



Lucy has just finished university and is creating a budget for the first time as she has a new job and is renting a new home. Answer the following questions to help Lucy understand her budget better.

| TRANSACTIONS | | | | |
|--------------------------------------|--------------|--------------------------------|---------------|-----------------|
| Income | Amount | Expenses | Expenses | NEEDS or WANTS? |
| Graphic designer | £2,100 | Flat rent | £900 | N |
| Saturday job - waitressing in a cafe | £300 | Electricity and gas | 120 | N |
| | | Cinema trips and other outings | £30 | W |
| | | Streaming subscription | £30 | W |
| | | New work clothes and shoes | £200 | W |
| | | Gym membership | £40 | W |
| | | Mobile phone | £50 | N |
| | | Petrol | £140 | N |
| | | Dog food | £40 | N |
| | | Supermarket food | £80 | N |
| | | Council tax | £50 | N |
| | | Holiday weekend away to Paris | £280 | W |
| Total income | 2,400 | Total expenses | £2,060 | |

| TRANSACTIONS | | | | |
|--------------------------------------|--------|--------------------------------|----------|-----------------|
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| Graphic designer | £2,100 | Flat rent | £900 | N |
| Saturday job - waitressing in a cafe | £300 | Electricity and gas | ?? | N |
| | | Cinema trips and other outings | £30 | W |

50% = needs

30% = wants

20% = save for future

Part A: Questions

1. Complete the values for 'total income' and 'total expenses' in the table. **Please see the table.**

2. What is Lucy's biggest monthly expenditure? **Flat rental**

3. What are Lucy's smallest monthly expenditures? **Cinema trips and other outings AND Streaming subscription**

4. How much money does Lucy have remaining at the end of the month?

1. £2,400 - £2,060 = **£340**

5. What percentage of total income did Lucy save? **(Total spending on savings ÷ total income x 100)**

6. Why is it important to have money remaining at the end of the month? What can it be used for?

It can be used to save for the future, e.g. a bigger life goal such as expenses for university, a car or mortgage for a home. It can also be used to invest to try and make the money grow further. The money could also be used if there is an unexpected event such as a house leak, which needs fixing.

7. Complete the last column using 'needs' and 'wants', identifying which expenses are needs and which are wants. Are there any which are hard to categorise? **Examples include gym membership or mobile phone. Gym membership - may be important for staying healthy but could Lucy workout outdoors instead which doesn't cost? Mobile phone - the latest smartphone may be a want but a more basic phone may be a need. These will depend on peoples' values and priorities.**

8. What is the total amount she spends on needs? **£1,380**

8. What is the total amount she spends on wants? **£680**

Part B:

Questions and answers post 50:30:20 rule demo

1-

(a) What percentage of her total income did Lucy spend on needs in the month? (Total spending on needs ÷ total income x 100)

(b) How does that compare with the recommended proportion?

$$£1,380 \times 100 = 57\%$$

£2,400

The recommended proportion is 50%, so this is close. Perhaps she could look at cutting back slightly on needs or the costs of those needs, e.g. switching supermarkets to get a better deal on her weekly food shop.

2.

(a) What percentage of her total income did Lucy spend on wants in the month? (Total spending on wants ÷ total income x 100)

(b) How does that compare with the recommended proportion?

$$£680 \times 100 = 28\%$$

£2,400

The recommended proportion is 30%, so this is very close. Perhaps she could look at cutting back slightly.

3. (a) What percentage of total income did Lucy save? (Total spending on savings ÷ total income x 100)

(b) How does that compare with the recommended proportion?

$$£340 \times 100 = 14\%$$

£2,400

The recommended proportion is 20%, so this is not too far off. However, if she can reduce her spending on needs, then she can put away more for savings.

4. Do you think Lucy has a balanced budget (meaning she spends roughly the recommended amounts on needs, wants and savings)? If you were giving some advice to Lucy on the proportion of monthly money she spent on needs, wants and for the future, what would you say to her? (Answer in 2-3 sentences)

Lucy's budget is well balanced, but there are tweaks that she can make to get closer to the 50:30:20 guidance. Nevertheless, in everyday life, it is hard to get to these percentages exactly, so she has a well-balanced budget where she can cover all of her spending costs and has some money left for savings. Students may wish to explore tweaks that they can make to get even closer to the 50:30:20 rule. Please see some suggestions above.