

BUDGETING

Ask the group if they understand the meaning of 'budgeting'. Is it a term they are familiar with? Do they know what it entails?

Budgeting is very important. It is the means by which a person keeps a check on their spending and is a valuable money management tool. With a good understanding of budgeting, a person will know where they stand financially and how to make their money last.

Many people decide to look at their finances at the beginning of the year. This is usually because they have spent so much money over the Christmas period. Others may decide to look at their money situation when they are in debt. However, it is much better to start budgeting before you get into a financial mess. So, just how do we draw up a budget?

The first thing to do is to look at your situation. For example, look at the money you have, the money you owe, the things you need to spend money on, how much you earn etc. This isn't always as easy as it sounds and you will need to spend some time planning your budget. You will also need to decide whether you want to set up a weekly or monthly budget planner as this will help you to see where your money is going.

Give out **WORKSHEET 4** and ask the group to keep a diary of their spending for the next two weeks.

Tell them they must include every single penny they spend. They mustn't forget the odd magazine, bag of crisps, chocolate bar, bus fare etc – everything must be written down in their spending diary. This is the only way they will know exactly where their money is going.

After two weeks, ask for volunteers to read out their spending diaries. Did they always remember to enter their spending in their diaries? Are they surprised at how much money they have spent? Where does their money come from (pocket money, Saturday job etc)? Is there anything they bought that they could have done without? In other words, are they prepared to start thinking more carefully about what they spend their money on? Did anyone manage to save anything in the last two weeks? If not, why not?

WORKSHEET 4

MY SPENDING DIARY

Keep a spending diary for the next two weeks. Include EVERYTHING you buy right down to the last penny – every bag of crisps, chocolate bar, magazine, bus fare etc. Enter the details below. At the end of two weeks you can discuss your diary with the rest of the group. Continue on a separate sheet if necessary.

ITEM	AMOUNT

Keep a spending diary for the next two weeks. Include EVERYTHING you spend. Some people may want to continue keeping a spending diary. If so, they can buy a small notebook, preferably small enough to fit into their pocket, so that they can keep a record of their spending on a daily basis. This is a good habit to develop as it will come in useful when they leave school. It is important to keep your notebook with you rather than relying on memory. Unless you enter the amount you spend there and then, you will forget to do it when you get home.

When a young person lives at home, they never have to think about paying the rent, mortgage, utility bills or food bills because these things are done for them. However, one day they will leave home to go to college or university, or they will start work and move into their own home. They will then have to handle their own finances including ensuring important bills are paid as a matter of priority.

It is crucial for young people to get into the habit of budgeting so that they know how to manage their money effectively when they have to fend for themselves. The sooner they understand how to manage money, the easier it will be when they leave home.

To illustrate the importance of budgeting, let's look at the finances of an imaginary person called Paul.

Give out **WORKSHEETS 5/1 and 5/2**.

Allow the group half an hour to complete the income and expenditure table. Explain the meaning of 'surplus' and 'deficit'. When everyone has completed the table, ask the following questions:

- How do you think Paul survives each month?
- Is there any way he can increase his income each month?
- Is there any way he can reduce his monthly outgoings?
- How do you think he will pay for his holiday to Canada?
- Should he be paying the bare minimum on his credit cards?

Ask the group to come up with as many ways as possible for Paul to reduce his outgoings. What do they think of the following?

- Reduce his monthly payment to his parents
- Stop having so many nights out (or stop them altogether)

- Stop spending on CDs/DVDs
- Make a packed lunch each day
- Walk to work and cut back on petrol
- Sell his car (does he really need it?)
- Cut back on magazines, newspapers etc (perhaps he can use the local library and read their newspapers)

How much would Paul save each month if he did all of the above?

Do you think it would be easy for Paul to make changes to his life and the way he uses money?

What do you think would prevent Paul from improving his finances?