

A Salary-Based Budget

In this activity you will:

- choose a potential career path
- determine your take-home pay
- set aside money to pay yourself first
- try your hand at an independent adult's budget
- and then reflect on the process of budgeting.

STEP 1:

Open the [Salary-Based Budgeting](#)¹ worksheet, then click

- File → Make a copy
- Name your worksheet “LAST NAME, FIRST INITIAL Budget”
- Close the original Salary-Based Budgeting worksheet

Use your copy of the worksheet to record all the work for this project.

¹[How To: Entering & Editing Data](#)

STEP 2:

Visit My Next Move's [Career Search Tool](#). To locate the salary for your future career:

- Select the relevant industry for your future career
- Click on your future career (or closest option if not listed)
- Under *Job Outlook*, click on *Local Salary Info* and enter the zipcode of the city you want to live in after college
- Use the median value in the given salary range for that city.
 - *Remember, these are averages, so you could start lower or higher in reality.*

Once you find your career, record the salary as your **Annual Gross Wage** on step 2 of your budget worksheet.

STEP 3:

Calculate your *monthly* Gross Wage.

$$\text{Gross Wage (monthly)} = \text{Annual Gross Wage} / 12$$

Record on your budget spreadsheet.

**While “wage” and “salary” are different (in how you are paid), for this activity both refer to the money earned from working*

***From this point on, you’ll use MONTHLY amounts for all budget entries.*

STEP 4:

Use the ADP [Salary Paycheck Calculator](#) to find your Net Pay (the wage you actually take home each month, after deductions). To do the activity correctly, choose the state you'll be living in and then use these values:

Gross Pay = Your Gross Wage (monthly) → PER PAY PERIOD

Pay Frequency = Monthly

Use 2020 W4 = Yes

Federal Filing Status = single (unless you're married)

Leave all other values as they are.

Record “Net Pay” on budget spreadsheet under “**Net Wage (monthly)**”

STEP 5:

“Pay yourself first” by putting aside a percent of your net salary into a savings account. Choose one of the percents below, and calculate how much you’ll be saving off your net salary.

5% → this is low, but better than nothing

10% → this is a good goal for your first career; increase later

15% → terrific savings goal!

Savings = Net Wage (monthly) * % savings (remember 5% = .05)

STEP 6:

It's never too young to start saving for retirement. You want to set aside another portion of your net salary to put toward retirement.

5% → this is low, but better than nothing

10% → this is a good goal for your first career; increase later

15% → terrific retirement goal!

Retirement = Net Salary (monthly) * % retirement (5% = .05)

STEP 7:

Calculate the total amount you're saving each month.

Total Monthly Savings = Monthly Savings Account + Monthly Retirement

STEP 8:

Calculate the monthly amount you have to budget.

***Savings is NOT an expense; it's the money you're setting aside for your own future. However, it's also money that you shouldn't spend on other things each month, so it gets taken out BEFORE you do your monthly budget.*

Monthly Amount to Budget = Net Salary (monthly) - Total Savings

STEP 9: RENT

To determine how much you will spend on rent, choose the type of living situation you see yourself in.

Option A: Live at home

Option B: Live in an apartment/house *by yourself*

Option C: Live in an apartment/house *with roommates*

Go to the slide for your choice to determine your rent cost.

STEP 9A: RENT (Live at home)

Option 1: If you're planning to live at home or with other relatives, estimate how much they're going to charge you per month. Better yet, ASK! **Do not assume they'll let you live rent free!** Record the answer in **Monthly Rent**.

If you're planning to live on your own or with roommates, continue on.

STEP 9B: RENT (Live in an apartment/house *by yourself*)

If you want to live completely on your own, use the [Zumper Average Rent Tool](#) to calculate your **Monthly Rent**:

1. Input the city you would like to live in after college.
2. Scroll down to Rent Trend and select STUDIO or 1 BEDROOM
3. Click on the latest data point
4. Enter this value for your **MONTHLY RENT**

STEP 9C: RENT (Live in an apartment/house *with roommates*)

Option 3: If you are willing to live with roommates (\$ saving!), use the [Zumper Average Rent Tool](#) to calculate your **Monthly Rent**:

1. Input the city you would like to live in after college.
2. Scroll down below all the apartment listings to see a graph of Apartment Rent Prices and select # of bedrooms based on total number of people living there (you + roommates)
3. Click on the latest data point
4. Calculate your **MONTHLY RENT** using the formula below.

Monthly Rent = rent price / # of people living there

STEP 10: Renter's Insurance

You want to have renter's insurance, to cover replacement of your belongings in case of theft or apartment-wide damage (flood, fire, etc).

Unless you have a lot of expensive stuff, you can budget \$20 for **Renter's Insurance**.

STEP 11a: Utilities

- If you're living with family, they may expect you to chip in full or partial amounts. (*Ask what you owe*)
- If you're living on your own, you've got to *pay the full costs*.
- With roommates, you get to split a lot (but not all) of these costs.
 - *Remember to divide those bills by the # of people!*

STEP 11b: Utilities

Cable/Satellite (Choose 1)

Broadcast TV	\$0
Internet TV streaming	\$45
Basic Cable	\$80
Premium Cable	\$125

Cell Phone (Choose 1)

2 GB Data	\$45
Unlimited Data	\$75

Internet

Average Cost	\$38
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Home Phone

Average Cost	\$20
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Gas/Electric

Average Cost	\$163
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STEP 12:

Calculate your total monthly budget for the cost of living.

Cost of Living = Rent + Renter's Insurance + Cable/Satellite +
Internet + Home Phone + Mobile Phone + Electricity/Gas

STEP 13: Public Transportation (Buses, Trains, etc.)

- If you're living in a city that allows you to get where you need via **Public Transportation**, and you're not going to have a car at all, use one of the figures below:

New Orleans, Los Angeles	\$90	Honolulu, New York	\$135
Chicago	\$105	Washington, DC	\$195
Miami, San Francisco	\$120	I'm going to use a car instead	\$0

****If you will only use public transportation, skip to Step 18**

STEP 14: Car Payment

- If you're going to have a car, choose one of the following **Car Payments** (3 year loan, 4.75%):

\$8,000 car -- \$240/mo	\$10,000 car -- \$300/mo	\$15,000 -- \$450/mo
\$20,000 car -- \$600/mo	\$30,000 car -- \$900/mo	\$45,000 -- \$1340/mo

***If you are using public transportation, you pay \$0 for a car*

STEP 15: Car Insurance

National average for auto insurance is \$1,621 per year (\$136 per month) and the minimum coverage is \$676 per year (\$56 per month). You must be insured!

STEP 16: Car Maintenance

Assume \$100 per month -- some months will be \$0, but some will be expensive!

STEP 17: Gas

Estimate how many miles you'll drive per day and use this chart to find your gas prices (based on \$2.82/gallon and 23.6mi/gallon):

Miles Per Day	Monthly Cost of Gasoline
25	\$90
35	\$126
45	\$162

STEP 18:

Calculate your total monthly budget for transportation.

Cost of Transportation = Public Transportation + Car Payment +
Car Insurance + Car Maintenance + Gas

STEP 19:

Choose which meal plan you're likely to follow for the cost of
Groceries:

	Thrifty	Low Cost	Moderate Cost	Liberal Cost
Females	\$167	\$211	\$259	\$332
Males	\$188	\$242	\$303	\$373

STEP 20:

Choose which plan you're likely to follow for the cost of **Dining Out**:

	\$10/meal	\$15/meal	\$20/meal	\$30/meal
1 meal/week	\$40	\$60	\$80	\$120
2 meals/week	\$80	\$120	\$160	\$240
3 meals/week	\$120	\$180	\$240	\$360
5 meals/week	\$200	\$300	\$400	\$600

STEP 21:

Calculate your total monthly budget for food.

Cost of Food = Groceries + Eating Out

Calculate the cost of your insurance

STEP 22: **Health Insurance** - \$440/month

STEP 23: **Dental Insurance** - \$30/month

STEP 24: **Vision Insurance** - \$18/month

STEP 25: Haircare/hair appointment

If you already know how much you pay for a haircut / hair appointment, enter it. If you're not sure, use the US averages:

Men \$28 Women \$44

***If you only get a haircut / hair appointment every 3 months, divide the cost by 3.*

STEP 26: Other Grooming/Hygiene

Everyone's different, but let's assume \$25/mo for other hygiene, medication, grooming, or personal needs.

STEP 27: Gym Membership

Remember, the first step to wealth is health!

If you don't workout, or you do it free outside or at home, \$0.

Otherwise, assume \$58/mo for a gym membership.

STEP 28:

Calculate your total monthly budget for health.

Cost of Health = Health Insurance + Dental Insurance + Vision Insurance + Haircuts + Other Grooming/Hygiene + Gym Membership

STEP 29: Student Loan Payments

If you did not go to any post-high school schooling, or you somehow did so without any student loan debt, congrats on paying \$0/month!

Otherwise, choose your best estimate based on how much debt you'll have when done with college or other post-high school education:

Debt	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
Monthly Loan Payment	\$115	\$230	\$345	\$460	\$575

STEP 30: Discretionary Spending

So far, your budget is neglecting FUN STUFF (clothes, going out with friends, entertainment, new technology, gift giving, donations, travel, vacations, a morning coffee, etc).

In the **Wants** category, record how much you'd *like* to be able to spend on these items (total) per month.

STEP 31: Monthly Spending

It's time to figure out how much you're spending each month:

**Total Costs = Cost of Living + Transportation + Food + Health +
Student Loan + Wants**

STEP 32: Balance

At the end of the month, how do your finances look?

- Do you spend *less* than you earn? You have a surplus, or money left over -- that's good!
- Do you spend *more* than you have in your budget? You have a deficit, or expenses not covered by your earnings -- that's bad!

Balance = Monthly Amount for Budget - Total Costs

Reflection

Now that you've done the budget once through, you have a basic understanding of the components of a typical adult's budget.

Follow your teacher's directions to discuss and/or write down your answers for the reflection questions on the following slides.

Use your Salary-Based Budgeting Worksheet and this presentation as reference.

Part I: Net Salary

1. How did you choose your career?
2. Now that you've seen your preliminary budget, reflect on your career choice and the lifestyle you may be able to live as a result. What might be the benefits or challenges?

Part II: Savings Strategy

3. How much did you decide to save (in savings and in retirement), and why did you make these choices?
4. After seeing how your final budget turned out, do you think you should be saving more or less than you originally chose?

Part III: Spending Habits

5. When you look at your overall spending, which categories did you spend the most and least on?
 - a. Does this surprise you?
 - b. Why or why not?

Part IV: Surplus or Deficit

6. In the end, does your budget end with a surplus or a deficit?
7. What decisions did you make about your budget that led to that final outcome?

NOTE: If your budget ended with a deficit (you were spending more than you were taking home each month), this is not sustainable. You would need to redo your budget until your net income covers all of your monthly expenses.

Part V: Summary

8. Identify two lessons you learned by completing this salary-based budget.