

Financial Literacy

Managing your Budget



Agenda

1. Getting started - Why is budgeting important?
2. My Money and Me: How to start budgeting
3. My Money and Me: Creating a budget
4. Wrap up and Reflection



01

Getting started



What does money mean to you?



Create a mind map: fill it with everything you associate with budgeting

Think about what you already know about budgeting and list some different things you might associate with budgeting in both the short term and the long term



Managing your budget



Picture yourself with some cash, such as the allowance from your parents or the money earned from a job. A budget acts as a plan for that money, guiding you on how to use it wisely and make thoughtful spending decisions.

Why is budgeting important?

- **Financial control:** helps you to understand your income and expenses, allowing you to take control and avoid overspending
- **Achieving financial goals:** can allocate money towards specific goals (e.g. saving for a car, starting a business or going on holiday)
- **Identifying problem areas:** highlight areas where you might be overspending
- **Responsible spending:** helps you spend mindfully by learning to differentiate between wants and needs
- **Financial independence:** budgeting allows you to manage your income independently, and prepare for adulthood



02

How to start budgeting

Activity: What is the difference between wants and needs?



You are starting to budget and want to differentiate between "wants" (things you'd like to have but aren't necessary) and "needs" (things you absolutely need)

Discuss in pairs for 2 minutes:

- How you would categorise the below expenses into either "wants" or "needs"
- What factors in your life might influence your "wants" and "needs"?

Food and water

Clothing

Laptops and mobiles

Netflix subscription

Entertainment

Shelter

Electricity

Holidays



Activity: What is the difference between wants and needs?

How you would categorise the below expenses into either “wants” or “needs”

Wants

Netflix subscription

Entertainment

Holidays

Clothing - essential clothing
or fashionable clothing?

Laptops and mobiles - are
these for work or for fun?

Needs

Food and water

Electricity

Shelter

What factors in your life might influence your “wants” and “needs”?

- Health conditions
- Income levels
- Lifestyle choices
- Personal interests / hobbies

How to start budgeting

Starting to budget is a great step towards managing your money more wisely and is a great way to develop money management skills. Budgeting (or money planning) will look different for everyone and will vary depending on their individual income, expenses, hobbies and financial goals.

- **Track your income** or money coming in. This might be from an allowance or a part-time job
- **Make a list of your regular expenses**, this can include spending on things like food and hobbies
- **Set financial goals** by deciding what you want to achieve with your money. It could be saving for a particular item or setting aside money for your future
- **Categorise your expenses** by dividing them into different categories, like "**essentials**" (things you absolutely need), "**wants**" (things you'd like to have but aren't necessary), and "**savings**"
- **Create a budget plan** based on your individual income and expenses. Allocate specific amounts to each category and make sure that your total expenses do not exceed your income.

Remember, budgeting is a skill that takes time to develop, so be patient with yourself!

The key is to stay consistent and disciplined. As you practice budgeting regularly, you'll become more confident in managing your money and making informed money decisions.

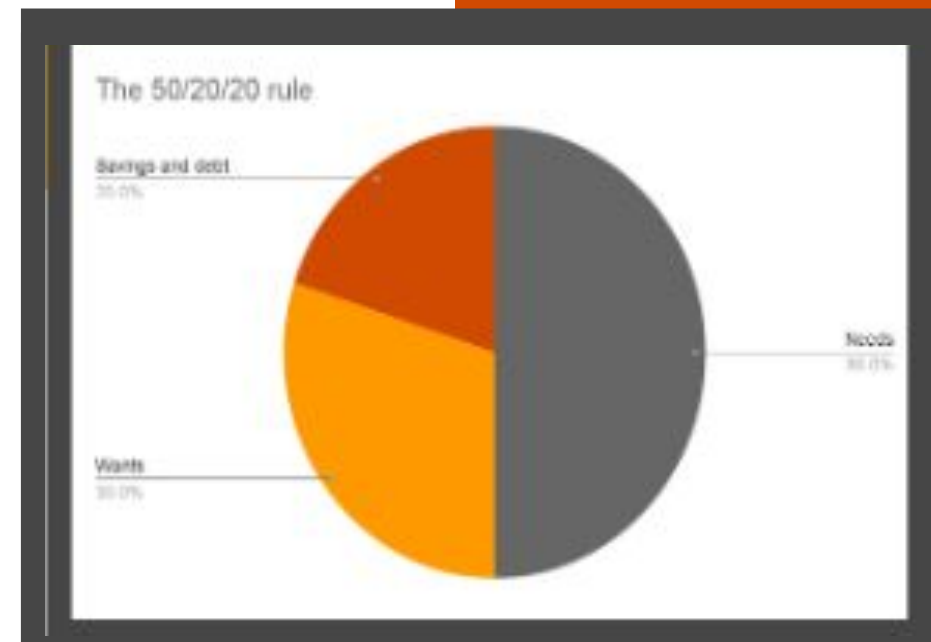


Have you heard of the 50/30/20 rule?

The 50/30/20 rule is a simple budgeting guideline that helps individuals allocate their income to different categories to achieve financial balance and manage their money effectively. It was popularized by Senator Elizabeth Warren in her book "All Your Worth: The Ultimate Lifetime Money Plan."

The rule suggests dividing your after-tax income into three main categories:

- **50% for Needs:** Allocate 50% of your income to cover essential needs. These are the basic expenses required for daily living, such as housing, utilities, groceries, transportation, and healthcare.
- **30% for Wants:** Use 30% of your income for discretionary spending on wants and lifestyle choices. This category includes expenses for entertainment, travel, hobbies, and other non-essential purchases.
- **20% for Savings and Debt Repayment:** Allocate 20% of your income towards savings, investments, and paying off debt. This category includes building an emergency fund, saving for future goals, and making extra debt payments.



03

Creating a budget

Creating a budget



What does a budget look like?

A money plan (or budget) will vary based on individual needs and preferences. It outlines an individual's income, expenses, savings, and financial goals over a specific period, typically a month.

Some people prefer a traditional approach using pen and paper, where they list their income and categorise expenses into different sections. Others may opt for a digital solution, such as using a spreadsheet on a computer or budgeting apps on their smartphones.

The content of a budget also differs based on individual circumstances. For instance, someone with significant debt might prioritise debt repayment, while another person may focus on saving for a specific goal, like a holiday or an emergency fund.

The flexibility of budgeting allows people to tailor their plans to their unique financial situations and adjust as needed to accommodate changes in income or expenses at different points in their life.





Activity: Let's create a budget

Using a pen and paper, create a budget for an individual with a salary of £2,000 and the below expenses. Identify any areas where there may be overspending or where they could prioritise their spending in different ways

- Car insurance: £50
- Mortgage: £500
- Credit card payments: £300
- Utilities (electricity and water): £150
- Work travel: £50
- Savings: £50
- Groceries: £100
- Netflix and Disney+ subscriptions: £20
- WiFi: £30
- Dining out: £200
- Cinema and entertainment: £250
- Non-essential travel (holidays, days out): £300



Activity: Let's create a budget

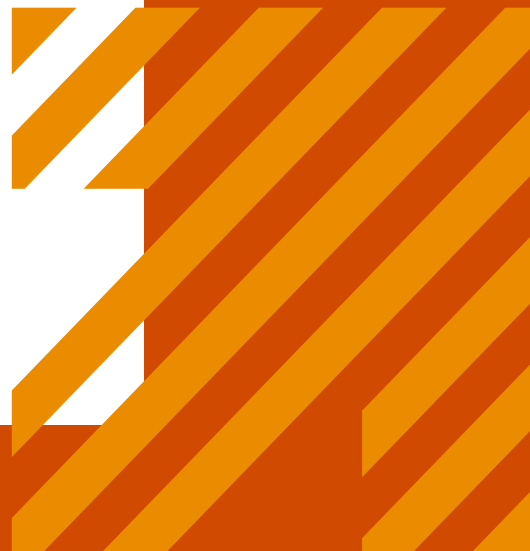
Using a pen and paper, create a budget for an individual with a salary of £2,000 and the below expenses. Identify any areas where there may be overspending or where they could prioritise their spending in different ways

Needs		Wants		Savings and debt repayment	
Car insurance	50	Netflix and Disney+ subscriptions	20	Credit card payments	300
Mortgage	500	Dining out	200	Savings	100
Utilities	150	Cinema and entertainment	250		
Work travel	50	Non-essential travel (holidays, days out)	300		
Groceries	100				
Wifi	30				
	<u>880</u>		<u>770</u>		<u>400</u>

- *Can we reduce non-essential spend (Wants)? What expenses would you get rid of?*
- *Can we increase savings and credit card payments?*
- *What expenses would you prioritise over others?*

04

Wrap up and reflection



Reflection



Think about what you've learnt in this session and answer the following questions...

- Why is it important to manage your budget?
- What steps can you take to manage your budget?
- What are your top financial priorities now, and how might they change in the future?



Thank you

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