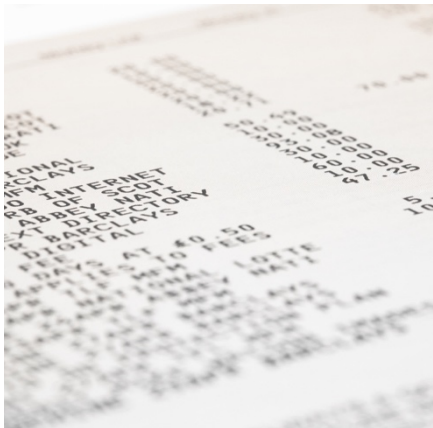




**FINANCIAL  
LITERACY SERIES**

**EACH ONE | TEACH ONE**

## **PARTICIPANT HANDBOOK**



# **Introduction to Basic Budgeting**

An **Each One, Teach One: Financial Literacy** workshop

# What to expect today

Basic money skills are the foundation of a healthy and stable relationship with your money.

## What is financial literacy?

Financial literacy is having the skills, **knowledge** and **confidence** to make good decisions with your money. In other words, it's understanding **how money works** in the world: how to **earn** it, **manage** it, **save** it, **invest** it, **spend** it and **donate** it.

## How to get the best results from the workshop

- ✓ Follow along, participate in all of the exercises and write in this Handbook.
- ✓ Once you're back at home, take some time to go over your notes and highlight the areas you'd like to take action on.
- ✓ Then – take action! Use what you learn to help you achieve your financial goals.

## What we'll cover today

- ✓ What a budget is and why you should create one
- ✓ Tips to help you reach your financial goals
- ✓ Ideas to help you adjust your spending
- ✓ Much more!

## What is one thing you hope to learn today?

## How could the information you learn today improve your life?

# Why should you create a budget?

**Understanding = being prepared, protected and empowered.**

## Exercise

Creating a budget is the best way to help you prepare for your financial future. But what is your financial future? What major purchases would you like to make? What goals do you want to save for? Finding out your financial goals is the first step to creating a budget that will work for you.

Complete the following table to find out **what your financial goals are and why it's important to start working on your budget today!**

FINANCIAL GOAL	WHY?	HOW MUCH SHOULD I SAVE?
I want to save for my child's post secondary education	Because I want my children to have successful careers (and take care of me when I'm old)	At least \$20 000 per child



# Needs vs. wants

Identifying the difference between needs and wants empowers you to choose the wants that are most rewarding to you.

## Exercise

Budgeting well is partly about identifying those expenses that are **needs** and those expenses that are **wants**. To understand how you spend your money, complete the following exercise.

(1) In this box, write down **everything** you've spent money on in the last two weeks. Don't worry if you can't remember all of it, but write down as much of it as you can.

(2) Once you've written down everything you've spent money on, use this box to organize your expenditures into **needs** and **wants**. How do your needs and wants compare?

EXPENDITURE	NEED	WANT

# Let's budget

## Making a budget is simple!

### Exercise

Here is a basic, monthly budget to help you figure out your income and expenses. Take a few minutes to fill out the 'Budget' column for the upcoming month. Then, at the end of the month, fill out the 'Reality' column to see where you need to make adjustments in your spending and/or financial expectations.

INCOME	BUDGET	REALITY
Salary		
Other income		
Other income		
<b>TOTAL INCOME</b>		
EXPENSES	BUDGET	REALITY
Mortgage/rent (with heat and water)		
Transportation		
Phone, Internet, TV		
Groceries		
Debt payments (loans, credit card, etc.)		
Other		
Other		
Other		
Other		
<b>TOTAL EXPENSES</b>		
<b>DIFFERENCE (INCOME minus EXPENSES)</b>		

## Useful resources

This workshop is an introduction and may raise many new questions. The organizations listed here are a good place to go for answers.

### Useful websites

*MoneySense* magazine

[www.moneysense.ca/save/budgets](http://www.moneysense.ca/save/budgets)

The Financial Consumer Agency of Canada

[www.fcac.gc.ca](http://www.fcac.gc.ca)



## Quiz

Why should you create a budget?

True or false: Budgeting for irregular or seasonal income is difficult, so people who make seasonal or irregular income shouldn't bother with a budget.

What are the seven steps that you should follow when creating a successful budget? (Fill in the blanks.)

Step 1: Figure out your monthly income

Step 2: \_\_\_\_\_

Step 3: Calculate the difference

Step 4: Set an achievable financial goal

Step 5: \_\_\_\_\_

Step 6: \_\_\_\_\_

Step 7: Create a new savings account just for your goal

How does setting an **achievable** financial goal help keep your budgeting on track?

List two actions you are going to take within the next week, related to budgeting.

What did you learn today that you are going to share with friends or family?

# Definitions

Financial institution staff sometimes forget that they speak a special language. Never be too shy to ask, “What does that mean?”

**Achieve:** To get or reach (something) by working hard.

**Budget:** A plan used to decide the amount of money that can be spent and how it will be spent.

**Deposit:** Money held in an account at a bank, credit union or trust company.

**Down Payment:** A first payment that you make when you buy something, with an agreement to pay the rest later.

**Expense:** An amount of money that must be spent, especially regularly, to pay for something.

**Financial Goals:** A plan of expenses and investments that will enable particular goals to be reached.

**Goal:** Something that you are trying to do or achieve.

**Income:** Money that is earned from work, investments, business, etc.

**Investment:** Money put into savings in order to gain profit; the use of money in the hope of making more money.

**Need:** Something that a person must have; a necessary. Something that is needed in order to live.

**Profit:** A positive gain from an investment after subtracting for all expenses.

**Savings account:** An account with a bank, trust company or credit union that pays interest on the money you deposit.

**Want:** Something desired or wished for.