

Unit 3: Assignment 4 Income /Expenses/Budgets

Name _____ Slot: _____ Date: _____

PART 1 - INCOME

What are some sources of income?

E.g.:

- + income from a job
- + Owning a small business
- + Trading (buying/selling) Paper Assets — Paper assets refer to things like stocks, bonds, mutual funds, ETFs, CDs, T-bills, currencies or other types of futures/derivatives. Stock market investing is the most common generator of portfolio income
- + Buying and Selling Real Estate (specifically the profit from the sale)
- + Buying and Selling of any other Assets — Antiques or cars, for example, or other types of collectibles that have appreciated in value
- + Rental Income or Income from Real Estate
- + Creating and Selling Intellectual Property — Books, Patents, Internet Content, etc
- + *payments for performances (concerts, film, TV, speeches, etc.)*
- + *bonuses for special achievements*
- + *royalties for use of image or voice*
- + *payments for endorsement contracts, appearances, etc.*
- + Any other activity that pays based on time/effort spent

Gross income is before taxes and deductions. Your net income or “take home pay” is your income after taxes and deductions.

Deductions: Deductions are automatic payments your employer makes on your behalf to government and other organizations to pay for services or benefits. The following are examples; income tax, employment insurance, Canada Pension Plan, and may also include union dues, medical plan and extended medical coverage, life and disability insurance, savings plans, etc.

a) **Income tax** - a percentage of gross income sent to the Governments of Canada and the province or territory to pay for federal, provincial and territorial government services

Federal tax rates for 2019

- 15% **on the first** \$47,630 of taxable income, **plus**
- 20.5% **on the next** \$47,629 of taxable income (on the portion of taxable income over 47,630 up to \$95,259), **plus**
- 26% **on the next** \$52,408 of taxable income (on the portion of taxable income over \$95,259 up to \$147,667), **plus**
- 29% **on the next** \$62,704 of taxable income (on the portion of taxable income over 147,667 up to \$210,371), **plus**
- 33% of taxable income **over** \$210,371

• *Income tax is not always deducted at source; e.g., if you do occasional or contract work that is not regular employment. If you have this kind of income, you still have to report it and pay tax on it.*

b) **Employment insurance (EI)** - a percentage of gross income paid by employees and employers to provide temporary payments if workers become unemployed.

• *In 2019, employees pay 1.62% to a maximum of \$860.22 per year (\$663.75 in Quebec). Your employer remits this payment and adds to it by making a similar-sized contribution on your behalf. Self-employed people are generally ineligible to collect employment insurance and so do not have to contribute to it.*

c) **Canada Pension Plan(CPP)** - a percentage of gross income paid by employees and employers to provide income when workers retire or become disabled

• *In 2019, employees contributed 5.10% to a maximum of \$2,748.90 per year. Your employer remits this payment and matches it, for a combined contribution to CPP of 10.20% of your income. (Self-employed people pay both the employee and employer's share.)*

d) **Other deductions** - deductions the employer makes under an agreement with the employee or the employee's union or other agent, including:

- *private pension plans*
- *health insurance premiums*
- *union dues and professional fees*
- *food and clothing deductions*
- *transfers to the employees' Registered Retirement Saving Plan*
- *purchases of investments like bonds or shares*
- *charitable donations*

Deductions are not lost, but pay for social and personal benefits:

a) Social benefits such as employment insurance, public pensions, health, education and other benefits paid for by government

b) Personal benefits such as private pension plans, union and similar membership dues, voluntary savings, etc.

Vacation pay: Employers are required to provide employees with a minimum of two weeks of paid vacation per year. With full-time employees, they often bank 4% of the earnings and pay them when the employee takes a vacation. For casual or part-time employees, they usually pay the employee an additional 4% on each pay cheque instead of waiting until the employee takes a vacation. *If vacation pay is added to the pay cheque (and the employee takes a vacation), multiply the weekly earning by 50 instead of 52 to calculate the annual income.*

PART 2 - EXPENSES

- **Fixed expenses** are expenses that don't generally change from month to month, like rent, most utilities, transit passes and car payments.
- **Variable expenses** are expenses that can easily change, like the amount spent on food, entertainment or clothing.
- It's useful to divide expenses into fixed and variable categories because it makes it easier to see what can be changed if expenses are greater than income.
- housing (rent, mortgage)
- car payments (payments to buy or lease a car)
- other loan payments (student loans, personal loans from family, line of credit, etc.)
- insurance (car insurance, home or contents insurance, bike insurance, etc.)
- utilities (electricity, gas)
- telecommunications (cable, internet, telephone, cellphone)
- food (groceries, eating out)
- household (cleaning, maintenance, furniture, etc.)
- computer (hardware, software, accessories, supplies)
- childcare (licensed daycare, babysitting, food, clothing and other expenses related to bringing up a child)
- pets (food, grooming, vet bills, etc.)
- transportation (gas, car repairs, bus fare, etc.)
- health care (medical plan premiums, dental care, eyeglasses, medications, etc.)
- clothing (shoes, shirts, coats, etc.)
- personal care (toiletries, hair care, make-up, laundry, etc.)
- recreation (movies, games, DVD/videos, music, clubs, concerts, sports, etc.)

- travel (visiting, holidays, etc.)
- gifts and charitable donations (gifts for birthdays and holidays, religious donations, etc.)
- education, lessons, etc. (tuition, fees, books, supplies, etc.)
- other (reading materials, memberships, etc.)
- other

PART 3 - BUDGETS

What does a budget include?

+ *A budget compares expenses with income to show whether income will exceed expenses (a surplus) or expenses will exceed income (a deficit).*

- **What's the value of doing a budget?**

+ *A budget helps people keep their expenses lower than their income and live within their means.*

+ *A budget allows people to find out where they can reduce spending.*

+ *A budget allows people to plan accurately for their future.*

- **People usually underestimate expenses because they forget many items that should be included.**

- **The only way to get an accurate budget is to record all income and expenses in a written journal or personal finance software.**

- **Income and expenses should be recorded over a period of time, usually a year, to accurately account for all the expenses that vary from season to season.**

- **Accurate recordkeeping helps people plan for their needs and wants so they don't run out of money, and it helps them keep track of where their money is going.**

QUICK QUIZ - INCOME, EXPENSES AND BUDGET

Name: _____ Class/Block: _____ Date: _____

1. Define the words:

a. income _____

b. income after deductions _____

2. Circle the two most common sources of income for secondary school students:

Lottery winnings Employment income Social insurance Gifts

3. How will your education and career goals affect the income you're able to earn?

4. Expenses are:

a. Everything you spend money on

b. Things you need to buy for healthy living

c. Things you need to save money for

d. Things you buy on an expense account

5. Name three common expenses for an average family.

6. Fill in the blank spaces with the correct word:

a. _____ expenses are expenses that generally stay the same from month to month like rent, telephone, transit passes and car payments.

b. _____ expenses are expenses that usually vary from month to month, like the amount spent on food, entertainment or clothing.

7. Why are savings included as an expense item by many people?

8. Name three deductions taken from a paycheque that go to the federal, provincial or territorial government.

9. If you do not have income tax deducted by an employer, how do you pay income tax?

10. How can keeping track of your needs and wants help you control your expenses?

11. Personal budgets usually have two major categories. They are _____
and _____ .

12. Which of the following statements is false? (circle the incorrect statement)

- a. A budget allows people to find out where to reduce spending on "wants" in order to leave money for "needs."
- b. A budget gives people extra money to buy more things.
- c. A budget allows people to plan accurately for their future and gives them confidence in their ability to manage their finances.
- d. A budget compares expenses with income to show whether they will produce a surplus or a deficit.

13. What do the following terms mean when used in relationship to a budget?

- a. surplus _____
- b. deficit _____

FREEDOM 18

POTENTIAL SOURCES OF INCOME

Name: _____ Slot: _____ Date: _____

Reality costs money. Whether you decide to go on to a college or university, take some other form of post-secondary education or start working when you finish secondary school, you need to pay the bills.

Luckily, you have plenty of options. Consider these income sources when you plan for your transition from secondary school:

INCOME

- **Full-time and part-time employment.** You may want to work for a year or two to gain experience or accumulate savings before moving on to long-term plans. Or you may get the income you need through part-time work during summers, on weekends or after school.
- **Self-employment.** Some young people raise some of their own income by starting a small business. Some ventures focus on the summer months, while others become full-time occupations. If being your own boss seems like a good idea, check out resources such as the Canadian Youth Business Foundation (www.cybf.ca) or Toronto's SEDI website (www.sedi.org).
- **Apprenticeship, sponsorship and co-operative education.** Apprentices get paid to work while they train with a skilled trades worker. Co-op education combines periods of regular classroom instruction with paid work experience. Your employer may also pay for your education in exchange for your commitment to work for him or her for a period of time. For information, check the education websites in your province or territory.
- **Military programs.** The Canadian Forces pays for the education of qualified individuals who are prepared to serve in the Forces. For details, see the Canadian Forces Recruiting website (www.recruiting.dnd.ca).

SAVINGS AND OTHER ASSETS

- **Contributions from parents or other relatives.** Your family may have been saving to support your future through a Registered Education Savings Plan (RESP) or a scholarship plan. They may give you a graduation gift or use their assets to borrow money for you. Talk to your family to be sure you understand how they're able to help you.
- **Your savings and other assets.** You may have assets of your own that you can use for your future. Personal savings, investments that your family has made in your name may provide the money you need for your education or for other goals, or you may be able to sell high-value assets like a car.
- **Scholarships, bursaries and grants.** Governments, educational institutions and community and private organizations provide financial support for students. Scholarships are based on your marks; bursaries and grants aren't. Check out CanLearn.ca or other student information websites for information.

LOANS AND ASSETS

- **Student loans and commercial or private loans.** Banks and other financial institutions provide loans to support young people's education and other plans. You'll have to pay back a loan, including interest. Student loans don't have to be paid back until you finish your education, and they're available at a reduced interest rate. For information about student loan programs, check out CanLearn.ca or the website for the institution you plan to attend. For information about private loans, contact your local financial institutions.

- You may also be able to get a loan from a financial institution or from family to start a new job or business. For information about private loans, contact your local financial institutions.

Use the form below to plan how you could get the income you need for your transition from secondary school. Check any sources that apply to you.

Source	Applies to me
Full-time employment	_____
Part-time employment	_____
Self-employment	_____
Apprenticeship	_____
Sponsorship	_____
Co-operative education	_____
Military programs	_____
Contributions from parents or other relatives	_____
Savings and other assets	_____
Government and university scholarships	_____
Private and community scholarships	_____
Bursaries	_____
Other education grants	_____
Student loans	_____
Private and commercial loans	_____

Write the names of two sources of income that you have researched and could apply for:

FREEDOM 18 BUDGET

Name: _____ Class/Block: _____ Date: _____

Yes! You'll finish high school when you're about 18. No more exams, homework or school periods! But now you face the responsibilities of making a living and preparing yourself for a career.

Your own personal budget can help you figure out how to independently manage your finances. Whether you continue to live at home, start a job and live on your own, or go to university and live in a residence, you'll have to adjust your expenses to your income. Develop your own Freedom 18 Budget so that you'll be ready for life after high school.

Before you do, you'll have to make some basic lifestyle choices, like the ones described below. Then, research the various budget items, organize your results and enter the amounts on your Freedom 18 Budget. You may be able to find some of the information you need at CanLearn.ca and other student information websites.

WHERE WILL YOU LIVE? WITH WHOM?(HOUSING)

Decide where you're going to live - at home, in your own apartment, sharing with friends or some other option. Use price lists, classified ads, internet or other resources to research the actual monthly cost of the accommodation you'll use in the region where you plan to live. Remember that your choice of accommodation will affect how much you'll have to pay for utilities, furniture and insurance.

Summarize your research and enter the amounts in your budget.

WHAT DO YOU LIKE TO EAT? AND WHERE?(FOOD)

Prepare a menu for a week's meals, including a balanced variety of foods for breakfast, lunch, dinner and snacks. Use advertising flyers or grocery delivery websites or visit a grocery store to estimate the cost of your weekly menu. (Or ask your parents for an estimate of food costs to eat at home.) Estimate the cost of eating out by multiplying the number of times you expect to go out for food or drinks by the average cost of a visit to a restaurant or bar.

Summarize your research and enter the amounts in your budget.

HOW WILL YOU GET AROUND?(TRANSPORTATION)

Research and compare the cost of public transit, owning a car and alternative forms of transportation, like cycling, in the region where you plan to live. Include the cost of the items that apply:

- car payments
- car insurance
- gas and maintenance for a car
- monthly transit pass

Summarize your research and enter the amounts in your budget.

WHAT WILL YOU DO FOR FUN?(RECREATION)

Estimate your costs for recreation activities by multiplying the cost of the following by the number of times you plan to spend money on them in a month:

- sports events
- sports memberships, fees and equipment
- music events
- music and game purchases
- movies
- video, DVD and game rentals
- other

Summarize your research and enter the amounts in your budget.

WHAT ARE YOUR EDUCATION AND CAREER PLANS?(EDUCATION)

If you plan to attend an educational institution, take lessons or begin apprenticeship training, use the web or do research to find the tuition costs and typical costs for books and supplies for the program you plan to attend. Summarize your research and enter the amounts in your budget.

ARE YOU READY FOR THE UNEXPECTED?(SAVINGS)

Include in your budget a savings amount that will ensure you have money available for unexpected expenses and help you to prepare for large expenses in the future, like buying a car or making investments. Many experts recommend saving 10% of your income after deductions.

SO ... WHERE DOES THAT LEAVE YOU?(SURPLUS/DEFICIT)

Subtract your total expenses from your income and calculate whether you'll have a surplus or a deficit. If you have a deficit, adjust your entries to eliminate the deficit or explain how you'll fund the deficit.

MY FREEDOM 18 BUDGET

	Budget	Monthly Total	Yearly Total
Income			
Income after deductions			
Job #1	_____		
Job #2	_____		
Other _____	_____		
Other _____	_____		
Total Income (after deductions)		_____	_____
Expenses			
Fixed Expenses			
Housing	_____		
Car payments	_____		
Other loan payments	_____		
Insurance:			
Car	_____		
Home and contents	_____		
Utilities (gas, electric)	_____		
Telecommunications (cable, internet, telephone, cellphone)	_____		
Other	_____		
Total Fixed Expenses	_____		

Variable Expenses

Food:

Groceries _____

Eating Out _____

Household (cleaning, maintenance,
furniture, etc.) _____Computer (hardware, software,
accessories, supplies) _____

Childcare _____

Pets _____

Transportation _____

Car (gas, maintenance, etc.) _____

Public transit _____

Health care (health plan, dental,
glasses/lenses, medications) _____

Clothing _____

Personal care (toiletries, hair care,
make-up, laundry, etc.) _____Recreation (movies, games, DVD/videos,
music, clubs, concerts, sports, etc.) _____

Travel _____

Gifts and charitable donations _____

Education:

Tuition, fees _____

Books, supplies _____

Other _____

Total Variable Expenses _____

Total expenses _____

Subtract total expenses from total income

Total SURPLUS (or DEFICIT) _____