

# Budgets

## day 2

### Credit Cards

- convenient
- credit limit depends on
  - age, job, salary,
  - amount of time you had the credit card
- pay bill once a month
- interest is very high (20+ %)
- only use the credit card for purchases that you know you can pay for when the bill comes

## What other ways can you purchase items?

- Cash
- Cheque
- Lay-Away
- Installment
- Loan

## Sample Credit Card Statement

### Credit Card Statement

<u>ACCOUNT NUMBER</u> 123-4567-890	<u>NAME</u> JOE BLOGGS	<u>STATEMENT DATE</u> 01/01/2013	<u>PAYMENT DUE DATE</u> 31/01/2013
<u>CREDIT LIMIT</u> £3,000.00	<u>CREDIT AVAILABLE</u> £1,472.00	<u>NEW BALANCE</u> £1,528.00	<u>MINIMUM PAYMENT DUE</u> £22.00

This Month's Activity:

TRANSACTION DATE	POST DATE	TRANSACTION DESCRIPTION	AMOUNT
05/12/2012	05/12/2012	Payment	-250.00
08/12/2012	10/12/2012	Department Store	69.00
14/12/2012	15/12/2012	Sports Store	87.50
23/12/2012	27/12/2012	Restaurant	56.00
26/12/2012	28/12/2012	Airline	195.00

Statement Summary:

Credit Limit:	3,000.00	Daily Balance	
Available Credit:	1,472.00		
Closing Date:	30/12/2012	- Payments/Credits	225.37
Days in Billing Period:	30	+ Finance Charges	13.23
Scheduled to Pay:	22.00	= New Balance	1,528.00
Past Due Amount:	0.00	Minimum Payment	22.00

<b>FINANCE CHARGE SUMMARY</b>	<b>PURCHASES</b>	<b>Customer Service Number</b>
Periodic Rate:	1.55%	0800 00 0000
Annual Percentage Rate:	17.20%	Lost or Stollen Card?
		0810 00 0000

**Example:**

*Nuri is in his third year of employment as a firefighter. Nuri has been tracking his spending for several weeks so that he can create a monthly budget.*

**STEP 1. CONVERT all Nuri's income and expenses to monthly amounts**

<b>Income:</b>	<b>Monthly Amount</b>
Annual Net Income of \$36 850	3070.83
Investment Income of \$5000 every six months	833.33
<b>Expenses:</b>	
\$700 per month for rent	700.00
\$50 per month for utilities	50.00
\$30 per month for cable/internet	30.00
\$250 per month for transportation	250.00
\$110 each week for food and household supplies	476.67
\$50 each week for entertainment	216.67
\$100 month for cell phone use	100.00
\$25 bi weekly for a gym membership	54.17
\$5 week as a charitable donation	21.67
\$300 per month for his RRSP Savings	300.00

Registered Retirement Savings Plan

**STEP 2. CONSTRUCT Nuri's budget, by designating the appropriate items as fixed or variable.****STEP 3. ADJUST the Budget**

- Reviewing your budget is an important step in keeping an accurate record of your financial situation.
- If there are changes in your earnings, expenses, or long term goals it will be necessary to make adjustments.

**Change Nuri's original budget to reflect the following changes in his circumstances.**

- a) Nuri receives a raise. His net salary increases to \$37,955. Change Nuri's budget to reflect this change.
- b) Then Nuri decides he would like to save \$12 000 over the next year towards a downpayment on a cottage
- c) Sadly, Nuri is hurt at work and needs 2 months to recover. During this time he earns 80% of his usual net salary (\$36 850)
- d) What percent of Nuri's costs are fixed? Why is this important?

	Original Budget			Adjusted Budget		
	FIXED	VARIABLE	TOTAL	(a)	(b)	©
<b>INCOME</b>						
Salary	3070.83			3162.92		2456.67
Investments						
<i>Total Income</i>						
<b>EXPENSES</b>						
<b>Housing</b>						
Rent						
Utilities						
Cable/Internet						
<i>Subtotal</i>						
<b>Transportation</b>						
Bus Pass						
<i>Subtotal</i>						
<b>Food</b>						
Groceries						
<i>Subtotal</i>						
<b>Other</b>						
Cellphone						
Gym membership						
Charity						
Entertainment						
<i>Subtotal</i>						
<b>Savings</b>		0			1000	
RRSP						
<i>Total Expenses</i>						
<i>Balance (Total Income- Total Expenses)</i>			1704.98	1797.07	797.07	90.82

Yvonne's Budget - pg 501 #5

Nihal's Budget - pg 503 #10

Seatwork

pg 492 # 1, 2, 3

pg 520 # 1, 2, 7, 11