Guidelines for writing each unit:

- The writing style should be conversational
- Your online audience will include a wide variety of people, including English language learners. When developing the content, assume you are delivering information to an eager, yet junior, learner.
- Lectures in the classroom are often interactive affairs, where students can immediately ask questions about concepts they don't understand…this is not the case for online content. Common questions should be anticipated and answered within the scripts. Terms should be defined as they are presented within each lecture. (this can be achieved in many ways, with an accompanying glossary, annotated video if it's supported by the platform, or even using on screen graphics)
- Modules are divided into units. If a unit script is longer than a page of typewritten text (~350 to ~500 words), it is probably too long to maintain your learner's attention…Consider reducing to a half-page in length, or evaluate your unit looking for multiple learning outcomes. If you have more than one, edit them apart.
- Read each unit script you write to yourself into a mirror (or better yet, to a smart but non-expert person) If you note any confusion or lack of clarity (or wandering attention), rewrite the content.
- Don't try to write funny, unless you are funny.
- More show / less tell. Leave the telling (heavy writing) for the course notes. Use diagrams or tables as much as possible to explain a concept.
- Use your teaching instincts and lessons learned from previous courses. Focus on what worked well in terms of engaging topics for students.
- When in doubt, write it down. We'll help you find an activity or method to show the same information online.

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Course 1: Personal Budgeting Basics
Learning Outcomes By the end of this module, you will be able to • Define and explain the need for personal budgeting • Explain common impediments in starting budgeting • Perform all the steps in the process of budgeting including setting financial goals, setting up a budget and variance reporting: comparing actuals to budget • Explain successful strategies to continue to maintain a personal budget.
Unit 1: Introduction to Budgeting: Why should you Budget?
Unit 1 Learning Outcomes By the end of this unit, students will be able to : (tie to 1 or 2 of the module outcomes) • Define Budgeting for individuals • List common situations that benefit from budgeting • List some common impediments to budgeting • Understand how this course will help overcome these impediments

Unit 1 Content (Type: video, text, graphics, capstone project, etc.)

1. Script/content (~350 to ~500 words / more show, less tell)

In this module, we will learn about budgeting as a financial tool for individuals. What exactly is budgeting? Who needs to budget and why do more people not budget?

<u>What is budgeting? Some Definitions.</u>
Let's start by defining some important terms in budgeting:

Budgeting is simply a record of your money coming in and going out. It is an estimate of cash inflow (cash coming in) and cash outflow (cash going out) over a set period of time (e.g. a month or a year).

The terms **income** and **expense** are also used in budget terminology, instead of cash inflow and outflow respectively. Income refers to ways we get cash inflow: salaries/wages, tips, scholarships, and any other sources of cash you may have.

Expense refers to cash outflows: rent/mortgage, tuition, food, utilities, entertainment: basically, everything you spend your money on.

A **deficit** is when cash coming in is less than cash going out. If you are spending more than you are earning, you will have a deficit.

A **surplus** is what is left over when cash coming in is higher than cash going out. If you are earning more than you are spending, you will have a surplus. You should aim for a surplus to get some breathing room in the short-term and start on the path to savings.

Idea: Graphic…stick figures, on teeter-totter (seesaw)…students can put in their own numbers for income & expense…when spending $ is more than income, "deficit" sign pops up. Income > Expense > Surplus pops up.

<u>Why Budget?</u>
Budgeting is a personal financial wellness plan. If you make a budget and keep to it, you can steer spending habits in the direction you desire and meet your financial goals. The process of making a budget forces you to look deeper into your earning and spending capabilities and habits.

Budgeting does not mean that you have to cut your spending to barebones; budgeting helps you find the balance of spending and saving **that works for you**. It simply puts you in the driver's seat of your financial life.

A budget can make a big difference in your life in many circumstances. For example, if you:

- Want to save regularly
- Are trying to pay off your debts
- Are stressed or overwhelmed by your finances and do not feel in control
- Wish to make a major purchase or are facing a life event (Government of Canada, 2019)

Benefits of Budgeting: Some Stats

Surveys show that Canadians who budget are less likely to be falling behind on their financial commitments as compared with non-budgeters (8% for those who budget vs. 16% who don't).

People who budget show more effective management of their monthly cash flow and are less likely to spend more than their monthly income (18% vs. 29%) or need to borrow for day-to-day expenses because they are short of money (31% vs. 42%).

Lastly, those who budget are 10 percentage points more likely to be taking actions to pay their mortgages (35% vs. 24%) and other debts (57% vs. 47%) down more quickly (Financial Consumer Agency of Canada, 2019) as compared with Canadians who feel too time-crunched or overwhelmed to budget.

People who budget are more likely to meet their financial commitments and reduce their spending. Budgeting also has indirect benefits such as increased financial confidence which improves performance in other financial aspects.

And the best news is, you can start budgeting at any age and stage of life! It's never too late.

https://www.canada.ca/en/financial-consumer-agency/programs/research/financial-education-budgeting-mobile-technology-follow-up-study.html

Why isn't everyone budgeting then?

Per research by Visa Inc., only 47% of Canadians use a budget to plan their spending while 90% say they have more debt than they did five years ago (Visa Inc., n.d.).

Given all the benefits of budgeting we have learned, why do you think more people do not budget? Surveys of Canadians show the main reason people do not budget is because they feel overwhelmed with managing money (Financial Consumer Agency of Canada, 2019).

Studies show that activities like budgeting are a feedback loop: the more you do them, the more confident you feel in your financial management abilities, and the more dedicated you feel to your budget. It works in reverse too: if you are not confident in your financial management abilities, chances are less that you will attempt activities such as budgeting and so you never increase your financial confidence.

Idea: Show Feedback loop described above in a stick figure cartoon picture. Budgeting results in happy face who then wants to budget. Sad face loops to no budgeting.

Most important takeaway

This course will help you see that budgeting can be a very simple exercise that can be started easily. It needs a small investment of your time to maintain but pays big financial rewards and peace of mind. Budgeting is a very simple process that will help you meet your life goals and positively affect many aspects of your life. It is a form of empowerment that *puts you in the driver seat*.

2. Activity: Questions

A budget is: ___________

(a) A record of money coming in and out *
(b) A special transaction report that is created by your bank
(c) A financial statement prepared by a corporation for its shareholders
(d) A special type of information return filed with the government

Correct: Yes, a budget is a way of recording of incoming and outgoing funds.

Incorrect: A budget is in its simplest form a record of incoming and outgoing funds. It is prepared by individuals for personal use.

What is the purpose of budgeting?

a) Figure out how much you make and have in cash coming in
b) Figure out how much you spend and have in cash going out
c) Both of the above *
d) None of the above

Correct: A budget helps you get an understanding of incoming and outgoing cash for an individual.
Incorrect: A budget should involve and help you understand both incoming and outgoing cash for an individual.

How much should your budget allow you to spend each month?

a) 50% of your disposable and after-tax income
b) 30% of your disposable and after-tax income
c) Only as much as lets you save 30% of your income
d) Each budget is different depending upon personal circumstances and goals*

Correct: Yes, individual circumstances and goals should drive the budget.
Incorrect: There are no hard and fast rules with budgeting. Instead, the exercise is completely based on what the user's circumstances and needs are.

You should start budgeting:

a) Upon retirement
b) When you get your first job out of college
c) When you are fifteen years from retirement
d) Age is not a factor: just start budgeting as early in life as you can.*

Correct: Yes, it is never too late or early to start budgeting.
Incorrect: There are no particular life events that are needed to trigger budgeting.

What might be the most common reason more people do not budget?

a) Perception of too much work
b) Peer-pressure
c) Lack of confidence in one's financial management capabilities *
d) Lack of time

Correct: Yes, many studies show that a lack of confidence in one's financial management abilities is the primary concern listed as a reason for not budgeting.

Incorrect: Many studies show that a lack of confidence in one's financial management abilities is the primary concern listed as a reason for not budgeting.

Now that you know what budgeting is and why is it important, let's talk about the steps involved in budgeting. This will involve making financial goals and a budget and that is the focus of the next unit.

Unit 2: How to Budget? Financial Goals & the Process of Budgeting

Unit 2 Learning Outcomes

By the end of this unit, students will be able to:

- Define personal financial goals
- State the requirements to make financial goals realistic
- Discuss the different timelines of financial goals
- Relate the importance of financial goal creation at start of budget process

Unit 2 Content
When driving somewhere, you need to know where you want to go, right? In the same way, before making a budget, you need to know what your financial goals are.

Financial Goals
Financial goals are simply your plans or purposes in life that are driven by your values, e.g. setting up an emergency fund, paying off a loan, buying a car, etc. These goals don't have to be set in stone; but identifying your priorities before you start preparing a budget gives you the insight and motivation to start budgeting. Which in turn, will start you on the path to meeting your goals!

You need to include three things in your financial goals to make them realistic:
1. Make them specific (both in the goal and the amount),
2. Give them each a timeline,
3. Calculate how much you need to start saving each month to meet the goal in your timeline.

1. **Specificity**: Goals are best when they are specific. So, a goal like "I want to save more" is not helpful as it is not specific. Give yourself a reason why you are saving and then give it a target dollar amount or percentage. A goal of saving $1,200 in the next year to set up an emergency fund is a better-defined goal. Specific goals make it more likely that you will be able to realize them.

2. **Timeline**: Giving goals a timeline is essential to make them happen. As you put a timeline to your goal, you think about how long you need to save and get a good idea of when to expect to meet the goal. The timeline helps keep up the motivation to save. It can be exciting to track your progress, and see yourself getting closer and closer to your goal! Financial goals are said to be short-term, if you can reasonably accomplish it in less than a year, medium-term if it will take two to three years, and long-term for anything beyond that. Short-term goals usually have a small cost. Long-term goals are usually bigger goals with longer-term benefits (e.g, saving for retirement, saving for your children's college, etc.) and anything in between is usually a medium-term goal.

3. **Calculate monthly savings needed**: The last step is to calculate how much to save each month to meet the goal in the timeline you have set for it.

Here is an example of how you can set out your financial goals:

Goal	**Timeline (Estimate)**	**Total Cost**	**Estimate of monthly savings**
Paying off a credit card balance	One year (this is a short-term goal)	$ 600 (Sum includes Interest charges)	Make a $100 payment each month for 6 months
Saving for a vacation	18 months (this is a medium-term goal)	$ 2,400	Save $134 per month
Saving for your child's Registered Education Savings Plan (RESP)	25 years (this is a long-term goal)	$30,000	Open a RESP account at your bank. Save & deposit $100 per month in the account.

Alt text:
You set a short-term financial goal of paying off a credit card balance. You estimate that if you make a $100 payment each month for 6 months, it will cost you $600 total to pay off the card, including interest.

You set a medium-term financial goal of saving for a vacation. You estimate that if you save $134 each month, it will take you 18 months to save the $2,400 total cost.

You set a long-term financial goal of saving for your child's Registered Education Savings Plan (RESP). You estimate that if you deposit $100 per month into the RESP account, you will be able to save a total of $30,000 in 25 years.

As you can see here, the goals are specific with specific costs, timelines, and savings needed per month. Can you see how the savings needed per month was calculated? Yes! It is calculated as the total cost of the goal divided by the number of months in its timeline. It is also important to remember to include any indirect costs (e.g. if saving for a car, you should also include costs for the registration).

Saving for an emergency fund is an example of an excellent first financial goal.

We will talk more about bringing financial goals into your budget in a later part of this unit.

Activity (not assessed, just for student use):

My financial goals are:
1.
2.
3.

Match each goal to the correct timeline. Though some of these goal's timelines may vary based on individual preferences, use your judgement on what is a reasonable timeframe for someone just starting on these goals:

1. The following will be scrambled and provided as one list. Students have to match them to the appropriate timeline (short-term, medium-term, or long-term):
   - paying off one credit card (short-term)
   - reducing your weekly expenses (short-term)
   - starting to build an emergency fund (short-term)
   - paying off your student loans (medium-term)
   - saving to buy a cheap used car (medium-term)
   - paying off all of your debts (long-term)
   - saving to buy a home (long-term)
   - saving to start a new family (long-term)
   - saving to retire (long-term)

Correct: Yes, Financial goals are said to be short-term, if you can reasonably accomplish it in less than a year, medium-term if it will take two to three years, and long-term for anything beyond that.

Incorrect: Financial goals are said to be short-term, if you can reasonably accomplish it in less than a year, medium-term if it will take two to three years, and long-term for anything beyond that.

2. Multiple Choice
   a. Why is it important to have financial goals before you start budgeting?
   - Insight into why you are budgeting
   - Motivation to keep on budgeting
   - Both of the above *
   - None of the above: having financial goals is not needed for budgeting

Correct: Yes, financial goals provide both insight into and motivation for budgeting.
Incorrect: Financial goals provide both insight into and motivation for

budgeting. It is therefore recommended to have financial goals before starting the process of budgeting.

b. Mattie wants to save for a family vacation. She knows it will cost about $3,000 and she has jotted down what changes she can make to her daily spending. What else does she need in her financial goal?

- Specificity
- Timeline *
- Some changes she can make
- Her financial goal has all the elements it should have

Correct: Yes, this financial goal has specificity as well as some specific changes she can institute. Only element lacking is the timeline.
Incorrect: This financial goal has specificity as well as some specific changes that can be instituted. The only element lacking is the timeline.

c. It's a good idea to think about and jot down your financial goals before the budgeting process because:

- It helps motivate you to start budgeting
- It will motivate you to maintain the budget
- It will give direction to the budgeting process and any resulting changes
- All of the above. *

Correct: Financial goals provide insights into as wella s motivation to start and maintain the budgeting process.
Incorrect: Financial goals provide insights into as wella s motivation to start and maintain the budgeting process.

Unit 3: Steps in creating your personal budget
Unit 3 Learning Outcomes By the end of this unit, students will be able to ● List the major steps in creating your personal cash budget ● explain the process of variance reporting (actual vs budget) ● Identify some tools that can be used to budget ● Create and maintain a realistic personal budget.

Unit 3 Content

In the last unit, we discussed how it is important to set out your financial goals. Once you've done that, you can start building a budget. There are three main steps here:

1. Build your budget
2. Analyze your **actual** income and expenses vs. your **budget**, to see where you are not meeting your budget
3. Make life changes to meet your financial goals

First, let us look at how to build a budget and we will explore the last two steps in later units. As mentioned before, budgeting can be a very simple exercise.

We've provided one spreadsheet template to get you started called "the budgets spreadsheet". Alternatively, you can use other tools such as the interactive Government of Canada tool (link provided below).

Fun Fact: Did you know that even some celebrities budget? Yes, famous people like Ed Sheeran, Carrie Underwood and Dave Grohl are fans of living within their budgets! (Lippe-McGraw, 2018)**https://www.cnbc.com/2018/04/24/8-celebrities-who-still-live-on-a-budget.html**

Definitions

Before we start building our budget, here is a question for you: are all expenses equal? For example: does paying your rent and going out to eat have the same priority for you? No, going out to eat is discretionary while paying rent is not. It's important to keep this distinction in mind when budgeting, so let's define the two expense types:

Discretionary expenses: discretionary expenses are those that you control, for example, the expense of eating out, purchase of non-essential items, hobbies etc. These can also be thought of as non-essential expenses or **wants**

Non-discretionary expenses: these are necessary expenses you have limited or no control over, for example, your university tuition, living expenses, health/dental insurance. These are also known as essential expenses or **needs**.

When budgeting, it's useful to separate these two types of expenses, so that you can focus your efforts on discretionary expenses, where you can bring about the most change.

We will use an example of a recent university graduate, Everleigh as we go through all the remaining steps.

Activity: Everleigh has the following expenses each month. Classify each as discretionary vs. non-discretionary:

1. The following will be scrambled and provided as one list. Students have to match them to the appropriate type (discretionary vs non-discretionary):
Eating out (discretionary)
Car payment (non-discretionary)
Vacation (discretionary)
Entertainment (discretionary)
Property tax on home (non-discretionary)
Buying the newest model of a phone (discretionary)

Time period: Budgeting can be done over various time periods: annually, monthly, or even daily. A monthly budget is the most common budgeting period and that is the period we will be using in our examples. It is not too much work to maintain a monthly budget and this budget works well as the time period aligns with utility and credit card/bank statements.

Categorization of expenses: It is helpful to build your budget in categories, especially for the expense items. This helps you organize your budget, spot any trends in your expenses as well as compare your numbers to general guidelines recommended for expenditures in these categories.
The provided template uses the most common categories of expenses.

Build your budget: Making your budget consists of listing a budget line item for each of your income and expense activities and then assigning a budget amount to each. The budget is your best estimate of how much you think you earn (for income) or spend (for expenses) on each item. The following is the process you would use to build your own budget.

You start by gathering your recent pay stubs, bills, and account/credit-card statements. Then you look for a line item in the template for each of your income and expense estimates one by one. For each line item you then make a budget amount. This is an estimate of what you think each item will be per month.

How do you come up with this estimate? Good question. You examine your income sources and bills and come up with a number that you think is a good estimate for each item. If the expense is steady, e.g. you make the same amount every month in salary, you use that as your budget.

If the amount varies from month to month, you can use an average of the past few months. Do not worry too much about finding a correct or exact number. A good estimate is good enough at this point. You would do this line by line for both Income and Expenses.

Income: In this step, we figure out how much money is coming into your life and the timing of cash inflows. This is money you can count on getting every month: if you have a job, your salary/wages are your main source of income. Salary or wages included in your budget should be after-tax amounts as this is the amount deposited in your bank account.

Since we are budgeting monthly, you should include all amounts per month. If you get paid once per month, you simply use the net pay on your last paystub. If your pay schedule is something other than monthly, take your pay after deductions and do the following simple math:

- Weekly cheques: multiply by 4.333
- Every-two-week cheques: multiply by 2.167
- Twice-a-month cheques: multiply by 2
- Irregular annual income: divide the net annual total by number of months worked. For a more robust budget, you can use the lowest monthly income as your monthly figure instead.

If you have secondary sources of income, you list those as well, such as tips, any self-employment/side-hustle income, bursaries/grants, supplements, child/spousal support, income support and any other income.

Knowledge check:

1. Leha's after tax income is $700 biweekly. What is her monthly income?
    a. $3,033.10
    b. $1516.90 (*)
    c. $1400

    ~~Answer: $700*2.167 = 1,516.90~~

Correct: Biweekly income * 2.167 (from formulas above) or $700*2.167 = 1,516.90
Incorrect: Biweekly income * 2.167 (from formulas above) or $700*2.167 = 1,516.90

2. Mr. Rudolph's after tax income is $300 per week. What is his monthly income?
    a. $1299.90 (*)

b. $650.10
c. $600

~~Answer: $300*4.333 or 1,299.99 or round to $1,300.~~

Correct: Weekly income * 4.333 (from formulas above) or $300*4.333 = 1,299.90

Incorrect: Weekly income * 4.333 (from formulas above) or $300*4.333 = 1,299.90

3. Rashid made the following in wages each month after-tax, since getting a job four months ago. What should he use as his monthly income: $1,300 in January, $1,200 in February, $900 in March, $800 in April
    a. $900
    b. $1,050 (*)
    c. $1,300

Answer: Rashid can use the lowest figure $800 from April. Or he can use a monthly average, calculated by adding the four months wages and dividing by the number of months (4 in Rashid's case):
($1,300 + 1,200 + 900 + 800)/4 = $1,050

<u>Expenses</u>: In this step, make budgets for your expenses. You review your monthly expenses from the past by looking at your credit card statements etc. and then estimate the monthly amount for the expenses in your budget.

Example: Everleigh gets $1,200 after-tax income working at her job. She also has a side gig in which she makes about $500 after taxes each month. So she wants to budget her income as $1,200 and $500 from each source. She wants to budget her expenses as follows, based on her recent expense history:
Rent: $550
Groceries: $500
Public transportation: $80
Cell phone: $80
Eating out: $150
Internet services: $30

Let's drag each of the above $ and match them to their place in the table below:

INCOME	Monthly budget
Employment income (Monthly after-tax Salary/Wages)	1200
Any Self-employment/Business/Gig income	500

TOTAL INCOME	1,700
EXPENSES	Monthly budget
Groceries purchase	500
Mortgage/rent	550
Public transportation	80
Cell Phone/Data Bill	80
Internet service	30
Eating out	150
TOTAL EXPENSES	1,390
Net savings Budget	310

Alt text:
Everleigh's net employment income each month is $1,200. She also earns an additional $500 each month through her side gig.

Everleigh calculates her expenses as follows: she budgets $500 each month for groceries. Her rent costs her $550 each month. Public transportation costs $80 each month. Her cellphone and data bill also costs her $80 each month. She spends $30 per month on her Internet service. She also sets aside $150 for eating out.

Once you have completed all the lines above, look at the line item, *Net savings* at the very bottom ~~of the sheet~~.

1. What is the total of all the expenses based on her past spending history?
    a. $840
    b. $1,050
    c. $1,240
    d. $1,390*

This is the Total Income budget minus her total expenses budget or in other words, her budget for Net Savings. Enter it in here:

Everleigh's net savings budget is : ________________. *(Answer is $310)*.

Correct answer: Total revenues - Total Expenses = $1,700 - $1,390 = $310
Incorrect answer: Total revenues - Total Expenses = $1,700 - $1,390 = $310

So, using the example above, we completed Everleigh's income and expense budgets and calculated the net savings budget. Next, we will see how to do the next step in budgeting: comparing actual income and expenses to the budget.

Resources:

- Financial Consumer Agency of Canada: Personal Budgeting Tool https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner-tool?lang=eng
- Financial Consumer Agency of Canada: Budgeting for student life https://www.canada.ca/en/financial-consumer-agency/services/budget-student-life.html
- Mini simulation (target population is teens, but is relevant for post-secondary as well): http://www.themint.org/teens/determine-your-budget.html

Unit 4: Analyzing Budget vs Actual

Unit 4 Learning Outcomes

By the end of this unit, students will be able to : (tie to 1 or 2 of the module outcomes)

- Relate how to track actuals vs budget
- Detail what to look for (variance reporting)
- Know how to incorporate financial goal as a line item in the budget

Unit 4 Content (Type: video, text, graphics, capstone project, etc.)
Now that you know how to complete a personal financial budget, the next step is comparing it to your actual income and expenses.

Analyze Budget vs. Actual

In the last step, we discussed creating a budget by estimating your monthly income and expenses. That step is mostly planning in nature. Now we come to the execution part: tracking your actual income and expenses. It is good practice to analyze your actual performance to your budget every month. It's normal if you find your actual income and expenses were a bit different from what you budgeted. Let's define that:

Variance: When the actual results of your financial activity differ from your budgeted projections, the result is known as a variance. Some variances are to be expected as your budget amounts were simply best guess estimates. However, you should examine your biggest variances that are going in an unwanted direction (i.e. Income is less than budgeted and expenses are more than budgeted).

Example: Remember how we created Everleigh's budget? Now we will enter her **actual income and expenses** for the month which were as follows:

Everleigh's after-tax pay this month: $1,200
Actual after-tax income from side-gig: $300

Her actual expenses were:
Rent: $550
Groceries: $550
Public transportation: $80
Eating out: $150
Cell phone: $120
Internet: $50

INCOME	Monthly budget	Actual for the month (Students drag from above)	Variance (calculation: Actual less Budget)
Employment income	1200	1200	0
Self-employment/Business/Gig income	500	300	-200
TOTAL INCOME	1,700	1,500	-200
EXPENSES	Monthly budget	Monthly Actual	Variance(Actual less Budget)
Groceries purchase	500	550	50
Mortgage/rent	550	550	0

Public transportation	80	80	0
Cell Phone/Data Bill	80	120	40
Internet service	30	50	20
Eating out	150	150	0
TOTAL EXPENSES	1,390	1,500	110
Net savings	310	-	-310

Alt text
Everleigh's net employment income each month is $1,200. She also budgets an additional $500 each month through her side gig. However, her actual income from her side gig this month is $300. This means that her total monthly income is $1,500, not the $1,700 she has budgeted for.

Everleigh calculates her expenses as follows: she budgets $500 each month for groceries. However, she ends up spending $550 on groceries. Her rent costs her $550 each month. Public transportation costs $80 each month. She budgets $80 for her cell phone and data bill, but ends up spending $120. She budgets $30 per month on her Internet service, but ends up spending $50. She also sets aside $150 for eating out. Everleigh has budgeted for total expenses of $1,390 a month, but this month she has spent $1,500. This is $110 more than she budgeted. She has also earned $200 less than budgeted. In total, Everleigh saves $310 less than budgeted.

Once all the numbers have been entered, you should see that Everleigh earned $200 less than budgeted and she spent $110 more than she budgeted, so that in total she saved $310 less than budgeted.

Making and tracking your budget and actuals every month is just as simple as what we did in this example for Everleigh. However, since in the real world you would have more expenses, you might want to use a tool such as the template provided, which contains instructions on how to use it. Using such a tool helps you categorize expenses, graph your performance and budget for the whole year. *Link to Google spreadsheet.*

<u>What to look for when analyzing your actuals to budget</u>
When you compare your actual income to the budget, you check the following: did you make as much in income as you thought you would? If not, what factors are in your control to increase income? There might be different ways you can do this depending on your life circumstances and the economy: work more hours, start a side-gig, find scholarships to apply for, etc.

When you compare your actual expenses to the budget, again focus on the unwanted variances, for example, when you are spending more than you budgeted. Look for the following in your analysis:

- How did you do overall?
- If you have a deficit: where are your biggest negative variances, for example, where are you over-spending the most? Are these discretionary costs and, if so, can you reduce their consumption?
- If it's a non-discretionary cost, is there a trend and does it mean your budget for the item was not enough and needs to be increased?
- Which categories are you biggest variance in? ie where are you overspending/underspending in and what is the trend?

Asking yourself these questions will help identify which categories and expense line items you might be able to find some savings in.

Timing of analysis: The sooner you notice a budget variance, the sooner you can analyze it and identify potential problems and remedies. As such, it is better if you can do your analysis as soon as you have all your actual information for the month, such as the first week of the next month.

If there is a variance, it is either because your estimate was off, or some macro factors (i.e. big events affecting the economy) changed unexpectedly. If your estimate was inaccurate, knowing that can help you improve your budget. If a factor beyond your control has changed unexpectedly, then you can assess whether you need to adjust or make changes to your budget.

For example, the budget you'd initially set for gas expense is based on your recent gas expenses. However, if the cost of gas suddenly went up, your actual expenditure is going to be higher than what you budgeted. So, for future months, you can either increase the budget for gas (and find some other savings to offset that) or choose a lifestyle change such as reducing the amount you drive. So, examining variances as soon as you can helps you stick to your budget in the long run.

When revenues come in lower than budgeted, the variance is known as a negative variance. When actual revenues come in higher than what was budgeted, the variance is known as a positive variance.

When expenses come in lower than budgeted, the variance is known as a positive variance. When actual expenses are higher than budgeted, the variance is known as a negative variance.

Activity

1. Chloe budgeted to earn $1,500 this month. This month, she earned $1,250. What is the income variance?

- 1,500

- 1,250
- A positive 250
- A negative 250 *

Correct answer: Actual earning was less than budgeted. So this is a negative variance, calculated as $1,500 - $1,250=$250 negative variance.
Incorrect answer: Actual earning was less than budgeted. So this is a negative variance, calculated as $1,500 - $1,250=$250 negative variance.

2. Tyrone budgeted to spend $230 on groceries but ended up spending $350. What is the most likely cause?
- He bought more expensive groceries than he budgeted
- He bought more groceries than he budgeted
- Groceries became more expensive due to some unforeseen event
- It could be any of the above. Tyrone has to analyze further to understand the variance. *

Correct answer: All of the above could be contributing to the variance. More analysis is needed to find the cause.

Incorrect answer: All of the above could be contributing to the variance. More analysis is needed to find the cause.

3. If Mrs. Singh spent too much on her phone charges, the budgeting approach mandates that she has to reduce her phone spending.
- True
- False *

Correct answer: The variance could have legitimate reasons. If Mrs. Singh believes this to be an appropriate expense, she has the option to readjust her budget, increase the budget for phone expenses and reduce the budget for another expense she can reasonably reduce.

Incorrect answer: The variance could have legitimate reasons. If Mrs. Singh believes this to be an appropriate expense, she has the option to readjust her budget, increase the budget for phone expenses and reduce the budget for another expense she can reasonably reduce.

Final step: Incorporate your financial goals

Once you start managing your income and expenses well, the goal is to consistently spend less than you make. When you start to see a surplus consistently, we can move on to the last step.

Remember the financial goals you'd written down at the start of this budgeting module and estimated a monthly savings amount to meet the goals? In this last step, we bring those financial goals into your budget. Saving for a vacation or saving for a child's Registered Education Savings Plan, whatever financial goals you pictured for yourself at the beginning, this step lets you to actually build them into your budget.

Using Everleigh's example again, she has one financial goal: To set up an emergency fund of $2,400 by saving $200 each month for 12 months. So now, we would add one more line item in the budget as saving for Emergency fund, so that Everleigh's budget now looks like the following:

INCOME	Monthly budget
Employment income	1200
Self-employment/Business/Gig income	500
TOTAL INCOME	1,700
EXPENSES	Monthly budget
Groceries purchase	500
Mortgage/rent	550
Public transportation	80
Cell Phone/Data Bill	80
Internet service	30
Eating out	150
Savings for Emergency fund	200
TOTAL EXPENSES	1,590
Net savings	110

Alt-text
Everleigh's net employment income each month is $1,200. She also earns an additional $500 each month through her side gig. Her total monthly income is $1,700.

Everleigh calculates her expenses as follows: she budgets $500 each month for groceries. Her rent costs her $550 each month. Public transportation costs $80 each month. Her cellphone and data bill also costs her $80 each month. She spends $30 per month on her Internet service. She also sets aside $150 for eating out. Finally, she budgets $200 for her emergency fund. Everleigh's total expenses amount to $1,590. This means she has a net savings budget of $110 each month.

If you were doing this in a real-world, ongoing budget, you would do this step of incorporating financial goals into your budget when you have already been budgeting for a few months and have already identified which categories you can save some money in. So now, you would reduce your budget where you see potential to decrease spending (most likely in non-discretionary areas) so that your budget still balances, i.e. expenses do not exceed income.

Now that we have looked at all the steps in the process of budgeting, tracking your actual performance budget, and incorporating financial goals into the budget, next we will look at the behavioural aspects of budgeting. What are some of the hurdles of continuous budgeting, how you can overcome them and what are some resources that you can use in the process?

Unit 5: How to keep the habit of budgeting Using & monitoring your budget

Unit 5 Learning Outcomes

By the end of this unit, students will be able to : (tie to 1 or 2 of the module outcomes)

- Exemplify how you plan to keep the habit of budgeting
- Describe common challenges of maintaining an ongoing budget
- Identify a support group: who can you talk to comfortably to make yourself accountable?

Unit 5 Content

<u>Benefits you will see from Budgeting consistently</u>

Budgeting is an iterative process: you start on the first step and move through all the steps, only to begin at step 1 again for the next month . At first, budgeting takes mental effort and may seem like a chore, but soon it becomes easy, natural, and a part of your lifestyle.

Remember, the process of putting together and maintaining a budget is just as important as the final product of a budget, as it's the process that gets you looking into the details of your financial life. If you take the time each month to go over your bills line by line, you become more aware of your spending habits. Then, you will very likely find opportunities to change your spending habits for the better, for example by using a public transit pass more and driving less.

Once you start seeing trends in your spending habits, you will be able to identify quick wins (things you can achieve easily). The goal is to end up with a surplus (positive cash flow) at first, and then grow that surplus over time.

Therefore, if any discretionary item really sticks out, you can see if you can reduce its consumption. For example, the coffee you purchase every day is an easy discretionary item to cut out or reduce or substitute with much cheaper home-made coffee you can take with you. Here are some examples of how small daily purchases can cost you in a year:

	Daily Cost	Annual Cost (based on seven purchases per week)
Chocolate bar or snack	$2.70	$986.00
Morning coffee or pop	$2.50	$913.00
Takeout lunch	$10.00	$3,650.00
Pack of cigarettes	$13.00	$4,745.00
Parking	$11.50	$4,198.00

Alt text:
Purchasing a chocolate bar or snack costs $2.70 per day, but buying one seven days a week will cost you $986.00 annually.
Purchasing a coffee or pop costs $2.50 every day, but buying one seven days a week will cost you $913.00 annually.
Ordering takeout for lunch costs $10.00 per day, but will cost you $3,650.00 annually if you purchase it seven days a week.
Purchasing a pack of cigarettes costs $13.00 per day, but will cost you $4,745.00 annually if you buy a pack seven days a week.
Paying for parking costs $11.50 per day, but will cost you $4,198.00 a year if you do so seven days a week.

You may also discover other savings: maybe that sports package you got during football season but forgot to cancel; maybe you are paying for unlimited internet whereas your actual usage is much less; maybe you will discover a line item on one of your bills that does not make sense.

Knowing about these issues, you call the company and dispute the charge or negotiate your bill. You may not be getting the best deal that they offer, or you may be getting charged for some services that you are not using. Budgeting helps you dig deeper into your spending habits that can bring savings!

Committing to the Habit: Just like developing any other habit or skill, budgeting may be hard at first. It is a commitment of your time and energy. If your finances are not in excellent condition, it may be a mentally tough exercise to put yourself through. However, the trick is keeping in mind the reason you are budgeting. As we discussed earlier in this lesson, budgeting puts you in the driver's seat in your life: budgeting helps you map out your financial direction and helps you move towards your financial goals. As you budget, you will get the satisfaction of seeing how you are working towards your financial goals and aligning your everyday decisions with your values and priorities.

Also, like any skill or habit, it gets easier. Do it without fail for a few months, and watch it get easier!

Idea: visual: detective with magnifying glass poring over words like "budget," "surplus," "financial harmony."
Support/stakeholders: An important thing to keep in mind as you start to budget is that you're not alone in your budget planning. You have support in multiple places: your family, your friends, your instructors at college, your financial adviser, accountant etc. Discuss what you are doing with these trusted sources and continue talking with them as you go through the process. They may be able to provide additional insights into how you can keep up the habit of budgeting and achieve your financial goals today and in the future.

Family: If you have your own family, it is important that the whole family be involved in the budgeting process and resulting decisions. If you have children, involving them is also advisable. Though parents naturally do not want to expose their children to financial anxieties, financial literacy starts at home. So, including them in discussions of budgeting and the process of looking at bills etc. will give them the background to be financially literate and responsible in their own lives when they become adults.

Budgeting is a developed habit; if you continue doing it, it will become a natural part of your life. In the long run, you will become deliberate about the way you spend and save money, ensure your spending is aligned with your values and priorities, and you are well on your way to financial empowerment!

That's it! With this knowledge under your belt, you are ready to start on your own exciting budgeting journey!

Activity Multiple choice:

1. Once you have made a budget, you are done. Now you know what your budget limits are, the process of budgeting is complete.

- True
- False*

Correct answer: though making a budget is the lion's share of work, entering and analyzing your actual performance and detail is just as important and where most of the benefit of budgeting will come from.

Incorrect answer: though making a budget is the lion's share of work, entering and analyzing your actual performance and detail is just as important and where most of the benefit of budgeting will come from.

2. Budgeting is a tough exercise that will require significant ongoing time commitment.
- True*
- False

Correct answer: Though budgeting does require time commitment, it is actually a very simple exercise that you do not need to know accounting or technological skills to master. The time commitment is steeper when you start budgeting and decreases as you become familiar with the process (and becomes more enjoyable too!)

Incorrect answer: Though budgeting does require time commitment, it is actually a very simple exercise that you do not need to know accounting or technological skills to master. The time commitment is steeper when you start budgeting and decreases as you become familiar with the process (and becomes more enjoyable too!)

3. Who can be your advisors/support in the process of personal budgeting?
- Your family
- Trusted mentors
- Your accountant
- All of the above *

Correct answer: All of these parties can make for good stakeholders who can support you as you start and maintain the habit of budgeting.

Incorrect answer: All of these parties can make for good stakeholders who can support you as you start and maintain the habit of budgeting.

End of Module Knowledge Check

1. Budgeting is an estimate of cash going out over a set period of time.

Answer: False. Budgeting is an estimate of both income (cash coming in) and expenses (cash going out) over a set time period

2. Budgeting is a short-term activity.

Answer: False. Budgeting aims for secure financial positioning in both the short and long term. A budget allows us to see where we are financially today, while helping us achieve our goals for the future.

3. The only important product from the budgeting exercise is the budgeting document showing actual vs. planned income and expenses.

Answer: False. Though the budgeting document is important, also critical is the process of budgeting itself. As you budget, you get familiar with your income and expenses: how often and how much you are making/spending, where are the quick wins, what the trend has been etc.

4. A surplus means income exceeds expenses and a deficit means Expenses exceed income.

Answer: True. When your expenses are higher than your income, that is a deficit. A “surplus” is when income is higher than expenses during the period.

5. A variance is when the actual revenue and expenses differ from month to month.

Answer: False. A variance is when actual revenue/expense is different from the budget.

Scenario: It is January and Carlo is planning to start his university education next year. He has only one financial goal: save $6,000 in the next 12 months to start university. Carlo currently makes $1,800 per month after all deductions and taxes.

His budget is as follows:

Income (after-tax)	$	1,800
Room rent (includes utilities)	$	500
Groceries	$	300
Transit	$	200
Clothes/Grooming	$	100
Eating out/entertainment	$	200
Phone/Data	$	50
Uber	$	150

Total Expenses	$	1,500

What should Carlo write his financial goal as?

- Save $300 per month
- Save $500 per month
- Save $300 per month for 12 months to set up a savings fund for university
- Save $500 per month for 12 months to set up a savings fund for university*

Detailed answer: Savings of $6,000 over 12 months =6,000/12 or $500 savings needed per month. A financial goal should have a timeline and state specifically what the saving is for.

How short is Carlo's savings from his monthly goal?

- $500
- $300
- $200 *
- He is on target

Detailed answer: Current savings of $1,800-1,500 =300 is $200 less than his goal of saving $500/ mo.

What can Carlo do to start moving towards his financial goals? ______________
Possible answers:
Reduce discretionary items eating out: $200 and Uber: $150
Find ways to increase his income
Analyze his budget vs actuals and detailed bills to find where savings are possible.

After his first three months of budgeting, Carlo discovers he always goes overbudget on his phone bill by $20. What are his options:

- Reduce phone/data usage
- Increase budget for phone expense
- Increase budget for phone expense and reduce another non-discretionary budget
- I & III *

Detailed answer: I & III: Carlo can try to reduce usage but does not have to and can increase the budget for his phone, as long as he can find room to decrease the budget elsewhere

Reference materials

- **Attached Excel Template:** This template was created for this course and follows all the steps mentioned here. The template can be done using the monthly tab when following along, and there is an Example tab provided for your reference. Once you are comfortable using the tool, you can start using the "For Full Year" tab, where you can compare your actual to budgets as well as see your actual spending trends graphically.

- Financial Consumer Agency of Canada: Personal Budgeting Tool https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner-tool?lang=eng

Canada, F. (2019, March 01). Budget Planner. Retrieved October 01, 2020, from https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner-tool?lang=eng

- Government of Alberta https://alis.alberta.ca/explore-education-and-training/pay-for-your-education/financial-literacy-for-students-it-s-an-investment-in-your-future/

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Links to current News items on budgeting

- https://www.newswire.ca/news-releases/students-experiencing-income-disruption-at-double-the-rate-of-adults-due-to-covid-19-cibc-poll-886212356.html
- https://ca.finance.yahoo.com/news/millennial-money-lessons-learned-while-102815297.html
- https://www.businessinsider.com/personal-finance/budgeting-hack-helped-my-family-build-emergency-fund-2020-6
- https://www.businessinsider.com/personal-finance/financial-planner-reasons-people-fail-at-budgeting-2020-6
- https://business.financialpost.com/personal-finance/taxes/four-reasons-why-you-should-be-using-excel-to-track-your-budget

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