

Personal Finance Budget Project Student Instructions

The purpose of this assignment is to teach you how to budget and track your expenses in relation to your income. This assignment is to be completed with your current real income and expenses. It must be done individually (just like the real world of personal finance) and is due at the beginning of class on _____. Follow the instructions provided in this handout.

You will need to turn in (1) an Excel spreadsheet detailing a **personal monthly budget for the next 24 months** (January 2020 to December 2022) and (2) a **written explanation and detailed account** of each section of the budget. The budget will contain a mix of past expenses and revenue along with future projections to help make it as realistic as possible.

Your budget should be based on a detailed analysis of the following variables:

Housing costs: Include your anticipated rent, electric, water, gas, cable, telephone, and any other expenses associated with housing. You must factor in where you plan on living if you will graduate during this time span.

Auto costs: Include car payments and insurance payments, and budget for oil changes every three months. If you don't have a car but will need to buy one in the next two years, then factor this in. Research not only your monthly payment costs based on the car you want but your insurance costs as well. You should also budget your monthly gas costs.

Debt: Include any credit cards you currently have. School loan payments should be accounted for. If these have not yet kicked in, but will before the two years of this budget ends, then factor them in under the correct month in which they will begin to incur. Note that a student can typically defer payments for the first six months out of college.

School loan payments: Start with the total balance of your school loans once consolidated. For this assignment, you must determine a likely interest rate (include in the paper where this information was found—sources include www.salliemae.com and www.bankrate.com/brm/rate/calc_home.asp). From that rate, determine the likely monthly payment on your loan given that you will have up to 10 years (120 months/payments) to pay it off). Also determine when the loan will be repaid in full (this decision will obviously affect your monthly payment and interest rates). Your budget can be based on prospective minimum monthly payments or higher payments if you want to repay the loan sooner.

Most banks will have college loan information on their websites; in addition, the federal government has loan programs that should have interest rate information.

Retirement: How much will you contribute from your salary to some type of retirement account each month? Factor a monthly retirement account contribution in the form of a 401 K/403 B contribution or a straight IRA contribution (if you wish). This money is removed from your salary pretax. Note: Typically the maximum monthly contribution limit is 5% of an individual's salary. (If the place you work provides

1 From G. Fried, T. DeSchraver, and M. Mondello, 2020, *Sport Finance Web Resource*, 4th ed. (Champaign, IL: Human Kinetics).

matching contributions, you will want to factor this in. Otherwise, account only for money you put in yourself.)

Additional savings and investments: Discuss where additional savings or investments will be allocated. Hopefully you will have some money remaining after your budget is complete to place into a savings fund for emergencies when you need cash quickly. If you do make investment decisions with this money, explain in detail where it is going (stocks, mutual funds, bonds, money market, and so on).

Health insurance: This may be provided by your employer and will be deducted from your check. Show the deduction in your budget between the gross income and taxes and net income. If you will be under 25 and on your parents insurance during this two-year period, you can indicate that as a no-cost item.

If not provided by your employer, **YOU MUST** search for a personal provider and discuss in your paper the reasons for choosing the plan you did. **YOU MUST** budget for health insurance one way or another.

Note that you are required to include a copy of the plan details and costs with the paper, whether it is from your employer or purchased individually.

Sources: Independent Health, Blue Cross Blue Shield, and so on. Another important source is the Affordable Care Act (ACA) commonly referred to as Obamacare. Information on such health care coverage costs can be found at <https://www.healthcare.gov>.

Taxes: Determine how much money you will have remaining after Uncle Sam and the great state of New York (or wherever you'll be living at the time) take their cut. Thus, both your gross income and your net income should appear in this budget. Look up the tax brackets and rates to calculate how much will be taken from you based on your claimed deductions. (In your paper, discuss where you found this information and how you calculated it. Do not simply read it from your paycheck.)

Sources of information:

- www.quicken.com (use the Turbo Tax to calculate)
- www.savewealth.com (great site for many financial questions)
- www.irs.com
- www.raymondjames.com
- www.taxact.com (tax-filing site)

Miscellaneous living expenses: Hard costs are easy to account for each month (e.g., the cable bill, the rent). A bill is typically provided that must be paid. Soft costs are harder to budget and account for because most people do not put aside money to use each month for this intended purpose. Soft costs include the following:

- Food (Account for two types: groceries and eating in restaurants.)
- Gas (Factor in gas for the drive to and from work each day, as well as leisure driving and any planned trips in certain months, such as holidays.)
- Clothing (When will new clothing for work or leisure be purchased? Budget for it.)
- Furniture (Need a couch? TV? Mattress?)
- Recreation (Typically, we factor this in under entertainment or leisure time; you may list it in your budget however you wish. BUT, you must account for your recreational expenses ahead of time. How much money will be spent on clubbing, buying beer or cigarettes, going to the movies, traveling, and so on? Create separate columns to factor in each of these costs.)

Paper

The paper portion of this assignment should include two or three paragraphs per topic (the various revenue and expense categories you listed). Thus, the paper should be three to six pages, 12 point, Times New Roman, double spaced. You should focus on explaining the rationale for the numbers you used, how you might try to increase revenue, how you might try to reduce expenses, and so on. The paper should explain how you established your budget. Will it be sufficient to meet your needs? For instance, explain where your food budget will be spent (going out often or cooking at home). Do the same for the other expense categories. Wrap up your paper with a well-written conclusion that ties everything together. Include at least one paragraph, after the conclusion, that addresses your feelings about the value of this assignment to you.

Budget

The budget must be done as a spreadsheet (Excel or Quicken). It should include the following:

- Short descriptions of all expense items in separate rows
- Gross income
- Health insurance
- Taxes
- Net income per month on its own row
- Savings accumulated per month (for fixed interest, the interest should be calculated in)
- Columns indicating the months of the year for the next 24 months

To the extent possible, this budget should show some progress toward making your way out of the student loan and credit card debt you've accumulated, as well as toward putting away money (savings and retirement) for those rainy days or even for buying a house or new car.

The sample Excel budget that has been included with the student web resource shows you how to set up your budget. Use this sample as a master for your own budget. This is only to be used as a guide and you should develop your own customized budget.