

Use the following information to answer questions 6–8.

Over the coming year, Jim and Iona want to save \$5000 for a vacation. Their total net income is \$65 000/year. They earn about \$75/month from investments. They currently have the following expenses:

| Jim and Iona's Expenses | |
|-------------------------|---|
| • | bi-weekly mortgage payment and property tax of \$675 |
| • | \$650/year for home insurance and \$1050/year for car insurance |
| • | utility costs that average \$230/month |
| • | phone/cable costs of \$75/month |
| • | vehicle lease of \$410/month, which includes maintenance |
| • | gasoline costs of \$175/month |
| • | retirement savings plan contributions of \$225 bi-weekly |
| • | grocery costs of \$160/week |
| • | clothing costs of \$3000/year |
| • | entertainment costs of \$120/week |
| • | charitable donations of \$1000/year |
| • | miscellaneous costs of \$150 bi-weekly |

■ For help with questions 6 and 7, see Example 3.

6. Convert all of the income and expense items into monthly amounts. Which are fixed and which are variable?
7. a) Design a monthly budget for Jim and Iona that shows fixed and variable costs.
b) Can Jim and Iona meet their savings goal with their current income and expenses? If not, in which categories might they be able to cut back on costs?
8. Jim has to cut back on his work hours to look after an ill parent. As a result, Jim and Iona's net income is reduced to \$58 000/year. Can they still meet their savings goal? If not, suggest how they could balance their budget.



9. Assessment Focus Halima works part time as a waitress. She earns a take home salary of \$425 a week including tips. Her expenses are \$650 a month for rent and utilities, \$95 a week for groceries, \$80 a month for a bus pass, and \$150 bi-weekly for miscellaneous expenses. She is also taking a course at a community college and must set aside \$100 a month for her education expenses.

- Design a monthly budget using the information provided. Show your calculations.
- Is Halima earning enough to cover her expenses? Explain.
- Halima would like to take a vacation. She needs to save \$1000 over the next 4 months. Will this be possible with her current budget? If not, how could she adjust her budget to save this money?

10. Nihal is an apprentice arborist. From January until the end of August, he will be earning \$350 per week in net pay from a part-time job. Starting in September, he will spend 12 weeks in school. He will not work during this period. He will return to work at the beginning of December.

- By the end of August, Nihal needs to save \$900 to pay for his tuition and equipment. Design a monthly budget for the first 8 months of the year to help him meet this goal. How much money will Nihal save each month?
- During the 3 months that Nihal is at school, he will receive a total of \$2310 in Employment Insurance. Design a monthly budget for this period. How much of his savings will Nihal need to use to meet his monthly expenses during this period?
- Nihal also wants to save \$1500 by the end of December for a trip to British Columbia. Can he do it? Explain.

| Expense | Cost (\$) |
|--------------------|-----------|
| Rent | 450 |
| Utilities | 120 |
| Food | 320 |
| Clothing | 30 |
| Bus pass | 60 |
| Entertainment | 40 |
| Phone and Internet | 60 |
| Contact lenses | 25 |

- Think of your own finances or imagine the finances of a "typical" Grade 12 student in your community. Create a monthly budget that includes all income and expenses.
- Are there any items that you could change to save more money on a monthly basis? Is this realistic?