

# FLY WITH THE WIND!

## Engaging Inuit Youth in the Canadian Economy

### Budgeting The What and Why of Budgeting

What is budgeting and why is it important? Budgeting is simply tracking what you spend (expenses) and what money you are making (income). Hopefully these two things are at least equal to each other. If they aren't, then you are either going into debt (spending more than you bring in) or you are saving (spending less than you bring in). By making a budget, you will be taking an important first step in understanding where your money goes, how much money you need to cover your costs and how to start saving some extra money.

You should aim to save more than you spend. Savings are great because they can provide you with a "rainy day" or safety fund. Savings can be used to help you with unexpected expenses, such as repairing a vehicle, or help you build up money to buy something bigger, like building a business or going to college. Savings help you deal with things that cost a lot of money or to help reduce the impact of surprise expenses.

This basic budget will give you an idea of how to develop your own. Budgets are usually planned on a monthly basis. There is an example below. More copies of the practice budget can be found online at [www.iwbn.ca](http://www.iwbn.ca) or in the IWBNI toolkit.

### Listing Your Income

The first, and usually the easiest part of budgeting, is figuring out what and how much your income sources are and when the income is paid. Income sources include money from working, which usually comes every two weeks in the form of a paycheque. Other common forms of income can be child support payments from government, employment insurance (EI) payments; (EI provides temporary financial assistance to unemployed Canadians who have lost their jobs); social assistance payments and investment income, (investment income is the action or process of investing money to make a profit) such as interest from bank accounts. Older people would include their pension income such as Old Age Security and Canada Pension Plan (CCP) payments. (CCP provides pension and benefits when you retire at age 65). If you are not working yourself, but have a partner who is working, include their income in your monthly budget as well.

To figure out how much you get a month, determine when you get your income. Most employees get paid every two weeks. In this case, to get a monthly total multiply your "net amount" by 2.167. Your net amount is what is left after all the deductions are made from your paycheque; it is the amount you actually take home. Multiply by 2.167 as there are several months when you get three cheques in a

month. For other types of payments, use the following formulas. They may look a little tough but it is quite easy, especially if you use a calculator. Determine your pay after all deductions, and then use the following chart to figure out what your monthly take-home pay is:

**For cheques you get once every week: multiply by 4.333**

**For cheques you get twice every month: multiply by 2**

**For cheques you get every two weeks: multiply by 2.167**

**For cheques you get once a year: Divide the net total by 12**

For example, if you had a job that paid you \$500 every two weeks and a child tax credit of \$250 a month, your monthly income would be \$1,333.50. We get this total by multiplying \$500 by 2.167 which equals \$1083.50. Then we add the \$250 for the child tax credit and get the total - \$1083.50 + \$250 = \$1,333.50. Enter the two income sources in the monthly income section of the budget table below.

### Listing Your Expenses

There are two kinds of expenses for most people – those that are regular and don't change much, and those that are more irregular. You need to identify these to complete your budget.

Regular expenses are those that you pay every month and can include telephone bills, rent or mortgage payments, heating and electricity bills, car payments, food, child care, cable and Internet charges, fuel for vehicles and more. Don't forget to add an amount for things like entertainment. After all, life isn't just about budgeting, right? Many of these expenses are around the same amount every month so this will make it easier for you to plan ahead. Put these expense figures in the monthly expenses section below. (Some people put an amount for savings into their monthly expenses. This helps them regularly take money from their income and put it aside as savings).

Irregular expenses are things that are only paid every few months or maybe even once a year. For example, some people pay their car and home insurance once a year. Other costs to include in this category are clothing, repairs for vehicles, gifts and camping/harvesting supplies. You may not know how much you are going to spend on some of these items, but think back to what you have spent in past years and give your best guess. For those once-a-year expenses, divide by 12 to get a monthly amount. Put these figures in the irregular section below.



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#### Totaling Your Budget

Now for the fun part. Take the three totals you have completed (income, regular expenses and irregular expenses) and put those totals in the right boxes in the table below. Take your income amount and subtract your regular expenses amount to get a total. Then subtract the irregular expenses from the new total to get a negative or positive amount. If you end up

with a negative number, it means you are spending more money than you are bringing in. You will either have to reduce your spending or increase your income. If the number is positive, you are spending less than your income and gaining some savings. Remember savings are good! They can help you deal with emergencies and unexpected expenses and help you save for important things like education or starting/expanding a business.

#### MONTHLY INCOME

(List your family's income after deductions)

Wages or salary	
Wages or salary (partner's)	
Child tax credit	
Other monthly income	
Other monthly income	
<b>Total Monthly Take-Home Income</b>	

#### MONTHLY EXPENSES

Housing (rent, mortgage)	
Utilities	
Power	
Telephone/Cell	
Water or sewer	
Internet/Cable TV	
Other Household Costs	
Food and Grocery Items	
Transportation	
Gasoline	
Insurance	
Taxi	
Other	
Personal Items	
Entertainment	
Other	
Savings	
Other Monthly Expenses	
Child care	
Family care	
Other	
Debt Payments	
Loan/Credit Card	
Other	
<b>Total Monthly Living Expenses</b>	

#### IRREGULAR EXPENSES

Irregular expenses occur one or more times a year, but not every month (example: birthdays, clothes).

List how much money you will need over a year for these expenses. To get a monthly amount, divide your total for the year by 12.

Clothing	
Adults	
Children	
Insurance	
Health	
Life	
Property	
Vehicle	
Medical Fees	
Education	
Taxes	
Maintenance	
Vehicle	
House	
Other	
Gifts/Holidays	
Vacations	
Birthdays	
Special Occasions	
Camping/Harvesting/Hunting Supplies	
Other	
<b>Total Irregular Expenses</b>	

Divide the total by 12 to get your monthly amount for irregular expenses

#### CALCULATE YOUR BALANCE

Total monthly take-home income	
Subtract: Total monthly expenses	
<b>Subtotal</b>	
Subtract: Monthly irregular expenses	
<b>Total: Amount left for extra saving</b>	

If your income minus your expenses equals a positive amount, you have money that could be put towards extra savings. These savings could be used to start or grow your business.

If your income minus your expenses equals a negative amount, you need to review your budget to find ways to increase your income or reduce your expenses.



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