

## LESSON 8: Making a Budget



### Money Mastermind Lesson 8, Worksheet 1:

#### Budget Busters: Who's Breaking the Bank

Where does all your money go? No matter how much money you earn, a careful budget lets you know exactly what happens to your cash. Below are three different cash flow scenarios over one month. Review the numbers to determine who's breaking the bank and who will meet their goals the soonest.

##### Scenario 1:

Nate is a junior in high school. He works 15 hours a week at the mall, and his net income after taxes is \$600 a month. He lives with his parents, so he doesn't have rent, utility or food expenses. His older brother owns a car and lets him borrow it to drive to work for \$100 each month; otherwise Nate takes the bus. He really wants to buy a car, so he puts any leftover money toward savings. Nate also pays for his cell phone and personal expenses, such as going to the movies, buying video games and purchasing gifts.

Below is Nate's estimated budget and what he actually spent in one month's time. Analyze Nate's spending to determine why he is not on track to save for that new car, and what changes he can make to get on track.

##### Net Income: \$600/month

	Budget Goals	Actual Budget
<b>Fixed Expenses</b>		
Savings for a Car	\$200	\$0
Cell Phone	\$75	\$100
Car Payment to his Brother	\$100	\$100
<b>Variable Expenses</b>		
Public Transportation	\$50	\$60
Entertainment	\$50	\$75
Personal Shopping	\$100	\$175
Occasional Spending (gifts, repairs, etc.)	\$25	\$100
<b>Total</b>	<b>\$400</b>	<b>\$600</b>

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### Money Mastermind Lesson 7, Worksheet 2:

#### Fighting Fraudulent Charges

Think fast. Your wallet is stolen at a party—including your credit cards, driver's license, and social security number. The next day, you notice a charge for \$25.99 to Friendly's Pizza. The only problem? You didn't make it. Get the process of identity repair rolling by writing a letter of dispute to your credit card company.

Today's Date:

Your Name:

Your Address:

Your Account Number:

Name of Creditor:

Creditor's Address:

Dear (name of creditor),

[Part 1 of letter: In one brief paragraph, explain the fraudulent charges using specific details (e.g. dollar amount, date, etc.) and define the action you are requesting. For example, do you want a refund for the fraudulent charges? Do you want to place a hold on the account?]

[Part 2 of letter: In one brief paragraph, explain what enclosures you are providing to verify the fraudulent charges. For example, will you send a copy of the account statement listing the fraudulent charge? Will you attach a police report documenting the identity theft?]

[Part 3 of letter: In one sentence, reinforce the action you need the credit card company to take.]

Sincerely,  
Your Name



#### STUDENT TIPS

**Why is it important to create a paper trail when defending your identity?**

Visit websites such as [ftc.gov](http://ftc.gov) and [OnGuardOnline.gov](http://OnGuardOnline.gov) to help find answers.

**What other information should you send with your letter of dispute?**

Check out [ftc.gov](http://ftc.gov) and [privacyrights.org](http://privacyrights.org) for sample letters and enclosures.

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### Scenario 2:

Mary just graduated from college and accepted her first job as a social media manager for a real estate company. She can't believe that her monthly net income will be \$3,000. She just moved into a one-bedroom apartment, so she is responsible for rent, utilities, food and other household expenses. She is paying off a student loan and she wants to save as much money as she can to buy a house someday. She owns a car and enjoys going out with friends on the weekend.

Below is Mary's estimated budget and what she actually spent in one month's time. Analyze her spending to see why she is not on track to meet her goal and to determine what she can do to get back on track.

### Net Income: \$3,000/month

	Budget	Actual
<b>Fixed Expenses</b>		
Savings for House	\$450	\$150
Rent	\$600	\$600
Car Payment	\$350	\$350
Car Insurance	\$150	\$150
Internet/Cable TV	\$110	\$110
Cell Phone	\$75	\$105
Student Loan	\$300	\$300
<b>Variable Expenses</b>		
Gas	\$100	\$175
Food	\$250	\$300
Entertainment	\$100	\$250
Personal Shopping (clothes, makeup, home items etc.)	\$75	\$300
Utilities	\$200	\$275
Occasional Spending (gifts, repairs, etc.)	\$150	\$250
<b>Total</b>	<b>\$2,910</b>	<b>\$3,315</b>

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### Scenario 3:

Jacob is a senior in high school and works 30 hours per week at a neighborhood coffee shop. His net income after taxes is \$1,500 and he is saving up for college. He owns a car and makes payments toward it each month, but he lives with his parents so he saves on rent, utilities, and food costs. He occasionally goes out with friends and buys things for himself, but he tries to hold back on these things so he can save more for college next year.

Below is Jacob's estimated budget and what he actually spent in one month's time. Analyze his spending to see why he is not on track to meet his goal and determine what he can do to get back on track.

### Net Income: \$1,500/month

	Budget	Actual
<b>Fixed Expenses</b>		
College Savings	\$870	\$820
Car Payment	\$125	\$125
Car Insurance	\$95	\$95
Cell Phone	\$85	\$85
<b>Variable Expenses</b>		
Gas	\$100	\$105
Entertainment	\$50	\$75
Personal Shopping	\$50	\$95
Occasional Spending (gifts, repairs, etc.)	\$100	\$100
<b>Total</b>	<b>\$1,475</b>	<b>\$1,500</b>