

Income and Expenses

Objectives

In this lesson you will:

- ✓ calculate monthly income
- ✓ look at common types of monthly expenses
- ✓ explain the difference between a need and a want



A **budget** is a plan for spending money. Having a budget and sticking to it can help you stretch your earnings from one paycheck to another. A budget lets you see where your money is going. It also helps you to plan for necessary expenses and to work toward your goals.

Your budget will take into account your income and your expenses. **Income** is any money that you make, including your paycheck and interest income. It also includes any other payments you receive, like child support, part time jobs, or rent from properties that you own. **Expenses** are what you spend money on, like housing, transportation, food, and clothing. Expenses can also include costs like insurance, savings, and loans.

Income

To build a monthly budget, begin by adding up your income. Include any source of income in your budget. If you are paid weekly, biweekly, or semimonthly, you will need to calculate your monthly income.

Fast Facts		
Remember the pay periods.		
Payroll Period	Paychecks per year	Interval
<i>Weekly</i>	52	Once per week
<i>Biweekly</i>	26	Every other week
<i>Semimonthly</i>	24	Twice per month
<i>Monthly</i>	12	Once per month

Example 1

Jonathan gets paid \$1515 biweekly. What is his monthly income?

Solution

First find the yearly income. Multiply the amount of the paycheck by the number of paychecks per year.

$$\begin{array}{r}
 \$ 1515 \quad \text{— amount of paycheck} \\
 \times \quad 26 \quad \text{— number of paychecks per year} \\
 \hline
 \$39390 \quad \text{— yearly income}
 \end{array}$$

Now divide the yearly income by 12 (number of months per year).

$$\frac{\$39390}{12} = \$3282.50$$

Jonathan’s monthly income is \$3,282.50

For planning purposes, we would consider this to be \$3,280.



Calculate the monthly income.

1. \$375 weekly

2. \$625 biweekly

3. \$895 semimonthly

4. \$495 weekly

Example 2

Delores gets a weekly paycheck of \$630. She also owns and rents out a condo for \$850 per month. What is her monthly income?

Solution

\$ 630	<u>\$32760</u>	=\$2730 monthly pay	\$2730
<u>X 52</u>	12		<u>+ 850</u>
\$32,760 — yearly			\$3580

Delores's monthly income is \$3,580.



Calculate the monthly income.

5. Andrew gets a weekly paycheck of \$435. He also gets \$82 in interest income from his savings account.

6. Cora gets a biweekly paycheck of \$1,254. She also gets \$640 in child support.

7. Jamar gets a semimonthly paycheck of \$1,615. He also owns and rents out a house for \$950 per month.

Expenses

Expenses are what you spend money on. The following are some common types of expenses:

- housing
- utilities
- food
- transportation
- clothing
- medical
- entertainment/recreation
- savings
- miscellaneous

Depending on your living situation, you may or may not need to pay all of these types of expenses. Or you may have other expenses that are not listed. For example, if you live with your parents and take college classes, you would not have the expense of housing or utilities, but you would have to pay for school tuition and books.




Mark each item as income or an expense.

- | | | |
|--|---------------------------------|----------------------------------|
| 8. Buy a pair of shoes for \$64.98. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 9. Mow a friend's lawn to earn \$15.00. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 10. Go on a date and spend \$32.75. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 11. Wash parents' car to earn \$10.00. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 12. Buy a gift for a friend for \$13.82. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 13. Run errands for a neighbor to earn \$25.00. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 14. Start a part-time job earning \$125.00 per week. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 15. Buy a magazine for \$4.95. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |
| 16. Pay telephone bill for \$46.63. | <input type="checkbox"/> Income | <input type="checkbox"/> Expense |

Needs vs. Wants

One important part of budgeting is to plan for your needs first and then meet your wants as you can afford them. How can you tell the difference between a need and a want? Needs are the things we need to live comfortably, such as food and shelter. Wants are things that we don't really need, but we would like to have, such as a motorcycle, earrings, or a hot tub.



Mark each item as a need or want.

17. Heat	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want	21. Food	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want
18. Designer clothes	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want	22. Comic books	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want
19. Candy	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want	23. Income	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want
20. Housing	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want	24. Electricity	<input type="checkbox"/>	Need	<input type="checkbox"/>	Want



Practice Problems

Directions: Use a piece of scrap paper or any space available on these pages to work out the answers to these questions. Better yet, see if you can do them in your head – good practice for shopping.

Set A

Calculate the monthly income.

1. \$783 biweekly
2. \$372 weekly
3. \$822 semimonthly
4. \$690 biweekly

Set B

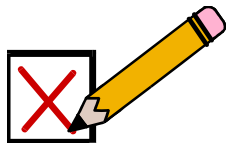
Calculate the monthly income.

1. Li Ming gets a semimonthly paycheck of \$975. She also gets \$104 in interest income from her savings account.
2. Katie gets a weekly paycheck of \$633. She also owns and rents out a condo for \$744 per month.
3. Macario gets a biweekly paycheck of \$840. He also gets \$56 in interest income from his savings account.

Set C

Mark each item as income or an expense.

1. Buy a microwave oven for \$65.80
2. Start a part-time job to earn \$355 per week
3. Pay \$52.82 for the telephone bill
4. Buy a snack for \$1.98
5. House sit for friends while they are out of town to earn \$80.00
6. Pay \$11.53 for lunch



Review

1. Locate and highlight the vocabulary words and their meanings in this lesson.
2. Write one new thing that you learned from this lesson or one question that you would like to ask your mentor.

**ANSWERS TO
TRY IT**

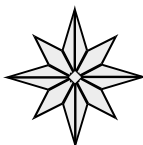
- | | | |
|---------------|-------------|----------|
| 1. \$1,625 | 9. income | 17. need |
| 2. \$1,354.17 | 10. expense | 18. want |
| 3. 1,790 | 11. income | 19. want |
| 4. \$2,145 | 12. expense | 20. need |
| 5. \$1,967 | 13. income | 21. need |
| 6. \$3,357 | 14. income | 22. want |
| 7. \$4,180 | 15. expense | 23. need |
| 8. expense | 16. expense | 24. need |



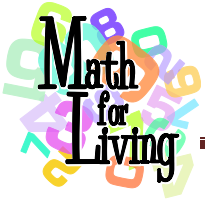
Answers to Practice Problems



- | Set A | Set B | Set C |
|---------------|------------|------------|
| 1. \$1,696.50 | 1. \$2,054 | 1. expense |
| 2. \$1,612 | 2. \$3,487 | 2. income |
| 3. \$1,644 | 3. \$1,876 | 3. expense |
| 4. \$1,495 | | 4. expense |
| | | 5. income |
| | | 6. expense |



End of Lesson



Income and Expenses Pre-Assessment

Date: _____

Name: _____

1. Is a budget a plan for spending your money?

Circle the correct answer.

Yes

No

2. Which of the following is *income*?

- a. interest payments
- b. a paycheck
- c. child support
- d. all of the above

3. Which of these things is a *need*?

groceries

a new car

4. Your rent is considered an *expense*.

True

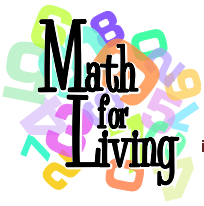
False

5. Is it important to buy everything you want?

Yes

No

Total Correct: _____



Income and Expenses
Post-Assessment

Date: _____

Name: _____

1. Is a budget a plan for spending your money?

2. Which of the following is *income*?

3. Which of these things is a *need*?

4. Your rent is considered an *expense*.

5. Is it important to buy everything you want?

Circle the correct answer.

Yes

No

a. interest payments

b. a paycheck

c. child support

d. all of the above

groceries

a new car

True

False

Yes

No

Total Correct: _____

Why do you think it is important to create a personal budget? (not scored)
