



## **Budgeting for Teens – Take Control of YOUR Money Today!**

*At some point in your life, I'm sure you've wanted something that your parents just wouldn't buy for you and that you couldn't buy for yourself simply because you didn't have the money. So what do you do? The options are to give up on the dream of owning those new clothes, concert tickets, IPOD, computer or car OR simply to **SAVE** and **BUDGET!***

*Having a savings plan and a budget can help you save for both short-term financial goals (like buying a computer) and long-term financial goals (like saving for university or towards your first car).*

*Some people think of budgets as denying themselves of things they want. But the opposite is actually true. Basically, a budget is just a **PLAN**. When you budget, you're spending on paper, and on purpose (for instance, before the month begins). Sticking to a budget means you waste less money on little things you hardly notice, like sweets, drinks, pizzas or games and save more for the bigger, important items you really want.*

*Think of it as, having a road map to guide you to your destination (in this case, your destination is the payment for the items or tuition you've saved up for).*

So let's look at how to **CREATE A BUDGET**.

### **1. Track your spending**

*The first thing you need to do is to think about where you spend your money, and this can be achieved by keeping track of your spending for one to two weeks (using the sample "MoneySmart Tracking" Sheets on page 4 and 5). You'll be amazed at how a little bit spent 'here and there' adds up to an awful LOT!*

### **2. Estimate your income**

*Identify where you get your money from (e.g., from pocket-money, part-time jobs, gifts, benefits etc) and just how much you receive. Note that the money you earn or receive may vary from month to month, so it is worth doing this exercise on a monthly basis.*

**TIP:** *If your money is earned from a part-time job, make sure that you base your earnings on the money that you actually take home and not on your salary or hourly rate. Don't forget that income taxes and national insurance may be deducted from what you earn.*

### **3. Decide on your budget categories**

*Refer to your MoneySmart\_Spend\_Tracking Sheet to help you with this exercise. Look for common items that can be accounted for under a single category. For example, you may want to group school lunches, snacks and eating out with friends under the food category. Other categories may include school supplies, books, gifts, clothing, toiletries, make-up/cosmetics, mobile phone top-ups, entertainment/recreation, transportation (bus fare or train fare), etc. The key is to organise your expenses by what makes sense for you.*



#### **4. Decide on your spending for each category**

Now you need to decide on how much money you will spend in each category. Look back on the one to two weeks of spending that you tracked to get a realistic idea of how much you spend on some of these items. If there are some things that you had not bought during that period (e.g., a monthly travel card), you'll need to do some research, and include an estimate in your budget.

Don't forget to account for money that you plan to **SAVE**. I usually recommend the **10:10:10:70 Money Management Principle**, which simply involves:

- Donating 10% of your money to a worthy cause or charity.
- Saving 10% of your money for a rainy day (that is, for an emergency or unexpected expense) or towards buying that iPod, bike or special or gift that you have always wanted.
- Saving/Investing 10% of your money towards your future (for example, long-term saving towards your university tuition fees, first car or flat/house). Believe me, the earlier you start saving, the better.
- Spending 70% of your money on day-to-day expenses such as cinema tickets, school lunch, books, mobile phones etc.

However, if you need to buy something that costs more than the total amount you would get by just saving 10% of your income, you could increase your savings and reduce your spending by giving up on one or two of your regular expenses (This is called Prioritising).

You need to be realistic about your spending, what you can afford to save, invest and donate. Spending money is not a bad thing! You just need to be aware of what you are spending your money on (in order to help you determine if you are spending wisely and getting your money's worth), and to ensure that you are also making your money **WORK FOR YOU**.

#### **4. Keep track of everything you spend**

Keep tabs on everything you spend - even the littlest things, as these small things can really add up. Also keep track of your monthly totals so you can gauge if you are spending according to plan.

#### **5. Finally, adjust your budget to fit your spending needs**

If you find that you have not budgeted enough money for a certain category, you can shift your monthly budget to reflect your spending pattern. However, remember that if you increase one category you need to decrease another.

Most importantly of all, don't forget to:

- Discuss your savings plan with your parents, if applicable – as they may be able to give you advice, suggestions, encouragement and a bit of extra cash if they're really impressed with your commitment and progress.
- Approach this task diligently and patiently – remember that it won't be perfect the first time round. **Be patient** and give it a few months to really start working!



***With a savings plan, a budget and a healthy dose of patience, you'd be surprised at how quickly your buying power will grow.***

### **AVAILABLE RESOURCES**

*The MoneySmart: Money Management Toolkit for Teens is an excellent resource for helping you develop great financial habits that will last a lifetime.*

*In today's world of rising debt and easy credit, it will help you develop a more responsible attitude towards money by teaching basic and essential financial principles that will help you manage your money better. The toolkit comes with a ballpen, automatic opening calculator (with an alarm clock) and the Money Management workbook for Teens which contains instructions and guidelines on goal setting and budgeting, and guides you through 12 months of tracking all the money you get, spend, save and donate. Each workbook has **detailed instructions, comprehensive sample pages** and is **easy to use**.*

Why not check it out at [www.MoneySmartWorld.com](http://www.MoneySmartWorld.com).



**MONTH 1:**..... **YEAR:** .....

**MONEY I HAVE SPENT OVER A \_\_\_\_\_ WEEK PERIOD**

DAYS/EXPENSES									DAILY TOTALS { \$, £ or € }
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
ITEM SUB-TOTALS									
<b>PAGE SUB-TOTAL</b>									
<b>CONTINUE ONTO THE NEXT PAGE.....</b>									



MONTH 1:..... YEAR: .....

**MONEY I HAVE SPENT OVER A \_\_\_\_\_ WEEK PERIOD {Page 2}**

DAYS/EXPENSES								DAILY TOTALS { \$, £ or € }
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
ITEM SUB-TOTALS								
<b>PAGE SUB-TOTAL</b>								
<b>NOW ADD THE SUB-TOTAL FROM BOTH PAGES AND THIS IS HOW MUCH YOU HAVE SPENT THIS MONTH...</b>								