

Personal Budget

Name: _____ () Class: _____ Date: _____

Objectives

1. Understand various uses of money and prioritise the expenses.
2. Explain what is budget and its functions.
3. Learn to create a personal budget and adjust it to achieve financial goals.
4. Learn why we should make donations.

Activity 1

Sorting out personal expenses record

The following are Lee Siu Ming's Octopus payment record and the receipts of cash transactions from the past week:

The collage contains the following items:

- Octopus Payment Record:**

2018-02-06	MTR	\$10
2018-02-06	Fairwood	\$32
2018-02-07	MTR	\$10
2018-02-07	McDonald's	\$33
2018-02-08	MTR	\$10
2018-02-08	7-Eleven convenience store – Stirred Noodles Set	\$15
2018-02-09	MTR	\$10
2018-02-10	MTR	\$10
2018-02-11	Flag donation	\$10
- Koeng Kei Cha Chaan Teng Receipt:**

Date: 2018-2-9
Pork chop and scrambled egg with rice 1 45.00
Total: **\$45.00**
- Yoshinoya Receipt:**

10/02/2018
Student set – Beef with rice 1 30.0
Total: \$30
Pay in cash: \$100
Change Due: \$70
- App Store Purchase History:**

Purchase history in the App Store
Smart Warrior Mobile Game
Amount: \$60
Date: 06/02/2018
- CK Cinema Ticket:**

CK Cinema
Superhero- Final Battle
10/02/2018 07:00PM
TICKET IIA
Student \$40
- Delicious Catering Outlet Receipt:**

2018/02/02
Fishball Quantity 1 HK\$10.0
Total: **HK\$10.0**
- New Telecommunications Bill:**

Payment date: 11/02/2018

Item	Payment amount
Phone bill- February	\$80

1. According to the above information, sort out Lee Siu Ming's weekly expenses.

Expenses (Weekly)		
Transportation	\$50	Transportation : $\$10 + \$10 + \$10 + \$10 + \$10 = \50
Lunch	\$140	Lunch : $\$32 + \$33 + \$45 + \$30 = \$140$
Snacks	\$25	Snacks : $\$15 + \$10 = \$25$
Phone bill	\$20	Phone bill : $\$80 \div 4 = \20
Donations	\$10	Donations : \$10
Entertainment	\$100	Entertainment : $\$60 + \$40 = \$100$

2. Lee Siu Ming has \$400 pocket money each week. He hopes to save \$100 per week in order to have \$1,200 in three months' time to visit Disneyland and buy souvenirs. Can he achieve his goal?

He cannot. From the above information, the weekly expenses of Lee Siu Ming is \$345 ($\$50 + \$140 + \$25 + \$20 + \$10 + \100).

After deducting savings and expenses, he has a deficit of \$45 ($\$400 - \$100 - \$345 = -\45) per week.

Here, he cannot save \$100 a week with the current income and expenditure pattern.

3. What are the benefits of keeping track of personal expenses on a regular basis?

Open-ended answer. Reference answers:

You can have a better understanding of your spending habits in order to control the expenses.

To reduce expenses, you can start with the occupying larger proportion of total expenses.

For example, Lee Siu Ming spends the most on lunch and entertainment. Teachers may introduce 'Money Tracker -

The Chin Family' Mobile App to help students control expenses and create a budget.

'Money Tracker - The Chin Family' Mobile App



Android



iOS

Activity 2

Group discussion (Creating and adjusting a personal budget)

Select one of the following budget cases to conduct group discussions. Upon completion, send representatives to report to the teacher and classmates.


Case 1 (Suitable for less capable students)

Read the following information and answer the questions.

HK News
Hong Kong Daily
2018-03-02

Tertiary Student's Excessive Consumption Makes Bankruptcy Common

[Summary reports] A research shows that the number of tertiary students declaring bankruptcy in 2016 has increased compared with last year. A social worker found that some tertiary students apply for loans or credit cards to invest in the stock market, and for entertainment. He had contacted a young man who went bankrupt due to buying gifts for his girlfriend. Youth experts pointed out that young people are easily tempted by materials. Many people do not consider their real needs when shopping, but merely conform with the others. It is recommended that young people should think about their real needs and affordability before making purchases.



Chan Tai Keung said, 'I am currently studying at university, and I often go out to eat with my hallmates. I also meet my secondary school classmates during my free time, and I have to buy some fashionable clothes so that I would not be behind the times. On festive occasions, I will have buffet meals with my girlfriend in luxurious hotels as celebration. Moreover, I always pay with my credit cards and I only repay the minimum payment monthly.'

Personal budget (Monthly)		
	Amount (\$)	Total (\$)
Pocket money	3,000	
Income from tutorial classes	3,000	
Total income		6,000
Savings	100	
Expenses		
Transportation	400	
Phone bill	300	
Food & beverage	1,800	
Entertainment	2,000	
Family expenses	1,000	
Others	400	
Total expenses		6,000

Total income = Savings + Expenses

1. Do you think Chan Tai Keung's approach to financial management is appropriate? If you were his friend, how would you persuade him?

Open-ended answer. Reference answers: Inappropriate.

- Repaying the minimum payment will incur high interest charges that makes it difficult to repay in the future.
 - You should not blindly pursue the trend. Money should be spent on equipping yourself.
 - Celebrating special occasions with your girlfriend does not mean you have to have a buffet meal in a luxurious hotel. You can choose a cheaper way to celebrate.
 - You should avoid using credit cards so as not to develop the habit of 'spending future money'.
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2. What are the reasons for young people's excessive consumption?

Open-ended answer. Reference answers:

No future planning. It's too easy to get money from family and they may even assist in repaying loans.

1. The media. It has rendered a consumerism culture and advocated young people to keep buying fashionable clothes so as to catch up with the trend.
 2. Peer influence. Some people want to own game consoles, sneakers and famous brand backpacks when they see their friends also have these items. They want to conform to the norm.
 3. Materialism. Some young people do not consider whether they 'need' or just 'want' before buying.
 4. Easy to get a loan. It is easy for tertiary students to apply for credit cards and obtain loans, leading to over-consumption.
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3. Is it necessary for everyone to save money? Why?

Open-ended answer. Reference answers:

1. If the answer is yes: Savings help achieve financial goals. There may be unexpected financial needs, such as medical expenses. Without enough savings, it is difficult to cope with them and may even need to borrow money. Even if there is no immediate need, there may be other future needs such as home ownership and marriage.
 2. If the answer is no: The amount of savings depends on the individual's financial ability. Some people's income is too low to save. If someone has enough wealth to sustain his or her needs, there is no need to save.
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4. What expenses may be included in 'Others'? Free to answer.

Reference answers: donations, clothing, tuition fees, stationery, medical care, gifts, etc.

Case 2 (Suitable for more capable students)

Read the following information and answer the questions.

HK News

Hong Kong Daily

2018-03-02

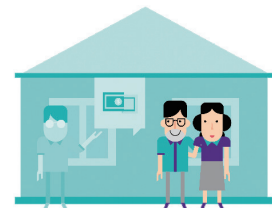
High Property Price in Hong Kong Makes Home Ownership Difficult for Young People

[Summary reports] In February 2018, the Centa-City Leading Index, which reflects the property prices in Hong Kong, hit another record high. Many fresh graduates found it very difficult to buy an apartment. They believed that they can only purchase houses with the help of their parents. An interviewee Mr. Cheung said that his monthly salary is only \$10,000. Even if he did not spend, he would have to save for many years to pay for the down payment. Property agents suggested buyers with insufficient funds to consider buying units in old buildings or remote areas, or with a smaller size.

Lee Siu Wah said, 'I have just got married with my girlfriend Mei Ling but I have no plans to buy a house. The current property price is high; we cannot afford to purchase a house no matter how hard-working we are. We should reduce savings, have fun, and travel more in order to broaden our horizons. We can rent a flat after marriage.'

Chan Mei Ling said, 'A lot of my friends cut down their food and clothing expenses to save purchasing a house. Siu Wah, you should plan more for the future and not only look at the short-term.'

Family budget (Monthly)		
	Amount (\$)	Total (\$)
Salary: Lee Siu Wah	25,000	
Salary: Chan Mei Ling	13,000	
Total income		38,000
Savings	0	
Expenses		
Transportation	1,800	
Insurance	2,500	
Family expenses	6,000	
Phone bill	700	
Food & beverage	7,000	
Entertainment	6,500	
Water & electricity bill	800	
Rent	11,000	
Donations	500	
Others	2,000	
Total expenses		39,800



1. Prioritise Lee Siu Wah's expenses and explain the reasons.

Open-ended answer. Students need to explain the reasons. Reference answers:

1. Family expenses is more important because it is necessary to show our gratitude for our parents' continuous support and raising.

2. Transportation costs are more important because they are unavoidable.

3. Entertainment and dining are more important because personal quality of life is preferred over other matters.

2. Do you agree with Lee Siu Wah that he should not purchase a house but spend money on leisure and entertainment instead?

Open-ended answer. Reference answers:

If the answer is yes, it is not worthwhile to use a lifetime's of savings for home ownership. There is also a risk of falling property prices.

If the answer is no, he should plan ahead. Otherwise he will not be able to buy a home even if the property price falls.

3. Is the current budget of Lee Siu Wah's family feasible? Try to help him adjust his budget.

Family budget (Monthly)		
	Amount (\$)	Total (\$)
Salary: Lee Siu Wah	25,000	
Salary: Chan Mei Ling	13,000	
Total income		38,000
Savings	0	
Expenses		
Transportation	1,800	
Insurance	2,500	
Family expenses	6,000	
Phone bill	500 (original expenses: 700)	
Food & beverage	5,000 (original expenses: 7,000)	
Entertainment	4,000 (original expenses: 5,700)	
Water & electricity bill	800	
Rent	11,000	
Donations	200 (original expenses: 500)	
Others	2,000	
Total expenses		33,800

Not feasible.

Open-ended answer (no savings in the budget).

Please feel free to answer the adjustment methods (Need to include savings in the new budget. Reference answers: reduce entertainment expenses, use cheaper telecommunications plans, reduce donations or family expenses).

4. What expenses may be included in 'Others'?

Open-ended answer. Reference answers:

Gas bill, broadband bill, salary of domestic helpers, pet expenses, medical care, further studies, etc.

Summary

- ♦ $\text{Income} = \text{Savings} + (\text{Expenses} + \text{Donations})$
- ♦ Four steps to create a budget:
 1. Expense tracking helps understand your personal spending habits.
 2. Goal setting helps realise how much you should save.
 3. Budgeting itemises the amount of income, savings, expenses and donations.
 4. Reviewing the budget to see if it is feasible. Make adjustments if necessary.
- ♦ How to adjust the budget:
 1. Reduce expenses, such as cutting expenses on entertainment
 2. Plan earlier such as extending the time period to achieve the goal
 3. Increase income



Extension activity

1. Collect shopping receipts and check the Octopus payment records. Find out your expenses in the past week.

Expenses (Weekly)	
Transportation	
Food & beverage	
Entertainment	
Phone bill	
Donations	
Others	

2. My savings goal is to save \$_____ within _____ weeks.

3. Create a personal budget.

Personal budget (Monthly)		
	Amount (\$)	Total (\$)
Pocket money	_____	
Others	_____	
Total income		_____
Savings	_____	
Necessary expenses		

Non-necessary expenses		

Others	_____	
Total expenses		_____

1. Students should complete the table based on their actual expenses.

2. Open-ended answer. Before setting saving goals, students can consider what they want to buy.

3. Open-ended answer. The amount of savings needs to match the savings goals.

4. Is your budget feasible? If not, please adjust your budget.

If there is a deficit in the budget, it means the budget is not feasible.

Students need to adjust their budget. For example, they have to reduce unnecessary expenses, extend the time period

to achieve the goals or reduce the amount of savings each week.