**Life Skills Lesson 3 Budgeting**

What is a budget?

A budget is a financial plan that directs your income to areas of expenses, savings and debt repayment.

Do you sometimes run out of minutes on your phone and have no money to buy more? Does the phone bill comes and you don’t have enough to cover it? Want to go to the movies but don’t have enough $ to go? Need that Tim’s coffee..oops, not enough $$, too bad. Maybe you shoulda budgeted better!

Some reasons for budgeting?

1. Don’t over spend on income (enough $ to pay all bills, food, clothing, insurance, gas…)

2. Plans for future (House, Vehicles, Furniture, RRSP…)

3. Save for activities (vacation, wedding, graduation…)

A budget is not a “fixed” item, but a plan that reflects changes in a person financial and personal life. A person’s life changes through various stages in life and the needs/wants of a budget change to reflect those stages. Students save for further studies, young adults save for a house or wedding, middle age adults save for a pension or a vacation of a lifetime.

There are many types of budgets. Some budgets allot 60% of gross income to “fixed” expenses (food, monthly bills, insurance, car …) with the remaining 40 % for retirement, long term savings ( house, vehicle, renovations…) irregular expenses( new appliance, vacation,…) and fun money( entertainment), other budgets allot 25% of spendable income for housing.

Because budgets get you to track expenses, this can reveal any excessive spending that happens and allow you to take steps to limit or eliminate those expenses. Budgets help people decide what options they can afford for vacations, types of homes, of recreation vehicles, and even the size of wedding/parties that you can afford to have.

* [*www.practicalmoneyskills.com*](http://www.practicalmoneyskills.com)
* *en.wikipedia.org/wiki/Personal\_****budget***