

Lesson 15: Being Financially Responsible

iPhone, \$ opt

Recall: → Saving Before Buying
(Defer consumption)
wait

→ How Long? → consider salary: \$
→ Deduction \$
→ Bills / Expense... \$ in debt.

LESSON 15: BUDGETS AND CALCULATING HOW LONG TO DEFER CONSUMPTION Do (Q2) ✓ (Q4)

Question 1: This is Shannon's monthly budget when she was a student at Western University and working part-time at Mykonos restaurant. **How much money was she able to save each month?**

Definition: Expenses: Money that you owe/use to buy things

----MONTHLY BUDGET----

Revenue	
Salary	366
Allowance	160
CPP (government)	500
Total Revenue:	\$ 1026

Expenses	
Fixed Costs	
Rent	500
Hydro	30
Variable Costs	
Food	300
Taxi	240
Total Expenses:	\$ 1070
Budget's Surplus/Deficit	T.R. - T.E. - 44 \$

$T.R. = 366 + 160 + 500$

$T.E. = 500 + 30 + 300 + 240$

Definition: Revenue -- Money you make/receive -- \$ coming in

∴ she was not able to save money because she has a deficit.

Bills that go up or down depending on activity.

Definition: Surplus a positive amount of money that you still have after paying your expenses. \$ you could save. Good to have a surplus

Definition: Deficit (a bad thing/to be avoided) a negative amount of money that you still owe after using all of your revenue towards expenses. You're going into debt. You own somebody money.

Part B: Realistically Calculating How Long to Defer Consumption Considering Revenue, Deductions and Expenses (Surplus/Deficit)

Question 1: Sara has saved \$700 for a trip to Costa Rica. The plane ticket costs \$980. She makes an hourly salary of \$12.50 and works part-time at 10 hours per week. She gets paid every two weeks and her payslip shows deductions totalling to \$97.50.

job # (dictionary).

In addition to her part-time work, she babysits and that brings in an extra \$150 every month. She lives at home with her parents, but each month she has to pay \$40 for her car insurance and her phone bill costs \$50 a month. She usually spends an average of \$30 a month to go to the movies. She has a weekly budget of \$50 for food.

a) How much money can she save each month? *= 2 weeks ..*

----SEMI-MONTHLY PAYSIP----

Earnings of period			
	Units	Rate	Amount
Job x	20hr	12.5	250

Summaries	
Gross Salary	250
Deductions	97.50
Net Salary	152.50

bank 152.50 \$ every 2 weeks

= 4 weeks ..

----MONTHLY BUDGET----

Revenue	
Salary	<i>2 x 250 = \$500</i>
<i>babysit</i>	<i>\$150</i>
Total Revenue:	650

Expenses	
Fixed Costs	
insurance	40
phone	50
Variable Costs	
food	<i>50 x 4w = \$200</i>
movie	30
Total Expenses:	320
Budget's Surplus/Deficit	\$330

455 - 320

↳ she could save per month

b) Calculate how many more months she needs to work to save up enough to buy the plane ticket.

$$\text{How Long} = \frac{RPR}{\text{rate}}$$

$$= \frac{280}{135 \text{ / month}}$$

$$RPR = \text{cost} - \$ \text{ saved}$$

$$RPR = \$280$$

$$= 2.07 \text{ months}$$

c) Calculate how many more weeks she needs to work to save up enough to buy the plane ticket. *That is, convert 2.07 month to weeks.*

$$\frac{2.07 \text{ month}}{1 \text{ month}} = \frac{x \text{ weeks}}{4 \text{ weeks}}$$

U E E

rate.

$$1 \text{ month} = 4 \text{ weeks}$$

$$4(2.07) = \left(\frac{x}{4}\right)4$$

Solve for x by isolating it. Isolate x by performing opposite/inverse operations to both sides.

$$8.28 \text{ weeks} = x$$

moving on at p.w.

Do section B Q2 (Q3/Q4/Hmk)

Revenue
 Finding a Percent % (of Gross Salary)
 ↓ whole
 parts

⊙% are equivalent
 to fractions (same but different form)
 → part
 → whole

Identify what to Increase or Decrease in a Budget to be Financially Responsible

→ what should you highest expense be?

Rule of Thumb:
 not a exact rule/
 science/
 measurements

Recall:
 you got 40
 out of 50 on
 exam. What your percent?

$$\% = \frac{\text{part}}{\text{whole}} \times 100\%$$

$$\% = \frac{40}{50} \times 100\% = 80\%$$

- Deduction/retirement 3.5%
 of G.S.
- Rent/housing 25% of
 - 30% G.S.
 or
 total
 revenue

Part C: Calculating An Unknown's Percent of Gross Salary

Question 1: Find what percent the deductions represent of the gross salary. **Comment** this portion of the budget.

----SEMI-MONTHLY PAYSLIP----

Summaries	
Gross Salary	1,125
Deductions	?
Net Salary	843.75

Step i. find unknown parts / deductions.

$$NS = GS - DD \quad \text{true}$$

$$NS + DD = GS$$

$$DD = GS - NS$$

$$DD = 1125 - 843.75$$

$$DD = 281.25 \$ \quad \leftarrow \text{part of G.S.}$$

Step ii. find percent:

$$\% = \frac{\text{part}}{\text{whole}} \times 100\% \quad \leftarrow \text{dd}$$

$$\% = \left(\frac{281.25}{1125} \right) \times 100\% \quad \leftarrow \text{G.S.}$$

$$\% = 25\%$$

(a little low)

Do Q2 of part C. LIS.

$$\rightarrow 45\%$$

Question 3: Find what percent the rent represents of the ~~gross salary~~. **Comment this portion of the budget.**

----SEMI-MONTHLY PAYSLIP---- *total revenue.*

Summaries	
Gross Salary	520
Deductions	202.80
Net Salary	317.20

----MONTHLY BUDGET----

Revenue	
Salary	634.40
CPP ✓	500
Total Revenue:	1,134.40

whole →

Expenses	
Fixed Costs	
Rent	? .
Internet	40 .
Variable Costs	
Food	250 .
Gas	200 .
Total Expenses:	1,020 .
Budget's Surplus/Deficit	114.40

1020

$$\begin{aligned} \text{Rent} &= \text{TE} - \text{other expenses} \\ \text{Rent} &= 1020 - (40 + 250 + 200) \\ \text{Rent} &= 530 \leftarrow \text{part} \end{aligned}$$

$$\begin{aligned} \% &= \frac{\text{part}}{\text{whole}} \times 100\% \\ \% &= \frac{530}{1134.4} \times 100\% \end{aligned}$$

too high
 → get smaller apt
 → get a roommate
 → live w parents

$\% = 47\%$

*finish handout!
 check answers.*