NORTHWEST TERRITORIES
HOUSING CORPORATION

Solutions to Educate People (STEP)
Financial Skills I: Budgeting

Financial Skills I:
Budgeting

Workbook

A course designed to help you create a budget, no matter how much money you have (or don't have)!

Financial Skills I:
Budgeting

Workbook

Purpose of Course:

This one day course combines lecture, discussion and hands-on exercises to learn the basics of financial literacy and teach the basics of developing a personal budget. The workshop looks at the 'why' and how' of budgeting, and moves through the process of developing financial goals based on needs and wants to the practical steps required to make those dreams become reality.

Student Objectives:

- Increase financial knowledge
- Understand why everyone needs to manage their money
- Determine your personal needs and wants
- Learn how to develop a budget that works for you and your family
- Learn how to make our budget work for the long term
- Develop a personal tracking system for finances and important documents

Table of Contents

Introduction

In this changing world of ours, we are constantly receiving information through social media like the television, the internet, advertisements; and sometimes even through friends and family. Often the purpose of this information is to tell us what we need to do, how to behave and what products to purchase. However there is one piece of advice: Prepare for your future and create a budget - know and plan how you spend your money wisely.

Finance and trade have been around as long as people have been keeping records. Traditionally people did not use money. To survive people were migratory and would live off the land. People would travel from place to place in search of food and the other necessities for life. People needed to plan what they would do and where they would go. With the changing of seasons, people found it physically taxing to find food and lived day-to-day. To alleviate this, when there was abundance people created caches or stores of food. This planning ahead was essentially the first budget.

Not everybody could be self-sufficient, so when a person had too much of one thing they often bartered goods and services to get the other things they needed, essentially creating the first economy. Now, with the global economy, we rely more and more on money to buy what we need and want. Some people believe that they don't need a budget because they have access to easy credit or just don't have enough money to worry about making plans. Others don't want to use a budget because they feel as if a budget tells them what they can and can't do.

This workshop is meant to show you that no matter how much money you have (or don't have) a budget can be developed that will help you to reach goals in your life.

What is a Budget?

A budget is a financial plan that lists your income and expenses. It is a plan that helps you manage your money, to avoid overspending and going into debt.

Why Use a Budget?

If we want to make changes in our lifestyle, we first need to look at what we are doing, how we are doing it, then identify what our financial problems are and figure out how to solve them. By tracking our spending habits we can work towards meeting our financial goals.

Reality Check

Take a moment to think about what is and isn't working well with your personal finances as you fill out the **Reality Check.**

Reality Check

Part A

	Always	Sometimes	Never
I know how much I make each month	[ ]	[ ]	[ ]
I have enough money to meet my basic needs	[ ]	[ ]	[ ]
I keep my agreements with people to whom I owe money	[ ]	[ ]	[ ]
I set financial goals	[ ]	[ ]	[ ]
I save for the things I want to buy	[ ]	[ ]	[ ]
I have extra money in my savings account	[ ]	[ ]	[ ]
I know how much money I have in my bank account(s)	[ ]	[ ]	[ ]
I have a budget and stick to it	[ ]	[ ]	[ ]
I know what to do if I spend more than I earn	[ ]	[ ]	[ ]
I am satisfied with my financial situation	[ ]	[ ]	[ ]
I have a plan to become debt–free	[ ]	[ ]	[ ]

Part B

I spend more than I earn	[ ]	[ ]	[ ]
I lend money to friends and family	[ ]	[ ]	[ ]
I run out of money before I receive my next pay cheque	[ ]	[ ]	[ ]
I have bills that are overdue because of insufficient funds	[ ]	[ ]	[ ]
I worry when I don't have enough money	[ ]	[ ]	[ ]
I make late payments	[ ]	[ ]	[ ]
I only pay the minimum amount on my bills	[ ]	[ ]	[ ]
I borrow money from my friends and family when I run short	[ ]	[ ]	[ ]
I buy things I don't need	[ ]	[ ]	[ ]

In Part A, if you answered "Always or Sometimes" to most of the statements, you are probably doing quite well and feeling comfortable with your personal financial situation.

If you answered "Always or Sometimes" to most statements in Part B, you may want to consider making some changes to the way you handle your finances.

Now that you have considered your personal finances, write down your thoughts about what is going well for you and in what areas you would like to improve:

I know I am handling my money well because:

I would like to improve the way I handle my money by:

Budgeting Tip

Looking for something to read. Go to the community learning centre. They may be able to assist you in finding what you want.

Control - You or Your Money

Money itself isn't really all that special. It's mostly dirty paper and bulky coins. Nowadays most of the money in the world is just numbers in a computer somewhere. So why do we worry so much about money? Probably because of what we can do with it.

Money is just a tool that we can use to get what we need and to do the things we want.

Money can be used for so many good things. Yet the lack of it can cause so many problems in our lives. It makes more sense to take control of our money, rather than letting it control us! You can begin to take control by creating a personal budget that you can use to make sure needs are met and you get the things you things you want.

Budgeting Tip

When doing laundry wash with cold water and make sure the load is full. You will save on water and keep the cost of your heat or power down.

The Blame Game

List as many reasons as you can and explain why you don't have as much money as you want:

1) ____

2) ____

3) ____

4) ____

5) ____

6) ____

Now let's look at these reasons and come up with ways to make changes.

1) ____

2) ____

3) ____

4) ____

5) ____

6) ____

Talking Terms

Need: Something that is essential and is a must-have. Without the item it can be difficult to live.

Want: Something which you desire. Often, this is a luxury and you can live without the item.

Budgeting Tip

It can be difficult to stick to a budget, especially when other people around you don't seem to worry. Find a 'budget buddy' who also wants to take control of their financial situation. You can offer each other money saving ideas and support.

Needs vs. Wants

We know that money allows us to meet our needs and can help us get what we want. But, before we begin to set our goals, we have to decide what we need and want.

NEED	WANT
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

This is an important step in creating a budget that will work.

As you identify your own needs and wants, consider the things that **MUST** be paid each month (rent or mortgage, loan payments, utility bills, etc.). These items take **priority** in your personal budget and **must be paid first.**

For example, if you don't pay your rent, you might not have a place to live. If you don't pay your phone bill, your phone will be cut off. Diapers and baby formula are essential items for parents of young children.

Other expenses can be cut back or paid more slowly. Personal spending money, entertainment and luxuries are secondary to more important needs, so if you don't have a lot of money left over after you pay the important bills, you can spend less on these items.

Talking Terms

Essential: Something that is a need and will be difficult to live without.

Non-Essential: Something that is not needed and is considered a luxury.

Priority: Something that is considered more important than something else and is given special attention.

Their Story: Daniel and Frieda

Daniel and Frieda are a young couple living in a public housing in a small community in the Northwest Territories. They have three young children: aged 6 months, 2 years and 5 years. Daniel works full-time as an equipment operator. Frieda stays home with the children. But she would like to go back to work full-time once the youngest child is in school.

Daniel and Frieda have created a list of their needs and wants and would like to prioritize them.

What things do you think they should be paying for first on their "needs" list?

For the 'wants' list, what things do you think they should save for first?

NEEDS	WANTS
______ Food	______ New clothes for Frieda
______ Gas/Taxi	______ New furniture
______ Electricity	______ Vacation
______ Snowmobile payment	______ Truck
______ Cable/Satellite/Internet	______ Laptop computer, etc.
______ Diapers/formula	______ Boat for Daniel
______ Rent	______ Video game console/games
______ Cigarettes	______ Birthday gift for mother in-law
______ Telephone	______ Cell phone
Entertainment	Music/Movie DVDs

While each person will have different needs and wants we all must set priorities. By setting priorities in your budget, you have a better chance of making it through the month when you are living on a set income.

Budgeting Tip

If you have to make long distance calls do it after 6pm or look at getting a long distance calling plan. This is usually cheaper but should still be watched. Even look at using prepaid calling cards or pay as you go cell phones. Setting a time limit to your call can also help!

Talking Terms

Values: Something that is considered important to a person. Personal values developed early in life may be resistant to change. Values are considered subjective and vary across people and cultures.

Goals: Are purposes, objects and targets that provide motivation to a person. Goals can be driven by financial needs, marketing and personal values.

Budgeting Tip

If you have internet, track your internet usage. If your usage plan is more than you need, cut back. The money you save can be used to pay down bills or put towards your goals.

Values &Goals

What Is Important to You?

A budget is a good way to take control of what you do with your money. In order for a budget to be effective, it has to be designed by you, for your personal situation. If you don't have a good reason to use a budget, you are not likely to stick to it.

For some people it is important to have a nice house, a good truck or car and lots of 'toys' (such as snowmobiles and boats) for recreational use. Others want to be able to help their families and friends and may find it important to be able to buy gifts or give money to others. Still others just want to know that they always have enough money to pay the bills and meet their basic needs. Your budget has to be based on your values and goals to be effective!

What Is Important to Your Family?

Your personal budget is going to be based on meeting your needs and getting the things that you want. There will likely be some things that take some time to get, and you may have to make some sacrifices in order to get them.

If you are trying to follow a budget to get the things that are important to you, your family may not always agree the sacrifices are necessary. So as you consider your own values, you must also consider what is important to your family. Would your family members agree with you, or do you think they might choose something else?

You may want to ask them about the choices they would make after you get home from this workshop!

Think about and write down your 3 most important needs and what values you place upon them.

I need ______________________ because I value ________________________.

I need ______________________ because I value ________________________.

I need ______________________ because I value ________________________.

Setting Financial Goals

Now that you have decided what you need, want and value, it is time to start setting financial goals that you can reach with your personal budget. Your financial goals can be anything. They may be directed at increasing the amount of money you have in savings, or may be to buy some specific items. They may also be as simple as keeping track of your money so you don't run out before your next pay cheque comes in! Whatever the case, there are three simple rules to follow when setting your goals. Goals must be:

Specific

____

____

Measurable

____

____

Believable (Realistic)

____

____

While you may have different goals you can prioritize them into categories: short, medium and long term. In general you could use 1 - 5 years as short term, 5 – 10 years for medium or 10 years or more for long term. In the end, you determine the time for your goals.

Our goals need to change as we do, so it is a good idea to look at your goals again from time to time.

One way to remember to do this is to look at your goals and re-evaluate them whenever the time changes from regular to daylight savings time. This will ensure that you are revising your goals at least twice every year.

Success Story

Bertha spent many years staying at home to raise her children. When her children were grown, she decided to go back to school. This was a very difficult decision because she knew there would be added expenses to attend a college outside her home community, and she would not be able to work very much while she was a student. Bertha came up with a plan and a budget to follow so she could afford to continue her education. She was very pleased to graduate from college along with her oldest daughter who graduated at the same time. Bertha tells people that you should never give up on reaching your for your goals.

Understanding Income

Talking Terms

Income: Money that is received for work done, investments, government assistance, or gifts.

Gross Income: The amount of money earned before deductions such as taxes and other costs are removed.

Net Income: The amount of money earned after all deductions (such as taxes) have been removed.

Pay Statement/Stub: A statement of earnings with a specific period of time.

Record of Employment: A document which registers your insurable earnings when there is an interruption of earning. This document is needed for a person to claim employment Insurance (EI) benefits.

T4 Slip: A form completed by an employer which shows a person's gross income and the taxes and other benefits paid or deducted for that year.

Budgeting Tip

During the holiday season marketing is intense. Set a limit on how much you will spend on gifts for friends and family members. You can even start buying gifts earlier in the year and putting them away. Don't let emotions, guilt or marketing determine your spending.

It is ok to say to your friends and family "**I can't afford it**".

Personal Financial Documents

There are many different financial documents you can deal with on a regular basis (e.g., pay statement, T4 slip). Every person should know how to read the information on each document.

The following sample documents can be found on the following pages of this workbook.

- Pay statement (page 23)
- T4 slip (page 25)
- Record of employment (page 27)

Pay Statements

Employer	Big Max's Truck Stop and Convenience				**Pay Period:** 04/09/2012 - 04/20/2012
Address:	P.O. Box 231				**Pay Date:** 04/27/2012
	Bragg Creek NT, X0X 1R1				
Employee	Nathan Traversier				**Employee ID:** 321CBA
Address:	Apt 1-200 Creek Ridge Road				
	Bragg Creek NT, X0X 1R1				
Earnings	**Rate of Pay**	**Hours**	**Current**	**Year to date**	
Regular	$ 25.00	75	$ 1,875.00	$ 15,000.00	
Deductions					
Federal Tax:	$ 300.65			$ 2,405.20	
NWT Payroll Tax:	$ 37.50			$ 300.00	
CPP	$ 92.81			$ 742.50	
EI	$ 34.31			$ 274.50	
Total Deductions	$ 465.28			$ 3,722.20	
Net Pay	**$ 1,409.73**			**$ 11,277.80**	

Employer	Community of Bragg Creek				**Pay Period:** 04/09/2012 - 04/20/2012
Address:	P.O. Box 257				**Pay Date:** 04/27/2012
	Bragg Creek NT, X0X 1R1				
Employee	Brandy Maddison				**Employee ID:** 123ABC
Address:	521 Creek Ridge Road				
	Bragg Creek NT, X0X 1R0				
Earnings	**Rate of Pay**	**Hours**	**Current**	**Year to date**	
Regular	$ 25.00	75	$ 1,875.00	$ 15,000.00	
Deductions					
Federal Tax:	$ 300.65			$ 2,405.20	
NWT Payroll Tax:	$ 37.50			$ 300.00	
CPP	$ 92.81			$ 742.50	
EI	$ 34.31			$ 274.50	
UNION	$ 33.00			$ 264.00	
Total Deductions	$ 498.28			$ 3,986.20	
Net Pay	**$ 1,376.73**			**$ 11,013.80**	

Sample Pay Statement

Pay statements usually contain information such as hours worked, rate of pay, taxes and benefits deducted. These statements should also provide you with the gross and net income of the worker.

T4 Slip

Canada Revenue Agency / Agence du revenu du Canada

T4
STATEMENT OF REMUNERATION PAID
ÉTAT DE LA RÉMUNÉRATION PAYÉE

Year / Année: 2009

Employer's name – Nom de l'employeur: Big Max's Truck Stop and Convience

14	Employment income – line 101 / Revenus d'emploi – ligne 101	48,750.00
22	Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	7,816.92
54	Payroll Account Number (15 characters) / Numéro de compte de retenues (15 caractères)	996787123RP0002
10	Province of employment / Province d'emploi	NT
16	Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	695.50
24	EI insurable earnings / Gains assurables d'AE	
12	Social insurance number / Numéro d'assurance sociale	234 987 654
28	Exempt – Exemption: CPP/QPP, EI, PPIP / RPC/RRQ, AE, RPAP	
29	Employment code / Code d'emploi	
17	Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	
18	Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	786.76
44	Union dues – line 212 / Cotisations syndicales – ligne 212	
20	RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46	Charitable donations – see over / Dons de bienfaisance – voir au verso	
52	Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55	Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56	PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées): TRAVERSIER
First name – Prénom: NATHAN
Initials – Initiales: R

Apt 1-200 Creek Ridge Road
Bragg River, Northwest Territories
R7A 2R1

Other information (see over) / Autres renseignements (voir au verso): Box – Case / Amount – Montant

T4 (10)

Privacy Act, Personal Information Bank number CRA PPU 005, 150 and 125 / *Loi sur la protection des renseignements personnels*, Fichier de renseignements personnels numéro ARC PPU 005, 150 et 12

Canada Revenue Agency / Agence du revenu du Canada

T4
STATEMENT OF REMUNERATION PAID
ÉTAT DE LA RÉMUNÉRATION PAYÉE

Year / Année: 2009

Employer's name – Nom de l'employeur: Community of Bragg Creek

14	Employment income – line 101 / Revenus d'emploi – ligne 101	48,750.00
22	Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	7,816.92
54	Payroll Account Number (15 characters) / Numéro de compte de retenues (15 caractères)	996787123RP0001
10	Province of employment / Province d'emploi	NT
16	Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	2,217.60
24	EI insurable earnings / Gains assurables d'AE	
12	Social insurance number / Numéro d'assurance sociale	123 654 789
28	Exempt – Exemption: CPP/QPP, EI, PPIP / RPC/RRQ, AE, RPAP	
29	Employment code / Code d'emploi	
17	Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	
18	Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	786.76
44	Union dues – line 212 / Cotisations syndicales – ligne 212	858.00
20	RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46	Charitable donations – see over / Dons de bienfaisance – voir au verso	
52	Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55	Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56	PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées): MADDISON
First name – Prénom: BRANDY
Initials – Initiales: J

521 Creek Ridge Road
Bragg Creek, Northwest Territories
X0X 1R0

Other information (see over) / Autres renseignements (voir au verso): Box – Case / Amount – Montant

T4 (10)

Privacy Act, Personal Information Bank number CRA PPU 005, 150 and 125 / *Loi sur la protection des renseignements personnels*, Fichier de renseignements personnels numéro ARC PPU 005, 150 et 125

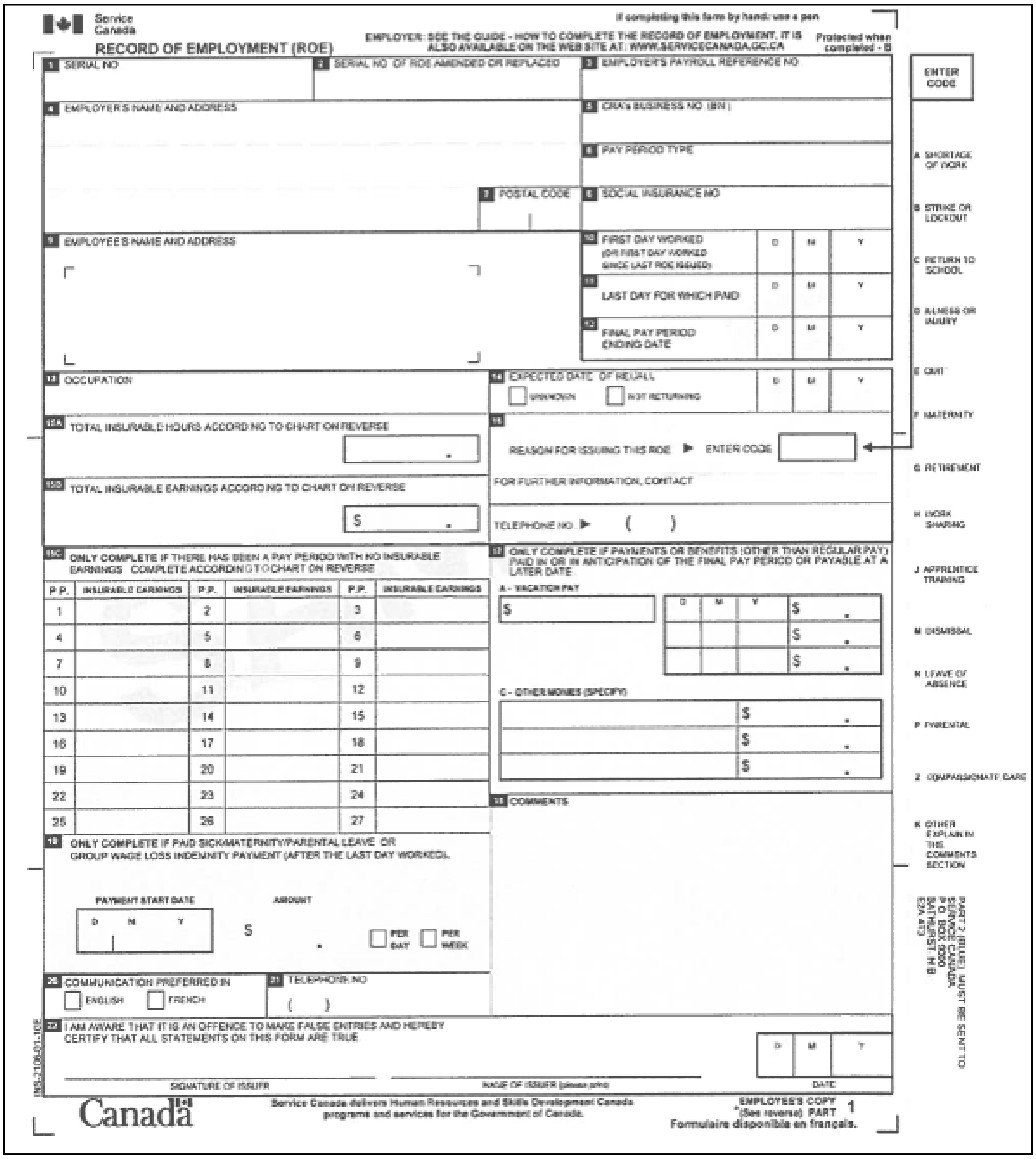
Sample T4

When you are employed by a business, the business will provide you with a T4 slip. This slip provides you with the information you need for filing your taxes with Canada Revenue Agency. It is important to file your taxes because the government uses the money paid by yourself and others to provide benefits such as healthcare, income support and old age security.

As an employee of a business you must receive your T4 by the end of February depending when the last month of the day falls.

By not filing your taxes you may not get a GST rebate and may be subject to fines or interest charges if you owe money!

Record of Employment



Service Canada

RECORD OF EMPLOYMENT (ROE)

If completing this form by hand, use a pen

EMPLOYER: SEE THE GUIDE - HOW TO COMPLETE THE RECORD OF EMPLOYMENT. IT IS ALSO AVAILABLE ON THE WEB SITE AT: WWW.SERVICECANADA.GC.CA

Protected when completed - B

1 SERIAL NO.

2 SERIAL NO. OF ROE AMENDED OR REPLACED

3 EMPLOYER'S PAYROLL REFERENCE NO.

4 EMPLOYER'S NAME AND ADDRESS

5 CRA's BUSINESS NO. (BN)

6 PAY PERIOD TYPE

7 POSTAL CODE

8 SOCIAL INSURANCE NO.

9 EMPLOYEE'S NAME AND ADDRESS

10 FIRST DAY WORKED (OR FIRST DAY WORKED SINCE LAST ROE ISSUED) D M Y

11 LAST DAY FOR WHICH PAID D M Y

12 FINAL PAY PERIOD ENDING DATE D M Y

13 OCCUPATION

14 EXPECTED DATE OF RECALL D M Y — UNKNOWN — NOT RETURNING

15A TOTAL INSURABLE HOURS ACCORDING TO CHART ON REVERSE

15B TOTAL INSURABLE EARNINGS ACCORDING TO CHART ON REVERSE $

16 REASON FOR ISSUING THIS ROE ▶ ENTER CODE

FOR FURTHER INFORMATION, CONTACT

TELEPHONE NO. ▶ ( )

15C ONLY COMPLETE IF THERE HAS BEEN A PAY PERIOD WITH NO INSURABLE EARNINGS. COMPLETE ACCORDING TO CHART ON REVERSE

P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS
1		2		3	
4		5		6	
7		8		9	
10		11		12	
13		14		15	
16		17		18	
19		20		21	
22		23		24	
25		26		27	

17 ONLY COMPLETE IF PAYMENTS OR BENEFITS (OTHER THAN REGULAR PAY) PAID IN OR IN ANTICIPATION OF THE FINAL PAY PERIOD OR PAYABLE AT A LATER DATE

A - VACATION PAY $

D M Y $ $ $

C - OTHER MONIES (SPECIFY) $ $ $

18 COMMENTS

19 ONLY COMPLETE IF PAID SICK/MATERNITY/PARENTAL LEAVE OR GROUP WAGE LOSS INDEMNITY PAYMENT (AFTER THE LAST DAY WORKED)

PAYMENT START DATE D M Y — AMOUNT $ — PER DAY — PER WEEK

20 COMMUNICATION PREFERRED IN — ENGLISH — FRENCH

21 TELEPHONE NO. ( )

22 I AM AWARE THAT IT IS AN OFFENCE TO MAKE FALSE ENTRIES AND HEREBY CERTIFY THAT ALL STATEMENTS ON THIS FORM ARE TRUE

SIGNATURE OF ISSUER — NAME OF ISSUER (please print) — DATE D M Y

ENTER CODE

A SHORTAGE OF WORK
B STRIKE OR LOCKOUT
C RETURN TO SCHOOL
D ILLNESS OR INJURY
E QUIT
F MATERNITY
G RETIREMENT
H WORK SHARING
J APPRENTICE TRAINING
M DISMISSAL
N LEAVE OF ABSENCE
P PARENTAL
Z COMPASSIONATE CARE
K OTHER EXPLAIN IN THE COMMENTS SECTION

PART 3 (BLUE) MUST BE SENT TO SERVICE CANADA P.O. BOX 9000 BATHURST NB E2A 4T3

INS-2106-01-10E

Canada

Service Canada delivers Human Resources and Skills Development Canada programs and services for the Government of Canada.

EMPLOYEE'S COPY (See reverse) PART 1

Formulaire disponible en français.

Sample Record of Employment (ROE)

Whether or not you decide to make an Employment Insurance (EI) claim, an employer must produce a Record of Employment (ROE). This document contains the information needed with regards to insurable earnings and the interruption of earnings.

Depending on the time when an employer is aware of an employee's interruption of wages (e.g., release of employment) an ROE must be provided to the employee on paper or electronically to Service Canada.

More information can be found at:

https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-roe.html

Building a Budget

What Money Comes In?

Now that you have chosen some financial goals and know how money comes in, it is time to come up with a plan to organize your income and work towards achieving your goals. To begin with, you have to know how much money you have coming in.

Take a moment to think about how much income you really have over the period of one year. Sometimes we forget about extra money that shows up from government programs, gifts or even things like garage sales!

Write down all the money you can think of that comes in each month. Be **realistic** – for example, only include your **take home pay** or **net pay,** not your gross pay amount.

It is best to only include money you know will come in – and keep the extra profit from you garage sale for the extra treats!

Budgeting Tip

Replace old incandescent light bulbs with more energy efficient compact florescent lights.   Compact florescent lights are money savers, they last longer.

MONTHLY INCOME – Fill In Your Information Here

Your Take home pay	$ ______________
Partner's take home pay	$ ______________
Other income (gov't cheques, interest, etc)	$ ______________
Part Time Job	$ ______________
	$ ______________
	$ ______________
TOTAL MONTHLY INCOME (NET)	$ ______________

Budgeting On An Irregular Income

It can be hard enough to stick to your personal money plan when you receive the same amount of money every month. But if you have an irregular income due to seasonal work or self-employment, this is even more of a challenge! Some people believe that they can't follow a budget because of their irregular income. The truth is that for them, a budget it is even more important.

Here are some of things that may help if you have an irregular income:

1. Determine your average monthly income

Add up all the income you received over the last 12 months and then divide the total by twelve. This will give you your average monthly income. (You are better off to estimate on the low side. If your income improves, that will be an added bonus, but if things don't go as well, you will still be able to stay on budget.) Use this average amount for your personal money plan income.

2. Separate the money

Only keep enough money on hand for your average monthly expenses. The extra money should be put away in a separate place such as a cash box or envelope. Better yet, buy a money order with the extra cash payable to yourself. You can cash it when you need to use the money.

OR Open up two bank accounts

One account will be used to deposit income. The other account will be your 'operating' account, and will be used for paying your monthly expenses. Transfer only your average monthly income amount into your second bank account each month. This way you can spread the income out over the year rather than spending larger amounts when you receive income and running short in other months.

3. Set up a list for priority spending

You will have certain amounts that must be paid every month—rent, utilities, groceries. For other items such as luxury items or the items on your financial goals list, create a list and put them in order of importance. When you receive extra income, you can refer to your priority spending list to decide how you will use the money.

Budgeting Tip

Make a detailed shopping list before you head out to buy groceries and stick to it. This will help you to avoid buying things that are on 'sale' when you don't really need them. This help you to stick to your food budget for the month!

Let's help Frieda's sister Jenessa prioritize her spending.

Jenessa works as a camp cook. She works mostly during the winter months, when she makes most of her money. She receives a smaller income during the rest of the year though employment insurance (EI) and the occasional catering job. Using the information below, calculate her average monthly income.

Income for the past twelve months:

Jan. – Apr.	$16,000.00	(Camp cook)
May. – Sept.	$6,000.00	(EI Benefits)
Oct. – Dec.	$12,000.00	(Camp cook)
Jan. – Dec.	$2,000.00	(Catering jobs)

Total income: ____________________________

Total income divided by 12 = Average monthly income

__________________ = $ _______________ per month

Jenessa has the following bills that she usually pays every month. Create a priority spending list so she can decide what to pay first, especially for those months when she doesn't have a lot of money coming in. Number these items from 1 – 11 in order of importance.

Cigarettes ____________

Rent ____________

Telephone bill ____________

Utilities ____________

Groceries ____________

Water bill ____________

Cable/Satellite ____________

Liquor ____________

Child care ____________

Truck Payment ____________

Gas ____________

Budgeting Tip

When going to visit friends and family. Walk instead of driving. You will not spend money on gas and it is better for your health. Remember if the weather is bad you should bundle-up to stay warm.

Talking Terms

Fixed Expenses: An expense that rarely changes (e.g., rent).

Variable Expenses: An expense that changes week-to-week or month-to-month (e.g., food).

Where Does the Money Go?

This is a tricky part. Oh sure, you know what your rent payment is each month, and all the other monthly bills, but what about the money you spend on things like gum, cigarettes and renting videos?

In order to get an accurate account of your expenses, (and you need to do this), try recording every penny you spend for 1 month. It will be helpful if you can convince your family members to do this along with you.

Just keep a small notebook in your pocket or purse and make a note every time you spend money. You'll be amazed at where it all goes! (If you can't do this for a month, at least try doing it for a full week—that will still give you a good idea of how much you are currently spending.)

Now, fill out the 'expense' section (on the next page) in your **Personal Money Plan** as best you can.

You may have to change some of the amounts once you get home and take a look at your receipts to see how much you actually spend every month.

Remember, at this point you are not writing down the amounts you SHOULD spend, but the amounts you **ARE** spending. The point of this is just to get a clear picture of the way things are going now. If you are already using a bank account, you may be able to get a good idea of what you have been spending by looking at your past monthly statements.

Budgeting Tip

Comparison shop! Look at buying the cheaper store brand instead of brand name. Store brand is often cheaper than brand name and usually tastes the same.

Personal Money Plan

Income	Current	Budget	Actual	Difference
Take Home Pay				
Benefits (gov't cheques)				
Other				
Total Income				
Basic Home Needs (variable & fixed)				
Rent or Mortgage Payment (including taxes)				
Power				
Heat (gas/oil/propane/wood)				
Services (water/sewer/garbage)				
Property taxes				
Home/Tenant Insurance (monthly cost)				
Maintenance & Repairs (monthly)				
Total Cost				
Transportation (variable & fixed)				
Insurance & Registration (monthly)				
Maintenance & Repairs (monthly)				
Gas & Oil				
Taxi or Public Transportation				
Total Cost				
Living Expenses (variable)				
Groceries				
Clothing and Accessories				
Child Care (day & evening)				
Beverages (alcohol, beer, wine, coffee)				
Phone (land line)				
Cell/Smart Phone				
Cigarettes/Cigars				
Entertainment/Eating Out (newspapers, videos, etc)				
Cable/Satellite/Internet				
Charitable Donations				
Personal Care (glasses, haircuts, prescriptions, etc)				
Other (allowances, sports, clubs, etc)				
Total Cost				
Regular Monthly Payments (variable & fixed)				
Loans or Line of Credit				
Charge Accounts/Credit Cards (monthly payment)				
Vehicle Loan/Lease Payment				
Other (furniture, appliances, computer)				
Emergency Fund				
Savings: Goal 1 ____________________				
Savings: Goal 2 ____________________				
Savings: Goal 3 ____________________				
Total Payments				

Total Monthly Income				
Total Monthly Expenses				
Difference				

Tracking Finances

● ● ● ● ● ● ● ● ● ● ●

Is Your Money Plan Working?

In order to see if your money plan is working, each month you need to review your actual income and expenses and compare them to your **Personal Money Plan.** This will help you to see if there are amounts that need to be changed.

Try doing this for the upcoming twelve months. At the end of each month, record your income and your actual expenses into the worksheet. This will help you to compare your actual costs to your projected costs, and identify areas that can and need to be adjusted.

If you have a bank account and use a debit card to make most of your purchases, you can go through your bank statement each month to see where you spent money.

If you don't have a bank account or prefer to pay with cash, you need to keep all receipts for the money you spend. The easiest way to keep track of what you are spending is to continue to write each item down in a note-book as you spend it.

You can also use a **Spending Tracker** form. This will allow you to identify what you spend money on and what day you spent it. This will take a little extra time, but as you begin to reach your financial goals, you will see that the little extra time this takes makes the difference!

Note:

If you make a purchase that has multiple items and these items belong in different areas of your budget, you can break down your receipt and put the cost in the appropriate section of your budget. Don't forget to keep in mind taxes (e.g., GST) when you are breaking down a receipt for different areas of a budget.

The Spending Tracker can be found on Appendix iii of the workbook.

Budgeting Tip

Do not leave rechargeable items like batteries, cell phones or a cordless phones plugged in longer than they need. When they are plugged in past the charging time it is costing you money for the electricity.

Using the Spending Tracker Worksheet

In order to keep track of the money you spend on expenses each month, you can use the **Spending Tracker** worksheet. This will help you to see where your money is going, and how you are doing at sticking to your budget each month. The **Spending Tracker** has a number of columns describing your typical expense categories and spaces for you to write in the details of each purchase that you make throughout the month.

Try recording the financial activities of Daniel and Frieda to see how they are doing.
Record the following transactions in the **Spending Tracker** worksheet for Daniel and Frieda:

March 1 – $1800.00 (rent)
March 1 – 48.75 (Insurance for truck)
March 1 – $15.00 (gas for truck)
March 3 – $60.10 (telephone bill)
March 3 – $380.78 (groceries)
March 4 – $5.94 (magazine)
March 4 – $109.01 (cable bill)
March 8 – $127.00 (power bill)
March 15 – $450.00 (truck loan payment)
March 15 – $100.00 (local store account)
March 16 – $385.73 (groceries)
March 18 – $15.00 (taxi fares)
March 20 – $28.52 (liquor)
March 21 – 40.00 (bingo)
March 21 – 35.00 (gas for truck)
March 28 – $20.00 (allowance to kids)
March 29 – $104.49 (groceries)
March 31 – $25.00 to Goal 1 (DVD player)
March 31 – $25.00 to Goal 2 (T.V.)
March 31 – $50.00 to Savings
March 31 – $50.00 to Emergency fund

Subtotal all the categories to see where Daniel and Frieda are spending the most of their money.

The Spending Tracker can be found on Appendix iii of the workbook.

Budgeting Tip

Instead of buying all those tools or appliances that you rarely use, borrow or share with friends or family.

You may be able to use someone else's snow blower if you are willing to let them use your snowmobile or ATV. If you plan to do this, make sure you agree on who is responsible for repairs if something breaks before you start sharing.

The Spending Tracker and Budget

Step 1: Add up the columns in the **Spending Tracker** worksheet and write the total for that column on the line below the last entry for the month.

Step 2: Write these amounts in the **Personal Money Plan** worksheet in the actual monthly column. Assume Daniel and Frieda received $4,100.00 in total net income for the month.

Step 3: Subtract the total expenses from the total income to see how much money they have left at the end of the month.

If they have a lot of money left over, they can use this for next month's expenses. If they think they will have enough income next month to take care of the usual expenses, they can choose to spend extra money to pay down more bills or putting more money into savings or towards their financial goals.

Step 4: Have a look at the planned amounts on Daniel and Frieda's **Personal Money Plan** worksheet from before. Did they stay close to those numbers? Did they spend much more or much less than their planned amounts? If so, they may need to change some of the planned amounts to make their budget work more effectively, or they may need to spend less money in certain areas.

What are some changes you think they could make?

1) ____

2) ____

3) ____

4) ____

5) ____

6) ____

7) ____

8) ____

Budgeting Tip

When writing out your financial goals, be sure to include a reason for making the goal. If you remember why you are making the goal in the first place, it will help motivate you to achieve it.

Watching Your Account Balance

By developing a budget to determining your spending you can make decisions on what you can do and plan how to attain your goals. As part of this process it is equally important to keep track of you money in your accounts. This is often called account reconciliation.

A lot of people when using a budget find it easier to arrange the payments of certain bills or payments through auto debit. An important part of using auto debits is that you must stay on top of your finances by watching your account balance. When you do not stay on top of your finances you could bounce a payment or end up in overdraft.

While this is discussed more in **Financial Skills II: Banking and Credit**, what are some of the methods banks have available to you for monitoring your account activity?

1) ____

2) ____

3) ____

4) ____

5) ____

6) ____

7) ____

8) ____

Budgeting Tip

If you plan to take a holiday trip try to go in the off season. Airline tickets, hotels and activities are usually cheaper. The companies would sooner fill a seat at a lower rate than to not fill it at all.

Your Financial Filing System

Now that you‘ve decided to **TAKE** control of your money, you may need to make sure you have an filing system to help you **KEEP** control.

The first step is to organize your paperwork. There are many types of personal filing systems you can purchase through stores, but you do not need anything fancy. All you really need are some file folders or large envelopes and a cardboard box to hold them. “Bankers Boxes” which are usually sold at office supply stores are ideal, but any empty box will do, as long as it is the right size.

The folders you should have are:

1) ______________________________

2) ______________________________

3) ______________________________

4) ______________________________

5) ______________________________

6) ______________________________

7) ______________________________

8) ______________________________

9) ______________________________

10) ______________________________

11) ______________________________

12) ______________________________

Just mark the folders or envelopes for the categories that you need.

Budgeting Tip

Looking for ways to save money? Contact your utility companies for suggestions on how to reduce the cost for heating and electricity. Give them a call or check out their websites. Visit the Arctic Energy Alliance website for additional tips:

http://www.aea.nt.ca/

What Do I Keep and for How Long

Financial documents and income tax returns must be kept for seven years in case the government tax department wants to do an audit. But that does not mean that you must keep every bill and piece of paper you have received for seven years!

Keep receipts for things that you claimed on your income tax returns and bank statements for seven years. There are bills you need only to keep until you receive the next month's statement showing that your last payment was received. This way if you have a concern you can contact the agency to verify if the payment had been credited to your account.

What else should be kept?

- ____________________
- ____________________
- ____________________
- ____________________
- ____________________
- ____________________

What can you throw away?

- ____________________
- ____________________
- ____________________
- ____________________
- ____________________

Word to the Wise

Avoid 'identity theft'! When throwing away old bills, make sure you destroy them so account numbers and personal or financial information can't be read by someone else. Even think about splitting the paper between different garbage containers.

Talking Terms

Gross Debt Service (GDS) Ratio: The percentage on income required to cover the costs that are associated with your home (e.g., rent, heat, etc).

Total Debt Service (TDS) Ratio: The percentage on income required to cover the costs that are associated with your home (e.g., rent, heat, etc) plus other debts that you occur (e.g., credit cards, vehicle payments, etc).

Getting a Grip on Debt

With the increased availability of credit, people are now able to borrow for the items that they used to have to save a long time for. Now with the availability of easy credit, people are ignoring the factors of effective budgeting.

An important question to ask yourself is: ***"Can I afford my lifestyle and how does my needs and wants fit within it?"*** This is especially important if you find yourself challenged with an reduction of income such as a temporary or permanent job loss.

To keep you from drowning in debt something you can do is find out your Gross Debt Service (GDS) Ratio and Total Debt Service (TDS) Ratio. This can help you to find out if you are in a healthy financial position before making any purchase that could put you in financial difficulties.

While GDS and TDS are covered in greater detail in Financial Skills II: Banking and Credit, you should do a personal debt calculation before deciding to make any purchases which will require a payment plan.

Budgeting Tip

Unplug electrical appliances, lights or entertainment systems when they are not being used. Even though the switch is turned off they will still use electricity. This is electricity that you will pay for.

GDS and TDS Formula:

GDS= $\dfrac{\text{(Monthly Housing Expenses) x 100}}{\text{Gross Monthly Income}}$ = should be less than _____%

TDS= $\dfrac{\text{(Monthly Housing Expenses + Other debts) x 100}}{\text{Gross Monthly Income}}$ = should be less than _____%

Note:

Even if you fall below these percentages it is always better to think before buying. Decide if it is a **NEED** or a **WANT** and is it really that important to have it!

Consequences Of Not Paying!

Whether it's taxes or purchasing an item on credit, every person has a responsibility to pay. A person who chooses not to pay will have a difficult life! When a person does not pay or pays late, they may be subject to:

- Interest charges or fees which causes an increase to cost of the item or service.
- Having their property like a truck, boat or snowmobile seized.
- Damage to their credit rating. By having bad credit a person will have difficulty in getting a credit card or a future loan for things like a vehicle or a mortgage for a home.
- Salary garnishment to pay for the service.
- A lien against personal property.
- Dealing with a collection agency.
- If they are a renter, they could face eviction.

Budgeting Tip

Pay day loans are expensive and are only a Band-Aid and can lead to future financial problems. Take your time and think and talk to your bank or financial institution before you commit to unneeded fees.

Payday Loans

A payday loan is short-term loan that is designed to cover expenses between pay cheques (which is normally a two-week period) and allows a person to borrow up to 50% of their pay cheque.

Payday loans are more expensive than other loans because they have a higher interest rate and many service fees. When a person takes a payday loan they are signing an agreement which may include the following:

- Administration and set-up fees
- Broker fee
- Collection fee
- Early repayment fee
- Interest
- Liens against property

Prior to taking a payday loan you should consider what the consequences may be if you do not pay it back within the time you agree upon in your contract.

More information on payday loans can be found at:

https://www.canada.ca/en/financial-consumer-agency.html

Being Prepared

Emergency Fund

Whether there is a loss of employment, a personal medical issue, a vehicle that needs to be repaired or a home emergency such as a failed hot water tank, you may need to have access to money that you would not typically have and therefore you should be prepared. One way of doing this is to develop an emergency fund.

Depending on your lifestyle, whether or not you have children, and the specific situations that you may be prone to, you should look at how big your emergency fund should be, what it will be designed to do and for how long!

When developing a household emergency fund, what are some things you could do?

1) ____

2) ____

3) ____

4) ____

5) ____

6) ____

7) ____

8) ____

Budgeting Tip

If you go out to dinner, instead of having pop, or alcohol, ask for a glass of water. It is cheaper and healthier.

Talking Terms

Estate: What a person owns (money, life insurance, land, vehicles, personal possessions, and household effects). The estate also includes money that may be owing to a person when he/she dies, such as final wages, income tax refunds and Canada Pension Plan contributions.

Executor: The person appointed in a will to administer the estate of a person who has died and ensure the deceased person's wishes are carried out and debts (e.g., taxes) owing are paid.

Public Trustee: A person appointed by the Commissioner of the Northwest Territories who will, in certain circumstances, manage the money, land, and other belongings of people who die without a will or who are incapable of handling their financial affairs. The Public Trustee will also hold money in trust for children under the age of 19.

Budgeting Tip

When researching insurance, itemize your household and try to figure out what the cost would be to replace items. This way you when you talk to an insurance agent or broker; they can help you find the best deal to meet your needs.

Estate Plans and Wills

While nobody likes to think about it, an estate/will plan are important if you wish to protect your loved ones from making difficult decisions. A good plan like a will: can protect your assets; help family and friends to know your wishes; and distribute your possessions in accordance to your wishes.

By not having a will, your estate may be turned over to the Public Trustee.

To avoid this from happening, a will should be made and legally recorded. The best way to do this is by making an appointment with a lawyer. S/he can help to manage your estate by:

- Assisting in the drafting of a will and delegation of an executor; and
- Advise on how to divide your assets to your beneficiaries.

Note:
You should regularly review your will and ensure it is up-to-date. That way any changes are recognized and are recorded (e.g., the birth of a new child or death of a beneficiary). This way there will be less problems for family and friends.

Insurance

Insurance is very important and should be included when planning a personal or household budget. Insurance can give peace of mind and is important and in some cases; such as a vehicle is mandatory.

Whether you own a home or rent an apartment, a person should have the right insurance to protect personal belongings from loss, damage or theft; and protect against liability if somebody is hurt while on your property.

It’s a Family Affair

We have already mentioned that in order for your new **Personal Money Plan** to be successful, you have to consider the needs, wants and values of your family members. After participating in the workshop, we hope you are motivated to start making changes to your personal financial situation. If you came here today with your spouse or partner, you may both want to work on this together. If not, you may have to ‘sell’ the idea to the other people at home. Although you may be excited to start making some financial changes, it is best to start slowly, especially if this is a new step for other members of the family.

It can also be effective to involve the whole family in your new **Personal Money Plan**. This gives you the opportunity to teach other family members good financial habits, and makes it easier to stick with your plan when everyone is motivated to help out. Here are a few ideas for making this budget a ‘family affair’:

Family Goals: Make at least one goal the whole family wants. This will make it easier for the other family members to get into the spirit of staying on budget.

Money Plans for Young Children: Encourage your children to take control of their finances by setting up a weekly or monthly allowance for each of them. The main reason for giving children an allowance is to teach them how to budget for their own goals. Explain to them that they will receive an allowance and that is to be used for their personal spending. They can spend the money on things they want to buy or for entertainment or recreation (movies, game rentals, special treats, etc.). In order for this to be effective, you may have to refuse their requests for these items when they run out of money. However, you will be teaching them a valuable lesson about money management!

Money Plans for Teenagers: If your teenager is earning money through part-time or occasional jobs, help them to create their own personal money plan. Encourage them to set financial goals and set aside money every time they get paid. Even if they only make money babysitting from time to time, and their financial goals are to buy a new video game or a new pair of jeans, they can use the same principles you have learned today about goal setting. If there is a bank in your community and they have regular income, have them to open their own bank account and keep track of their income and expenses. This will give them a great set of skills that will help them in their adult years.

Budgeting Tip

Use the barter system. You likely have skills that are needed by your friends and neighbours that you can trade for services that you require. Trade a haircut for some sewing, do some baking in exchange for some plumbing, etc.

Financial Skills I:
Budgeting

Appendices

Income	Current	Budget	Actual	Difference
Take Home Pay				
Benefits (gov't cheques)				
Other				
Total Income				
Basic Home Needs (variable & fixed)				
Rent or Mortgage Payment (including taxes)				
Power				
Heat (gas/oil/propane/wood)				
Services (water/sewer/garbage)				
Property taxes				
Home/Tenant Insurance (monthly cost)				
Maintenance & Repairs (monthly)				
Total Cost				
Transportation (variable & fixed)				
Insurance & Registration (monthly)				
Maintenance & Repairs (monthly)				
Gas & Oil				
Taxi or Public Transportation				
Total Cost				
Living Expenses (variable)				
Groceries				
Clothing and Accessories				
Child Care (day & evening)				
Beverages (alcohol, beer, wine, coffee)				
Phone (land line)				
Cell/Smart Phone				
Cigarettes/Cigars				
Entertainment/Eating Out (newspapers, videos, etc)				
Cable/Satellite/Internet				
Charitable Donations				
Personal Care (glasses, haircuts, prescriptions, etc)				
Other (allowances, sports, clubs, etc)				
Total Cost				
Regular Monthly Payments (variable & fixed)				
Loans or Line of Credit				
Charge Accounts/Credit Cards (monthly payment)				
Vehicle Loan/Lease Payment				
Other (furniture, appliances, computer)				
Emergency Fund				
Savings: Goal 1				
Savings: Goal 2				
Savings: Goal 3				
Total Payments				

Total Monthly Income				
Total Monthly Expenses				
Difference				

Income	Budget	January	February	March	April	May	June	July	August	September	October	November	December
Take Home Pay	$												
Benefits (gov't cheques)	$												
Other	$												
Total Income	$												
Basic Home Needs (variable & fixed)													
Rent or Mortgage Payment (including taxes)	$												
Power	$												
Heat (gas/oil/propane/wood)	$												
Services (water/sewer/garbage)	$												
Property taxes	$												
Home/Tenant Insurance (monthly)	$												
Maintenance & Repairs (monthly)	$												
Total Cost	$												
Transportation (variable & fixed)													
Insurance & Registration (monthly)	$												
Maintenance & Repairs (monthly)	$												
Gas & Oil	$												
Taxi or Public Transportation	$												
Total Cost	$												
Living Expenses (variable)													
Groceries	$												
Clothing and Accessories	$												
Child Care (day & evening)	$												
Beverages (alcohol, beer, wine, coffee)	$												
Phone (land line)	$												
Cell/Smart Phone	$												
Cigarettes/Cigars	$												
Entertainment/Eating Out (newspapers, video, etc)	$												
Cable/Satellite/Internet	$												
Charitable Donations	$												
Personal Care (glasses, haircuts, prescriptions, etc)	$												
Other (allowances, sports, clubs, etc)	$												
Total Cost	$												
Regular Monthly Payments (variable & fixed)													
Loans or Line of Credit	$												
Charge Accounts/Credit Cards (monthly payment)	$												
Vehicle Loan/Lease Payment	$												
Other (furniture, computer)	$												
Emergency Fund	$												
Savings: Goal 1 ____________________	$												
Savings: Goal 2 ____________________	$												
Savings: Goal 3 ____________________	$												
Total Payments	$												
Total Monthly Income	$												
Total Monthly Expenses	$												
Difference	$												

Spending Tracker

Date																**Date**
Rent or Mortgage Payment																
Power																
Heat (gas/oil/propane/wood)																
Services (water/sewer/garbage)																
Property Taxes																
Home/Tenant Insurance																
Home Maintenance & Repair																
Vehicle Insurance & Registration																
Vehicle Maintenance & Repairs																
Gas & Oil																
Taxi or Public Transportation																
Groceries																
Clothing & Accessories																
Child Care																
Beverages																
Cell/Smart Phone																
Phone																
Cigarettes & Cigars																
Entertainment & Eating Out																
Cable/Satellite/internet																
Charitable Donations																
Personal Care																
Other (allowance, sports, etc)																
Loan or Lines of Credit																
Credit or Charge Cards																
Vehicle Loan or Lease																
Other Credit																
Emergency Fund																
Goal 1																
Goal 2																
Goal 3																