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| **NAME:** |  |

**MATH125: Unit 4 Assignment Answer Form**

**Cash Conundrums: Financial Literacy**

**Assignment Instructions**

For this assignment, you will create a personal budget and compare it to the 50/30/20 budgeting strategy.

1. **Answer ALL** questions below regarding creating a budget.
2. Show **ALL step-by-step** calculations, and round all of your final answers correctly to the whole number. All monetary answers should be rounded to the nearest dollar.
3. For full credit, **write all explanations** in the spaces provided.
4. Enter your answers in the space provided in this document, and submit to the appropriate area. Scanned or handwritten work will not be accepted.
5. If you need assistance, please contact your course instructor.

**Creating a Budget**

You will create a personal budget based on your current salary, or based on your state’s median salary. You will create a personal budget based one of the following: (1) your current salary, **OR** (2) your state’s median salary. [Review the median income information on this site.](http://worldpopulationreview.com/states/median-household-income-by-state/)

**Step 1 (6 points)**

Determine your monthly net income (known as your monthly take-home pay). Your take-home pay is your gross pay (Box B) minus taxes, Social Security, and benefits, including health insurance if provided. A realistic amount would be 10-30% less than your gross monthly wages).

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| **Income** | | | | | |
| **A. Annual salary**  (Base this one of the following:   1. your current salary,   **OR**   1. your state’s median salary) |  | **B. Gross monthly salary/wages**  (Annual salary divided by 12): | $ | **C. Monthly take-home pay**  (This is the monthly gross pay listed in Box B minus FICA, taxes, Social Security, and health insurance): | $ |

**Step 2: The 50/30/20 Strategy and Monthly Expenses (10 points)**

[Review the information at this link on the 50/30/20 budgeting strategy](https://www.nerdwallet.com/blog/finance/nerdwallet-budget-calculator/).

Think about each of these categories. Calculate your monthly expenses for each category below, and complete the following table. It might help you to think about items on a weekly basis and then multiply by 4 to calculate a monthly budget amount.   
Remember, if you are not comfortable with sharing real numbers, you can do this as a hypothetical experience with realistic estimates.

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| --- | --- | --- |
| **Budgeted Category** | **Examples** | **Budgeted Amount** |
| Housing | Rent or mortgage payment | $ |
| Food | Groceries, lunches, coffees, dinners out, etc. | $ |
| Transportation | Gas, auto care, parking, tolls, etc. | $ |
| Basic utilities | Phone, electricity, water, Internet, etc. | $ |
| Insurance | Health, auto, home, and life insurance | $ |
| Child care | Day care, babysitting, college tuition, etc. | $ |
| Travel | Airfare, hotels | $ |
| Entertainment | Sporting events, dinners out, movies, and memberships | $ |
| Personal care | Haircuts, massages, etc. | $ |
| Savings | General savings, saving for car, college, wedding, etc. | $ |
| Other |  | $ |

**Step 3: Categorizing Needs, Wants & Savings (15 points)**

Based on the 50/30/20 strategy, expenses can be ***needs*** or ***wants***. However, some categories may not easily fit in with ***needs*** or ***wants***. For example, daycare may be a ***need***, but babysitting for date night may be a ***want***. For each category, break down the total budgeted (in Step 2 above) into ***needs*** and ***wants***.

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| --- | --- | --- | --- |
| **Budgeted Category** | **Budgeted Amount (Step 3)** | **Amount toward Need** | **Amount toward Want** |
| Housing | $ | $ | $ |
| Food | $ | $ | $ |
| Transportation | $ | $ | $ |
| Basic Utilities | $ | $ | $ |
| Insurance | $ | $ | $ |
| Child care | $ | $ | $ |
| Travel | $ | $ | $ |
| Entertainment | $ | $ | $ |
| Personal Care | $ | $ | $ |
| Savings | $ |  |  |
| Other | $ | $ | $ |

**Step 4: Calculation of Needs, Wants & Savings (12 points)**

Sum your category totals below:

Transfer those subtotals for the categories in the following table.

|  |  |
| --- | --- |
|  | Sub-Total |
| Needs | $ |
| Wants | $ |
| Savings | $ |

**Step 5: Percentage of Wants, Needs & Savings (12 points)**

Calculate the percentage of your budget assigned to needs, wants, and savings below.

Use the amount from each category in Step 4 and divide it by your monthly take-home pay (Box C in Step 1) salary. Then multiply that result by 100 to calculate the percent.

**Note:** Your percentages may not match a 50/30/20 budget.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Sub Totals from Step 4** | **Monthly Salary from Step 1c** | **Percent** |
| Needs | $ | $ | % |
| Wants | $ | $ | % |
| Savings | $ | $ | % |

**Step 6: Reflection on the 50/30/20 Method (15 points)**

Write a 100-word reflection comparing your percentages to the 50/30/20 method. How well do you feel your budget aligns with the 50/30/20 method? What might you need to change in your budget?

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| Step 6 Answer (100 words) |
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**References**

NerdWallet. (2019. December 18). *50/30/20 budget calculator*. Retrieved from https://www.nerdwallet.com/blog/finance/nerdwallet-budget-calculator/

World Population Review. (n.d.). *Median household income by state 2020*. Retrieved from https://worldpopulationreview.com/states/median-household-income-by-state/