

Managing Money



Personal Budgets

A budget is a system for managing money. Families, schools, and businesses all have budgets. Individuals have budgets, too. The difference between budgets for individuals and budgets for businesses is their size. However, no matter what size they are, all budgets have the same two parts.

One part of a budget is a record of income, or money coming in. A teenager's income might include money earned for working at home or at a business. The other part of a budget is a record of expenses, or money going out. A teenager's expenses might include snacks or presents for birthdays.

Individuals and businesses use budgets to manage their money. Records of income and expenses show businesses if they are doing well or poorly. These same records show individuals if they have money to buy things they need or want.

Key Notes:

How can budgets help people manage money?

A budget can help you decide how much you need to earn and spend.

Category	Total	Budget	Remaining
Car	\$ 500.00	\$ 6,000.00	\$ 5,500.00
Charity	\$ -	\$ 50.00	\$ 50.00
Clothing	\$ -	\$ 200.00	\$ 200.00
Eating Out	\$ -	\$ 100.00	\$ 100.00
Entertainment	\$ -	\$ 100.00	\$ 100.00
Children	\$ -	\$ 5,000.00	\$ 5,000.00
Gifts	\$ -	\$ 100.00	\$ 100.00
Groceries	\$ -	\$ 2,500.00	\$ 2,500.00
House - care	\$ -	\$ 500.00	\$ 500.00
Incidentals	\$ -	\$ 250.00	\$ 250.00
Medical	\$ -	\$ 500.00	\$ 500.00
Mortgage/Rent	\$ 753.00	\$12,000.00	\$ 11,247.00
Personal Care	\$ -	\$ 200.00	\$ 200.00
School	\$ 1,333.00	\$ 9,000.00	\$ 7,667.00
Utilities	\$ -	\$ 2,500.00	\$ 2,500.00
Vacation	\$ -	\$ 250.00	\$ 250.00
Work	\$ -	\$ 100.00	\$ 100.00
Totals	\$2,586.00	\$40,250.00	\$37,664.00

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Jamie has listed her income and her expenses so she can plan her budget.

Creating a Budget

Jamie has a budget that shows her income and expenses for one month. Her income of \$25 came from taking care of a neighbor's plants and fish. She also did chores at home every week. Jamie's expenses were \$21. Her expenses were three movies, at \$7 for each ticket.

The next month, Jamie wanted to buy some computer disks. They cost \$6, so she studied her budget. Jamie decided that she could buy the computer disks if she went to one less movie that month and saved the money from the neighbor she would have spent on the ticket.

Then, she remembered that her mother's birthday was the next month. Jamie decided that she would go to only two movies that month. That way, she could buy the computer disks and still have money to buy her mother a birthday gift.

Key Notes:

How did Jamie find out how much money she could spend?



**This bank helps people
invest money in savings
or stocks.**

Investing Money

If a person leaves \$20 in a drawer for one year, he or she will have \$20 at the end of the year. Money left in a drawer does not increase in value. To increase in value, money must be invested.

The easiest way to invest money is to put it in a savings account at a bank. Banks pay interest on savings accounts. With a 5% interest rate, \$20 will be worth \$21 after one year.

Stocks are another way to invest money. A company that needs money can sell shares of its business. These shares are called stocks. Stocks can increase or decrease in value. If a company makes money, a \$20 stock could be worth \$50 in one year. However, if a company loses money, a \$20 stock could decrease in value and be worth only \$5.

Key Notes:

What are two ways people can invest their money?



Government revenues
are used to pay for
new roads.

Government Budgets

Like people, governments have budgets with two parts: income, or revenue, and expenses. Governments earn revenue from taxes. The U.S. government earns revenue by taxing the income people earn from jobs and from selling goods. Many states earn revenue by adding a sales tax to the goods people buy. City governments earn revenue from sales taxes and property taxes. Property taxes are paid by people who own houses, stores, or other property.

Part of a government's expenses are the services it provides. These services cost money. The U.S. government's expenses include roads and schools. A local government's expenses include fire and police services.

Like people, governments have to manage their budgets. If they don't, they could go into debt. Debt is when you owe more money than you have. Staying out of debt is one reason people and governments make, and keep, budgets.

Key Notes:

Name two ways governments earn revenue.

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