What is the Personal Budgeting Process?

Worksheet

Personal budgeting is the process of planning how to use your income to cover expenses, save money, and build wealth. It typically involves five steps: set goals, track income, list expenses, create a budget, and monitor progress.

Questions

1. What is the main goal of personal budgeting?
A) Make more money
B) Spend all income
C) Plan spending to reach goals & save
D) Avoid tracking

2. 50/30/20 budget: $2,000 income. How much for savings?
A) $400
B) $600
C) $1,000
D) $500

3. Which is a fixed expense?
A) Groceries
B) Entertainment
C) Rent
D) Dining out

4. After setting a budget, what's next?
A) Never review it
B) Monitor & adjust monthly
C) Spend however you want
D) Only check yearly

5. Monthly salary 3,000. Fixed expenses1,500 (rent+utilities). Variable $500 (food, transport). Target: save 20%. Create budget.

6. Income 2,500. Expenses: rent800, utilities 150, food250, transport 200, phone50. Leftover for savings?

7. Annual income 36,000 (monthly3,000). 50/30/20 budget rule: needs/wants/savings. Allocate.

8. Define: What is personal budgeting?

9. Define: First step in budgeting?

10. Define: Fixed vs variable expenses?

Answer Key

1. C) Plan spending to reach goals & save — Budgeting is about intentional planning to achieve financial goals, not just earning or spending.

2. B) $600 — 2,000 × 20% =400.

3. C) Rent — Rent is predictable and same each month; the others vary.

4. B) Monitor & adjust monthly — Budgets need regular review to stay on track and adapt to changes.

5. Income: 3,000 Needs (Fixed + Variable):1,500 + 500 =2,000 (67%) Savings target: 3,000 × 20% =600 Remaining for Wants/Extra: 3,000 −2,000 − 600 =400 Budget: Needs 2,000 | Wants400 | Savings $600

6. Total fixed/necessary: 800 +150 + 250 +200 + 50 =1,450 Leftover: 2,500 −1,450 = 1,050 Can save1,050 or allocate to discretionary wants.

7. Needs (50%): 3,000 × 0.50 =1,500 Wants (30%): 3,000 × 0.30 =900 Savings (20%): 3,000 × 0.20 =600 Total: 1,500 +900 + 600 =3,000

8. Planning how to use income to cover expenses, save, and reach financial goals.

9. Set clear financial goals (emergency fund, debt payoff, savings targets).

10. Fixed: rent, insurance (same each month). Variable: groceries, entertainment (changes).