

## Budgeting Exercise: Ricky



**Name: Ricky**

**Age: 22**

**Occupation: Web designer**

**Home: Shares a rented apartment in Belfast with two friends**

Due to the recession, the firm that Ricky works for sees a drop in the amount of work coming in and, as a result, Ricky and his colleagues are asked to take a 10% pay cut.

### **Activity One**

Q. If Ricky earns £1,200 per month, how much will he get per month following the pay cut?  
**(£1,080)**

***Write the answer in the 'monthly income' box on the budget sheet in Appendix A.***

Meanwhile, one of Ricky's flatmates loses his job. Ricky and his friends have no choice but to give up their rented apartment and move back each of their parents' homes.

To make matters worse, Ricky's car finally packs in so he is back to using public transport or cycling in the finer weather.

The change in Ricky's circumstances also mean changes for his finances and lifestyle choices.

### **For discussion**

Q. What will be the likely negative impacts on Ricky's finances and lifestyle?

Q. Could there be some positive changes too?

***You may want to record the responses on a flipchart or whiteboard.***

### **Activity Two**

To look more closely at the likely changes to Ricky's finances, look at the attached budget sheet in Appendix A and answer the questions that follow.

## APPENDIX A

TOTAL MONTHLY INCOME	THEN (A)	NOW (B)
	£1200	

HOUSEHOLD BILLS	A	B
Rent	£260 p/m	
Electricity	£25 p/m	
Heating Oil	£300 p/a (£25 p/m)	
TV Licence	48.50 p/a (£4 p/m)	
<b>TOTAL per month</b>	<b>£314</b>	

FINANCIAL	A	B
Store Card	£25 p/m	
Student Loan	£50 p/m	
Savings	£20 p/m	
<b>TOTAL per month</b>	<b>£95</b>	

FOOD	A	B
Weekly food shop	£50 p/w (£160 p/m)	
Work lunches	£20.50 p/w	
Incidentals	£9.25 p/w	
<b>TOTAL per month</b>	<b>£279</b>	

OTHER BILLS	A	B
Telephone + Internet + Satellite	£45 p/m	
Mobile Phone	£10 p/m	
<b>TOTAL per month</b>	<b>£55</b>	

TRAVEL	A	B
Road Tax	£140 p/a (£11.67 p/m)	
Petrol/Diesel	£125 p/m	
MOT	£40 p/a (£3.34 p/m)	
Taxi	£32 p/m	
Bus/Train*	n/a	
<b>TOTAL per month</b>	<b>£172.01</b>	

\* Equivalent to 12 x city zone bus journeys per week at £1.10 each

PERSONAL CARE	A	B
Clothes	£40 p/m	
Gym	£20 p/m	
Toiletries	£15 p/m	
Hair	£10 p/m	

<b>TOTAL per month</b>	<b>£85</b>	
<b>SOCIAL/TREATS</b>	<b>A</b>	<b>B</b>
Pub/clubs	£150 p/m	
Cinema	£20 p/m	
Birthday presents	£250 p/a (£20.83 p/m)	
Christmas presents	£220 p/a	
Holidays	n/a	
DVDs, books, games	£30 p/m	
Magazines	£7 p/m	
<b>TOTAL per month</b>	<b>£246.17</b>	

### SUMMARY

<b>TOTAL SPEND</b>	<b>THEN (A)</b>	<b>NOW (B)</b>
<b>HOUSEHOLD BILLS</b>	£314	£0
<b>FINANCIAL</b>	£95	£95
<b>FOOD</b>	£279	£119
<b>OTHER BILLS</b>	£55	£10
<b>TRAVEL</b>	£172.01	£137.60
<b>PERSONAL CARE</b>	£85	£85
<b>SOCIAL/TREATS</b>	£246.17	£246.17
<b>TOTAL per month</b>	<b>£1246.18</b>	<b>£938.94</b>

### Key to abbreviations

p/a = per annum (or per year)

p/m = per month

p/w = per week

n/a = not applicable

### **For discussion**

Q. What do you notice about Ricky's spending before the 10% pay cut?

**N.B. He overspends by £46.18 each month. That's £554.15 per year!!  
£20 of this goes into his savings!**

Q. What would be the possible consequences of Ricky's spending habits, if he kept on this way?

Q. Why do you think it's important to 'live within your means'?

### **Activity Four**

In pencil, fill out column B in the budget sheet (Appendix A) now that Ricky is living at home with his parents. There will be some significant changes and some things that stay the same.

Q. How much more money does Ricky have now that he's living with his parents? (**£307.24**)

### **For discussion**

Q. Do you think Ricky should contribute to his parent's household bills and food costs? Justify your opinion.

***If opinion is divided, split the class into two sides so they debate the issue and come to a conclusion.***

***Depending on the outcome, students may need to amend the figures in Column B of the budget sheet to reflect any contribution they feel Ricky should make towards household costs.***

### **Activity Five**

Based on Ricky's new budget and working in small groups, ask students to list six financial goals or priorities for Ricky and explain why they think they're important.

*Examples:*

Increase monthly payment on student loan so that it's not hanging over him for so long.

Increase monthly payment on store card because it's costing him a lot in interest payments.

Increase amount of monthly savings so that he can buy a new car and build up a cash reserve in case he faces any unexpected costs.

Reduce amount spent monthly on treats like games and DVDs that he can put towards his savings.

Take a packed lunch to work to cut costs.

Ask for magazine subscriptions as his next birthday present to save the money he spends on these.

**APPENDIX B** Budget Sheet with column B completed

<b>TOTAL MONTHLY INCOME</b>	<b>THEN (A)</b>	<b>NOW (B)</b>
	£1200	£1080

<b>HOUSEHOLD BILLS</b>	<b>A</b>	<b>B</b>
Rent	£260 p/m	£0
Electricity	£25 p/m	£0
Heating Oil	£300 p/a (£25 p/m)	£0
TV Licence	48.50 p/a (£4 p/m)	£0
<b>TOTAL per month</b>	<b>£314</b>	<b>£0</b>

<b>FINANCIAL</b>	<b>A</b>	<b>B</b>
Store Card	£25 p/m	£25 p/m
Student Loan	£50 p/m	£50 p/m
Savings	£20 p/m	£20 p/m
<b>TOTAL per month</b>	<b>£95</b>	<b>£95</b>

<b>FOOD</b>	<b>A</b>	<b>B</b>
Weekly food shop	£50 p/w (£160 p/m)	£0
Work lunches	£20.50 p/w	£20.50 p/w
Incidentals	£9.25 p/w	£9.25 p/w
<b>TOTAL per month</b>	<b>£279</b>	<b>£119</b>

<b>OTHER BILLS</b>	<b>A</b>	<b>B</b>
Telephone + Internet + Satellite	£45 p/m	£0
Mobile Phone	£10 p/m	£10 p/m
<b>TOTAL per month</b>	<b>£55</b>	<b>£10</b>

<b>TRAVEL</b>	<b>A</b>	<b>B</b>
Road Tax	£140 p/a (£11.67 p/m)	£0
Petrol/Diesel	£125 p/m	£0
MOT	£40 p/a (£3.34 p/m)	£0
Taxi	£32 p/m	£32 p/m
Bus/Train	£0	£52.80* p/m
<b>TOTAL per month</b>	<b>£172.01</b>	<b>£137.60</b>

\* Equivalent to 12 x city zone bus journeys per week at £1.10 each

<b>PERSONAL CARE</b>	<b>A</b>	<b>B</b>
Clothes	£40 p/m	£40 p/m
Gym	£20 p/m	£20 p/m
Toiletries	£15 p/m	£15 p/m
Hair	£10 p/m	£10 p/m
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