Budget scenarios

A budget is a spending plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time.

A key term to understand in creating a budget is net income, which is the amount of money you receive in your paycheck after taxes and other deductions are taken out; this is also called take-home pay.

The following scenarios describe three different personal budgets. **Note:** The monthly expenses in the scenarios aren't intended to equal monthly net income.

Scenario 1: Recent college graduate

Sara recently graduated with a degree in marketing. She started a job that pays her $48,000 per year. Her monthly net income is $2,800. She's moving into her own one-bedroom apartment in the city. She doesn't own a car, but she has subway expenses. She also adopted a dog, so she has to pay for dog food and vet bills. Sara has budgeted for the following monthly expenses:

Expense type	Expense cost	Expense type	Expense cost
Rent	$960	Utilities	$80
Food	$400	Cell phone	$100
Clothing	$150	Savings	$100
College loan	$140	Renter's insurance	$80
Eating out, entertainment	$200	Pet care	$60
Subway	$220	Cable, Internet	$160

Scenario 2: Planning for family goals

Derek and his wife Diana have two children under 4 years of age. Derek works as a school security officer and earns $20/hour, or $41,600 per year. Diana is an assistant manager for a hotel and earns a yearly salary of $46,200. Their net income is $5,271 per month. Their cars are a little older, but they are both paid off. So their primary travel expenses are gas, tolls, and general car maintenance. Cable TV is important to them because Derek loves watching football games, and, since their children are young, they don't go out much. They've talked about opening college savings plans for both children, but they forget each month. They own an older home, so they would also like to make improvements to their house and are thinking about getting a home equity loan to meet this goal. Derek and Diana have budgeted for the following monthly expenses:

Expense type	Expense cost	Expense type	Expense cost
Mortgage	$1,240	Child care	$1,200
Food	$1,300	Cable, Internet	$170
Utilities	$110	Cell phones	$160
Transportation	$140	Credit card payments	$400
Insurance (home, cars)	$240	Eating out, entertainment	$300

Scenario 3: Young working woman

Kenza was born and raised in a small town. She loves animals and got a full-time job as a vet tech after she graduated from high school. The vet gave her on-the-job training. Kenza wants to leave home and get an apartment with a friend. She realizes having a roommate to share the costs of living will help keep her expenses low. Kenza earns $11.77 an hour and works 40 hours per week. Her annual income will be just under $25,000. Kenza's monthly net income is $1,458. There is a bus that runs between her job and the apartment she wants to rent. She and her friend go out every weekend and have fun. Kenza has budgeted for the following monthly expenses:

Expense type	Expense cost	Expense type	Expense cost
Rent	$375	Renter's insurance	$33
Groceries	$175	Cell phone	$55
Utilities	$45	Cable, Internet	$40
Savings	$25	Bus passes	$40
Eating out, entertainment	$350	Clothing	$200