communications (telephone, Internet, cable)	\$ <input type="text"/>
Transit	\$ <input type="text"/>
Car loan payment	\$ <input type="text"/>

Reduce unnecessary spending

- Save your money for essentials
- Focus spending cuts on non-essentials (discretionary spending)
 - Easier to cut back on non-essentials
 - Even small daily savings add up
 - E.g.: Save \$5 a day = \$1,825 a year
- [Video to how to reduce your spending](#)

Summary of Key Messages

- Expenses may be fixed or variable
- Include irregular and unplanned expenses
- Track your daily expenses
- To reduce unnecessary spending:
 - Avoid impulse buying
 - Make easy lifestyle changes
 - Make smart shopping choices

Budgeting Systems



Budgets

- A comparison of income and expenses
- An organized way to manage your money
- Income minus expenses equals surplus or deficit
- Remember your sources of income and your expenses?

My monthly budget

Enter your total monthly income and total monthly expenses. Then subtract your expenses from your income to see if you have a surplus or a deficit. You can also use the [Budget Calculator](#) from the Financial Consumer Agency of Canada, a useful and complete interactive tool to create your household budget.

Income	Amount per month (\$)
Employment income (after deductions)	0.00 <input type="text"/>
Bonuses	0.00 <input type="text"/>
Tips or commissions	0.00 <input type="text"/>
Government payments (Canada Child Tax Benefit, EI, CPP/QPP, etc.)	0.00 <input type="text"/>
Self-employment	0.00 <input type="text"/>
Gifts	0.00 <input type="text"/>
Grants or scholarships	0.00 <input type="text"/>
Royalties	0.00 <input type="text"/>

Keep your budgeting system alive

- Budgeting is an ongoing activity
 - Check that income and expenses are correct
 - Keep up your savings and debt repayment
 - If you are moving toward a deficit (or surplus), see where you can make changes

Summary of Key Messages

- A budget compares income and expenses
- If you have a surplus, repay debt and increase your savings
- If you have a deficit, reduce your spending or increase your income
- Use a written system or an envelope system to manage spending, or both
- Check your budgeting system to keep it up to date and realistic

Action Plan

Income, Expenses and Budget Checklist

Use this checklist to make sure you are balancing your income and expenses and making progress toward reaching your financial goal.

Step	I'm OK	Needs work	Where to find more information
I add up my net income from all sources.	<input type="checkbox"/>	<input type="checkbox"/>	My sources of income worksheet
I record my daily expenses and calculate what I spend each month in various categories.	<input type="checkbox"/>	<input type="checkbox"/>	Know what you spend My monthly expenses worksheet
I check my discretionary spending regularly and cut back if necessary.	<input type="checkbox"/>	<input type="checkbox"/>	Cutting back my discretionary spending worksheet
I reduce my expenses by negotiating better plans for my banking services, credit cards and telecommunications services.	<input type="checkbox"/>	<input type="checkbox"/>	Make your money go further
I use a balanced monthly budget. If my budget doesn't balance, I look for ways to reduce my expenses or increase my income.	<input type="checkbox"/>	<input type="checkbox"/>	My monthly budget worksheet
I manage my monthly expenses by using an envelope system or staying within the spending amounts in my budget.	<input type="checkbox"/>	<input type="checkbox"/>	The envelope system
I set short-, medium- and long-term financial goals. I know what they cost and how long I have to reach them. I have accounted for these goals in my budgeting system.	<input type="checkbox"/>	<input type="checkbox"/>	Budgeting for your goals

More information

- Financial Consumer Agency of Canada
<http://www.fcac-acfc.gc.ca/>