

This topic is about preparing and keeping a household budget. It helps your client understand what to put into a household budget and how to track spending.

Section: content for the worker and resources	 Key messages
<p>A: Introducing household budgets</p> <p> Level 1</p> <p> Level 1</p> <p> Factsheet</p>	<ul style="list-style-type: none"> ▶ A budget is a written plan that helps you know how much money you have and what you need to spend it on. ▶ A budget helps you keep track of what you are spending. ▶ For a budget to work you need to follow it.
<p>B: Planning to use your budget</p> <p> Activity Level 2: <i>What is the right meaning?</i></p> <p> Level 2: <i>Mahalia loves to talk on her new mobile phone</i></p> <p> Activity Level 3: <i>Prepare a household budget</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> ▶ A budget helps you keep track of what you are spending. ▶ Deciding how much money you have to put into each part of your budget is important. ▶ In planning a budget you have to make decisions about your spending.
<p>C: What to put in your budget</p> <p> Activity Level 2: <i>Important or not as important?</i></p> <p> Level 2: <i>Grace budgets for her children's treats</i></p> <p> Activity Level 3: <i>Needs and wants</i></p> <p> Level 3: <i>When everyone wants something different</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> ▶ Saving money in your budget helps you to pay for unexpected expenses. ▶ Putting away money for other spending helps you with unplanned spending. ▶ Spending money on things you have not planned for will affect your budget and your financial situation.
<p>D: Importance of using and keeping track of your budget</p> <p> Activity Level 2: <i>Spending diary</i></p> <p> Level 2: <i>Atem and Arop budget for their weekly grocery shop</i></p> <p>  Level 3: <i>Using a budget surplus – Robert gets a payrise</i></p> <p> Factsheet</p>	<ul style="list-style-type: none"> ▶ A budget helps you plan ahead. ▶ Checking your budget helps you keep to your plan.

1: Household budgets

Financial literacy levels



Ask these types of questions to check your client's level of understanding and knowledge

- ▶ How do you manage your money?
- ▶ Do you know what a budget is? If yes, what is your understanding of this?
- ▶ Do you know why a budget is important?

After your client answers your questions, determine what information they need based on their level of knowledge. You can do this using this table.

Your client has this level of knowledge	Description
Level 1: No or a limited understanding	<p>If your client cannot answer any of your questions or can only answer them a bit, they have no or a limited understanding.</p> <p>You can help them understand more by showing them the photo story in their translated language to introduce the topic.</p> <p>You can also listen to the audio story.</p> <p>After using the photo and/or audio stories, see if your client has developed some understanding of the topic, by asking them to answer the questions again.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>
Level 2: Some level of understanding	<p>If your client answers one or more of your questions, but not in a lot of detail, they have some level of understanding.</p> <p>You can show them the photo story to review the topic.</p> <p>You can also go through the Level 2 activities and stories in the kit as these are for clients with some level of understanding.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>
Level 3: A higher level of understanding	<p>If your client answers your questions in detail they have a higher level of understanding.</p> <p>For example, if you ask your client 'Do you know what a budget is?', and they say 'yes' and can explain what it is, you do not need to show them the photo story. Instead, you can look at the more advanced activities in the kit with them, labelled as Level 3.</p> <p>At the end of the section, you can give your client the factsheet in their translated language to take home with them, so they can look at it later.</p>

A: Introducing household budgets



Key messages

- ▶ A **budget** is a written plan that helps you know how much money you have and what you need to spend it on.
- ▶ A budget helps you keep track of what you are spending.
- ▶ For a budget to work you need to follow it.

Content for the worker

This section introduces your client to the concept of household budgets. To do this, show your client the photo story and/or play the audio story.

When showing the photo story, remember to pause and check if your client is following the story in the right sequence.

A factsheet on this topic is also available for your client. You can photocopy and give the factsheet to your client in their translated language to take home.



After using the photo and audio stories, you can check your client's level of understanding and knowledge by asking questions such as:

- ▶ What is a budget?
- ▶ Why is a budget important?
- ▶ What can you remember about what should be in a budget?

Does your client understand the key points from today?

If they do not, you can go through the information again at another time.

If they do you can proceed to the next level the next time you meet your client – from **Level 1** to **Level 2** or from **Level 2** to **Level 3**.

Resources



Level 1: Household budgets photo story



Level 1: Household budgets audio story



Household budgets factsheets. These can be found at the end of the topic in the following languages:

- 1 English
- 2 Arabic
- 3 Assyrian
- 4 Burmese
- 5 Chin Hakka
- 6 Dari
- 7 Dinka
- 8 Farsi
- 9 Hazaragi
- 10 Karen
- 11 Kirundi
- 12 Nepalese
- 13 Nuer
- 14 Sudanese Arabic
- 15 Swahili
- 16 Tamil

1: Household budgets

B: Planning to use your budget



Key messages

- ▶ A budget helps you keep track of what you are spending.
- ▶ Deciding how much money you have to put into each part of your budget is important.
- ▶ In planning a budget you have to make decisions about your spending.

Content for the worker

A budget is a written plan that includes what you need to pay. The benefit of a written budget is you can see it, refer to it and easily follow it.

There are different ways you can prepare a budget (some people write it down and some do not).

There are 2 steps to planning a budget:

- ▶ Step 1 is preparing your budget
- ▶ Step 2 is managing your budget.

Step 1

Preparing your budget

(see a sample of a budget on Page 17)

The main parts of a budget are:

- ▶ **income** (money coming in, for example, from wages)
- ▶ **expenses** (money going out, for example, on bills, food and school fees).

Expenses are usually broken down into categories so they can be easily worked out.

Examples:

- ▶ Transport category includes different transport costs such as petrol, car registration, car insurance, car repairs, public transport and car parking.
- ▶ Medical category includes medicine, doctor and dentist.

If there is nothing to add to an expense category that is okay as a budget only includes information that is relevant. For example, if you do not have a car you will not need to include petrol or other car costs in your budget.

Once you have listed all your income and all your expenses, you need to add them up to get a total for each.

Then you need to minus your expenses from your income.

If you have money left over, this is called a **surplus**.

If your expenses are more than your income this is called a **shortfall**. If you have a shortfall, you do not have enough money and have to reduce your expenses or increase your income.

Step 2

Managing your budget

To see a copy of a completed budget, go to Page 32.

If your budget is going to work you need to review it regularly. You need to check what you have spent your money on and make sure you are keeping to what you have decided on in your budget.

You should review your budget each time there is a change in your household. For example if there is a loss of income, an increase of income or an increase in the amounts of bills to be paid.

Another part of managing your budget is knowing when you need to pay for things. You need to pay some things fortnightly, monthly or even every 2 months or 3 months.

If you receive your income fortnightly it is helpful to save by putting some money away each time you get paid. You can then use this money to pay your bills when they come in or are due to be paid.

Remember

The concept of time can be difficult for clients not used to understanding due dates and billing schedules. It is important that your client knows how often things need to be paid and at what part of the month. A good way is to teach your client how to use a calendar to mark key pay dates.

You can also tell your client to visit the MoneySmart website, www.moneysmart.gov.au, and complete the MoneySmart online budget planner.

You can also use **Level 2** story *Mahalia loves to talk on her new mobile phone* (Page 13) to help your client better understand how to manage their budget.



Activities and stories

 **Level 2:** *What is the right meaning?*
Page 11

 **Level 2:** *Mahalia loves to talk on her new mobile phone*
Page 13

 **Level 3:** *Prepare a household budget*
Page 15

1: Household budgets

C: What to put in your budget



Key messages

- ▶ Saving money in your budget helps you to pay for unexpected expenses.
- ▶ Putting away money for other spending helps you with unplanned spending.
- ▶ Spending money on things you have not planned for will affect your budget and your financial situation.

Content for the worker

Each person makes their own decisions about how to spend money.

There are things that are **important (needs)** and these must be included in your budget, such as food, water and shelter (rent or mortgage).

There are things that are **not as important (wants)**. These are things you may want but do not need right now, such as a mobile phone.

Different people have different ideas about what is important. Preparing a budget can help you work out what you need and make sure you have enough money to pay for your needs.

A budget is also for you to understand unexpected expenses. An unexpected expense is something you did not plan but must pay for. This could include car repairs if your car breaks down, or a medical bill if you get sick.

Some people spend money that has not been put in their budget. This can add up quickly and mean you may not have enough to pay for your important needs, such as bills or food.

To make sure this does not happen, your budget should include a category called other spending. This is the money you use for everyday small expenses such as a cup of coffee at the local café, snacks or treats for

your children.

Activities and stories



Level 2: *Important or not as important?*
Page 19



Level 2: *Grace budgets for her children's treats*
Page 21



Level 3: *Needs and wants*
Page 23



Level 3: *When everyone wants something different*
Page 25

D: The importance of using and keeping track of your budget



Key messages

- ▶ A budget helps you plan ahead.
- ▶ Checking your budget helps you keep to your plan.

Content for the worker

For your budget to work well, it is important that you regularly check it and keep track of it.

In doing so you have to:

- ▶ pay for some things regularly – for example, every fortnight, every month, every 3 months or every year
- ▶ remember that each time you receive a bill, it can be a different amount to the one you received before – for example, in summer you will not be using your heater so your heating bills will not be as much as they are in winter
- ▶ be aware of how often your income comes in and how much comes in each time. Does your income come in weekly, fortnightly or monthly? Is it always the same amount or does it change each time?
- ▶ keep track of the different expenses you have to pay every month (this can vary).

A simple way to plan for changing expenses is to keep a **spending diary**. This is a simple way to understand how you spend your money (called spending habits). To keep a spending diary, write down what you spent your money on, the amount and how often.

A spending diary helps you understand your spending habits and helps you work out what you are spending money on and whether it is important. For example are you spending money impulsively (not planned) on things you really do not need? Therefore, a spending diary helps you to keep track of your budget.

Activities and stories



Level 2: *Spending diary*
Page 27



Level 2: *Atem and Arop budget for their weekly grocery shop*
Page 29



Level 3: *Using a budget surplus – Robert gets a payrise*
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1: Household budgets

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Activities and stories

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1: Household budgets

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B: Planning to use your budget

What is the right meaning?



You can use this activity to explain this information to your client before completing the activity. The answers are on the next page.

A budget is a written plan that helps you know how much money you have and what you need to spend it on.

The main parts of a budget are income (money coming in, for example, from wages) and expenses (money going out, for example, on bills and food).

After you complete your budget, add up all your income and expenses to get a total for each.

Then you need to minus your expenses from your income.

If you have money left over, this is called a surplus. If your expenses are more than your income this is called a shortfall.

If you have a shortfall, you will have to reduce your expenses or increase your income.

You can read this list of questions to your client and ask them to choose the right answer by responding 'yes' or 'no'.

1. What is a budget?

- a. A budget is a written plan that helps you work out what needs to be paid.
- b. A budget is like a shopping list.

2. What is income?

- a. Income is money coming in, for example, from wages.
- b. Income is money going out, for example, on bills and food.

3. What are expenses?

- a. An expense is money coming in, for example, from wages.
- b. An expense is money going out, for example, on bills and food.

4. What is a surplus?

- a. A surplus is when you have money left over in your budget.
- b. A surplus is when your expenses are more than your income.

5. What is a shortfall?

- a. A shortfall is money left over in your budget.
- b. A shortfall is when your expenses are more than your income.

1: Household budgets

B: Planning to use your budget

What is the right meaning? (continued)

Answers

1 (a), 2 (a), 3 (b), 4 (a), 5 (b).



End of level 2: check in with your client

Does your client understand the key points from today?

If they do not, you can go through the information again at another time.

If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of household budgets and has demonstrated their understanding.	Great work! You can give your client a copy of the factsheet in their translated language to take home.
Your client has some level of understanding of the concept of household budgets.	You can help your client work through the Level 2 activities and stories again.
Your client has no or limited understanding of the concept of household budgets.	You can watch the photo story and listen to the audio story again with your client.

More information for your client

If your client has money problems, you can tell them to contact a free Financial Counsellor on 1800 007 007 or you can refer them to the Key Contacts section in the kit.



For more information about planning and keeping track of a budget, you can tell your client to visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00.

Reflection questions for workers

- ▶ What worked well today?
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

B: Planning to use your budget

Mahalia loves to talk on her new mobile phone

Story **Level 2**

Mahalia talks on her mobile phone all the time. She likes to talk to her friends every day. One day, Mahalia was talking to a friend and her phone cut out. She tried to call back but could not get through. Then she tried to ring another friend and the same thing happened.

Mahalia realised that she could not reach her friends because she had no more money left on her phone to make calls (phone credit). She buys another prepaid voucher, forgetting that her electricity bill is due the following day. And because she bought more phone credit she did not have enough money to pay her electricity bill on time.

? What does Mahalia need to do so this will not happen again?

Mahalia asks her friend Jane if she can borrow money to pay her electricity bill. Jane cannot lend Mahalia money but helps her prepare a budget. This helps Mahalia plan how to spend her money so she covers her important bills (needs) before spending money on extra things she does not need, like mobile phone calls.



FEBRUARY 2011						
SUN	MON	TUES	WED	THURS	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

Electricity bill due

Jane explains to Mahalia that she has to plan so she does not spend more than she has. Jane then explains to Mahalia how to manage her budget. She tells her it is important to check her budget regularly to make sure she is following it. She also tells Mahalia that if her income changes or if her bills are higher she will need to do her budget again (adjust it).

Jane then shows Mahalia an easy way to remember when things need to be paid, by marking the dates bills are due on a calendar.

Mahalia learned a lot from Jane and is managing her money better.

? What does Mahalia need to remember to manage her budget?

Mahalia's electricity bill is due on 28 February. She circles this date on her calendar and writes **ELECTRICITY BILL DUE** underneath the date so she remembers when she has to pay it.

1: Household budgets

B: Planning to use your budget



End of level 2: check in with your client

Does your client understand the key points from today?

If they do not, you can go through the information again at another time.

If they do you can proceed to **Level 3** the next time you get together.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of household budgets and has demonstrated their understanding.	 Great work!  You can give your client a copy of the factsheet in their translated language to take home.
Your client has some level of understanding of the concept of household budgets.	 You can help your client work through the Level 2 activities and stories again.
Your client has no or limited understanding of the concept of household budgets.	 You can watch the photo story and listen to the audio story again with your client.

More information for your client

If your client has money problems, you can tell them to contact a free Financial Counsellor on 1800 007 007 or you can refer them to the Key Contacts section in the kit.



For more information about planning and keeping track of a budget, you can tell your client to visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00.

Reflection questions for workers

- ▶ What worked well today?
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

B: Planning to use your budget

Prepare a household budget



You can use this activity to help your client prepare their own budget. For this level of understanding, it is expected that your client has experience in preparing a budget.



You may want to use the online budget planner to assist you with the calculations. Visit the MoneySmart website, www.moneysmart.gov.au.

Preparation for the activity

Ask your client to bring in their bills if possible.

Photocopy the blank budget on Page 17.

Explain to your client there are 2 steps to planning a budget and that you will first do Step 1 – preparing the budget. Then you will do Step 2 – discussing how to manage a budget.

Step 1 Preparing your budget

Help your client practice preparing a budget by working with them to fill in the blank budget you have photocopied. Remind your client that the names of the categories can change so they should feel free to adjust them as they work through the budget. They can also add their own categories.

To practice preparing a budget your client needs to:

1. fill in their income (for example, money received from wages and/or Centrelink benefits)
2. add up all the amounts under income to get their total income
3. fill in their expenses (for example, money spent on bills and food). If there is nothing to add to a category, that is okay (for example, if your client does not have a car then they do not include anything about petrol, car registration, car insurance or car repairs)
4. add up the amounts under each category of expenses to get total expenses
5. subtract expenses from income to see if your client's budget is in balance (income is the same as expenses), or if there is a shortfall (spending too much money) or a surplus (left over money).

If your client has a shortfall it means they are spending more than they are earning (more than their income). You can look at the budget together to see where your client is spending too much money and make changes. Having a shortfall means your client will have to reduce their expenses or find ways to increase their income.

If your client has a surplus it means they have money left over after they have paid for everything that is important (that they need). Your client can choose to save this money or spend it.

You can discuss with your client the advantages of saving money. This can include being able to pay for things that are unplanned, such as car repairs, or for special times such as birthdays.

If your client cannot complete their budget all at once, they can save it and come back to it at a later time.

1: Household budgets

B: Planning to use your budget

Prepare a household budget (continued)

 If your client is income managed, for example through Centrelink, discuss how this relates to their budget.

Step 2 Managing your budget

Help your client understand how to manage their budget by reminding them that for their budget to work they need to follow it regularly and make sure they are not spending more than they have planned to spend. If they do so they might not have enough money to pay for all of the important items in their budget.

For example, if your client has budgeted to spend \$20 a fortnight on their mobile, but is really spending \$40 a fortnight, then they have overspent on their budget. Your client may have to spend \$20 a fortnight less on something else in their budget. If they do not then their budget will have a shortfall and this will impact on your client financially.



For more information about planning and keeping track of a budget, you can tell your client to visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00.



B: Planning to use your budget

Prepare a household budget (continued)

Household budget	Total amount (\$)	Total each fortnight (\$)
Part 1 INCOME		
Wages or salary (after tax)		
Centrelink benefits		
TOTAL INCOME		
Part 2 EXPENSES		
Living expenditure		
Rent or mortgage		
Insurance – home and contents		
House repairs		
Council rates		
Utilities		
Water		
Electricity		
Gas		
Mobile phone		
Home phone		
Internet		
Pay television		
Personal		
Savings		
Emergency savings account		
Clothes		
Shopping		
Entertainment		
Gifts		
School costs		
Transport		
Petrol		
Car registration		
Car insurance		
Car repairs		
Public transport		
Car parking		
Food		
Food and groceries		
Lunches		
Alcohol		
Cigarettes		
Medical		
Medicine		
Doctor		
Dentist		
Other repayments		
Car loan		
Credit card		
TOTAL INCOME		
Less TOTAL EXPENSES		

To change your amounts to fortnightly amounts, use these calculations

Weekly $\times 2$
 Fortnightly $\times 1$
 Monthly $\div 2$
 Quarterly $\div 6$
 Yearly $\div 26$

Example

Over a year you have received 6 gas bills. The amounts are:

January \$28.50
 March \$33.70
 May \$45.30
 July \$62.80
 September \$88.60
 November \$65.10

Total \$324.00

The total you have paid for gas is \$324.00 for the year. To know how much this is a fortnight you divide by 26. The amount you need to put away each fortnight is \$12.45.

Do you have a surplus or shortfall? If so, how much?

\$ _____

1: Household budgets

B: Planning to use your budget

Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of household budgets and has demonstrated their understanding.	 Great work!  You can give your client a copy of the factsheet in their translated language to take home.
Your client has some level of understanding of the concept of household budgets.	 You can help your client work through the Level 2 activities and stories again.
Your client has no or limited understanding of the concept of household budgets.	 You can watch the photo story and listen to the audio story again with your client.

More information for your client

If your client has money problems, you can tell them to contact a free Financial Counsellor on 1800 007 007 or you can refer them to the Key Contacts section of the kit.



For more information about planning a budget, you can tell your client to visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00.

Reflection questions for workers

- ▶ What worked well today?
What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

C: What to put in your budget

Important or not as important?

 **Activity Level 2**

You can use this activity to help your client understand the difference between what is **important (needs)** to include in a budget and what is not as important.

You need to include important (needs) things in your budget. These are the things you need to live, such as food, water and shelter (rent or mortgage).

You can include other things in your budget that you do not need to live. Things that are **not as important (wants)** are items such as a DVD player, television and the latest mobile phone. You may want these items, but you do not need them to live.

Point out which of these pictures are important and which ones are not as important, remembering that important items are things you need to live.

Discuss with your client how they made their decisions. Help them understand that they must include important items in their budget.



1: Household budgets

C: What to put in your budget



End of level 2: check in with your client

Does your client understand the key points from today? If they are not at this stage yet, you can go through this information again at another time.

If your client has shown an understanding, next time you can introduce them to the information at **Level 3**.



You can give your client the factsheet in their translated language to take home. Repetition is part of learning.

Has your client got a better understanding?

Result	Next steps
Your client has a higher level of understanding – completely understands the concept of household budgets and has demonstrated their understanding.	 Great work!  You can give your client a copy of the factsheet in their translated language to take home.
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Your client has no or limited understanding of the concept of household budgets.	 You can watch the photo story and listen to the audio story again with your client.

More information for your client



For more information about planning and keeping track of a budget, you can tell your client to visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00.

Reflection questions for workers

- ▶ What worked well today? What did not work well?
- ▶ Did your client understand the key messages?
- ▶ How could the session have been more effective?
- ▶ Did the activities engage your client in the topic?
- ▶ What questions unexpectedly emerged and how did you handle them?
- ▶ What might you do differently next time?

C: What to put in your budget

Grace budgets for her children's treats


Level 2

When Grace picks her children up from school, they always ask for a chocolate. She always stops at the local shop and buys them a small chocolate each.

Today, Grace realises she needs the money in her purse to pay for her phone bill. So she cannot afford to buy the chocolates, but her children have already run into the shop and picked out what they want.


What does Grace do and is it the right decision?

Even though Grace cannot really afford it, she finds it hard to say no to her children and so buys them the chocolate.

After her children have gone to bed, Grace sits and worries because she does not have enough money to pay her phone bill and she wonders what will happen. She thinks about how much money she spends on treats each week. She works out that she spends \$5 a day every school week. This costs her \$25 a week, which is \$50 a fortnight and \$1,000 a year.



What does Grace do to manage her money better?

Grace decides to manage her money better and works out her options.

One way she can do this is to buy chocolate for her children only 2 times a week, saving \$15 a week, \$30 a fortnight and \$600 a year. She can put some money for the treats in her other spending category to make sure she does not spend too much.

Another way Grace can manage her money better is to buy a large amount of chocolate (this is called buying in bulk), which is cheaper than buying chocolate in individual, smaller amounts. Grace can then keep the chocolate in the cupboard and give a small amount to her children when they get home from school.



1: Household budgets

C: What to put in your budget



End of level 2: check in with your client

Does your client understand the key points from today? If they are not at this stage yet, you can go through this information again at another time.

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C: What to put in your budget

Needs and wants

 **Activity** **Level 3**

You can use this activity to help your client understand the difference between needs and wants.

Make a copy of this activity if your client wants to use it to write their needs and wants down.

Needs are the important things that you must include in your budget, such as food, water and shelter (rent or mortgage).

Wants are not as important and include things like a DVD player or a mobile phone.

Ask your client to look at each picture and decide if it is something they need or want. Then ask your client to think about what they have bought in the past 2 weeks and ask them to list 5 items that are needs (important) and 5 items that are wants (not as important). They can do this in the box below the pictures.

Your client's responses are neither right nor wrong. It is how your client thinks about what they bought.

You can discuss how your client decided whether to buy something. Was it based on a need or a want?



Needs:

- 1.
- 2.
- 3.
- 4.
- 5.

Wants:

- 1.
- 2.
- 3.
- 4.
- 5.

1: Household budgets

C: What to put in your budget

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C: What to put in your budget

When everyone wants something different


Level 3

The Hill family decided to create a budget together. John, the dad, said each family member could list 2 items they would like to go into the budget.

John was the first to give an idea. He said, 'We should budget for a family holiday.'

Carol, the mum, said 'I think we should budget for a family holiday too, but I would like a new fridge because ours is getting old and is making funny noises.'

Steven, the son, said, 'I want a mobile phone and some new computer games.'

Melissa, the daughter, said, 'I want a new bike and a television for my bedroom.'

? From the list of items the family has mentioned, what do you think should and should not go into the family budget and why?

? How do you think the Hill family will decide?



After discussing the budget, the Hill family decided what to put in their budget. They did so based on:

- ▶ how much each item would cost
- ▶ whether the item is important and really needed
- ▶ whether the item is not as important and just wanted
- ▶ if the item is important for the whole family or whether it would just benefit 1 member of the family.

The Hill family decided to buy a fridge first, because this was the most important and was a benefit to all family members.

They also decided to include a family holiday in their budget as they had not had a holiday together for years. Also, everyone would benefit from the holiday.

To get the costs of both the fridge and the holiday, the Hill family decided to put an extra \$100 a month to their budget.

To get this extra amount:

- ▶ John and Carol decided to stop buying their lunch every day at work and to make it at home instead.
- ▶ John decided to ride his bike to work 2 days a week to save on petrol for his car and car parking costs.
- ▶ Carol decided to take the bus to work because it was cheaper.

The children were also expected to save their own pocket money so they would be able to buy things on their holiday.

1: Household budgets

C: What to put in your budget

John and Carol asked the children to start saving. The children agreed but asked if they could save even more money by doing extra chores around the house and being paid extra money for doing these chores.

John and Carol explained that this was not going to work. If they had to give Steven and Melissa extra money they would not be able to save as much to buy the fridge, which the family agreed they would do before going on holiday. This would mean the family holiday would have to be delayed.

John and Carol explained to their children that instead of spending all their allowance on things they want, they should save some of this money. In the end the children put aside some of their weekly allowance to save for their holidays.

Everyone contributed and the Hill family bought a new fridge and enjoyed their holiday.



Is there anything you think the Hills should have done differently? How would you have saved for a fridge and holiday?

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D: Importance of using and keeping track of your budget

Spending diary



You can use this activity to help your client become aware of how they spend money (their spending patterns) and help them keep track of their budget.

Explain to your client there are 2 steps to this activity. Step 1 will help your client determine how they spend money (spending pattern). Step 2 will help your client understand their spending pattern and how to adjust it so they manage their budget better.

Step 1

Explain to your client that this activity is not about judging how they spend their money. It is about helping them understand how they spend their money (their spending pattern). For example, does your client always plan their spending, or do they just buy what they want when they feel like it (impulsive)?

1. Ask your client to keep all of their receipts, or explain that they can use their own note paper. If they use their own note paper, they should write down everything they spend their money on.
2. Explain to your client that over the next 2 weeks, they should complete the spending diary by writing down everything they buy in the spending diary – what they spent, how much, how often and what the item is for. This includes all small things, such as a coffee at your local café or snacks or treats for the children. It also includes large amounts of spending such as food shopping.
3. Ask the client to bring the completed spending diary, and/or receipts, with them when they next meet with you.

Step 2

Now that your client has completed their spending diary, you can help them understand their spending patterns to see if they need to change how they spend their money, to better manage their budget.

Look at the completed spending diary together and discuss things like whether your client:

- ▶ shops for food every day or once a week
- ▶ donates to their church or other religious organisation regularly
- ▶ spends a lot on treats and take-away food.

Discuss with your client if they think they are spending their money on items that are important (needs) or not as important (wants).

If your client is spending money on things that are not as important, discuss with them how they can manage their money better, such as putting some into a savings account every week.

1: Household budgets

D: Importance of using and keeping track of your budget



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D: Importance of using and keeping track of your budget

Atem and Arop budget for their weekly grocery shop

Story **Level 2**

Atem and Arop do not have a budget for when they shop at the supermarket. They write what they need on a shopping list but once in the supermarket it does not take long for them to disagree over what to buy. Arop wants to only buy what is on the list but Atem always wants to buy extra food and sometimes things they do not need, like treats.

One day when they went shopping, Atem put a few extra items in the trolley that were not on the list because they were on sale. When they had to pay, the total came to \$70 and Arop had only brought \$30 with her. She was embarrassed and had to leave the extra food at the supermarket because they could not afford to pay for it.

? What could Atem and Arop do so this does not happen again?

After discussing ideas, Atem and Arop decided to prepare a budget so they know how much they can spend a week at the supermarket. And they decided to keep to the budget. They did this and when they shopped for food they were never embarrassed again by having more in their trolley than they could afford to pay for.



1: Household budgets

D: Importance of using and keeping track of your budget



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D: Importance of using and keeping track of your budget

Using a budget surplus – Robert gets a pay rise



Level 3

Using a budget surplus

You can use this activity to help your client think about what to do if they have extra money left over in their budget – a surplus.

Copy the budget on the following page so your client also has a copy.

You can use the story about Robert to help your client make decisions about how best to use their surplus money.

Robert gets a pay rise

Robert is very good at following his budget. He works as a part-time gardener and his pay has just increased by \$117.86 a fortnight. This means he has an extra \$117.86 that he had not added to his budget.



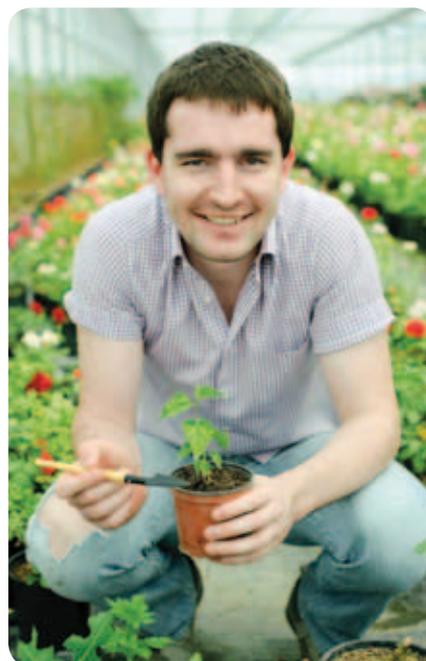
What should Robert do with his extra money?

Robert knows he has choices on how to spend the extra money he now earns every fortnight. He can spend it on things he would like to have, such as extra shoes and clothes. Or he can put at least some of the extra money into his savings.

Using Robert's budget on the following page, you can discuss with your client what Robert should do with his extra money.



How did you decide how Robert should use his money?



1: Household budgets

D: Importance of using and keeping track of your budget

Using a budget surplus –
Robert gets a pay rise (*continued*)

Household budget	Total amount (\$)	Total each fortnight (\$)
Part 1 INCOME		
Wages or salary (after tax)	\$640 per week	\$1040.00
Centrelink benefits		
TOTAL INCOME		\$1,040.00
Part 2 EXPENSES		
Living expenditure		
Rent or mortgage	\$200 a week	\$400.00
Insurance – home and contents	None	
House repairs	None	
Council rates		
Utilities		
Water	\$520 a year	\$20.00
Electricity	\$520 a year	\$20.00
Gas	None	
Mobile phone	\$80 a month	\$36.87
Home phone	None	
Internet	\$30 a month	\$13.82
Pay television	None	
Personal		
Savings		
Emergency savings account		
Clothes		
Shopping		
Entertainment		
Gifts		
School costs		
Transport		
Petrol	\$100 a month	\$46.08
Car registration	\$650 a year	\$25.00
Car insurance	\$290 a week	\$11.15
Car repairs		
Public transport		
Car parking		
Food		
Food and groceries	\$150 a week	\$300.00
Lunches	\$20 a week	\$40.00
Alcohol		
Cigarettes		
Medical		
Medicine		
Doctor	\$20 a month	\$9.22
Dentist		
Other repayments		
Car loan		
Credit card		
TOTAL INCOME		\$1,040.00
Less TOTAL EXPENSES		\$922.14
SURPLUS		\$117.86

D: Importance of using and keeping track of your budget

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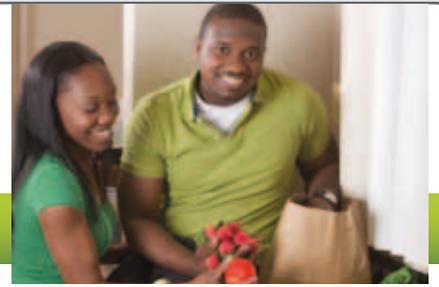
1: Household budgets

Glossary

Budget	A written plan that helps you know how much money you have coming in and what you need to spend it on. A budget helps you keep track of what you are spending.
Expenses	Things you are spending money on (for example, on bills, food and school fees). In your budget expenses are usually broken down into categories (such as transport and medical) so they can easily be worked out.
Important (needs)	Things you need to live, such as food, water and shelter (rent or mortgage). You should include all the important things you need in your budget.
Income	Money coming in (for example, from wages or from Centrelink).
Not as important (wants)	Things you may want but do not need right now (for example, a holiday, a new computer or a mobile phone).
Other spending	Other spending is the money you use for everyday small expenses such as a coffee at your local café, snacks or treats for your children.
Shortfall	When you do not have enough money coming in (income) to meet the things you are spending money on (expenses). The difference is a shortfall. Having a shortfall means you have to reduce your expenses or increase your income.
Spending diary	A simple way to plan for changing expenses and to understand how you spend your money (called spending pattern or spending habits). This helps you work out what you are spending money on and whether it is important.
Surplus	Money left over after paying all your expenses.
Unexpected expenses	An expense you did not plan for, and were not expecting to pay for. This could include car repairs if your car breaks down, or a medical bill if you get sick.

Household budgets

Managing your money factsheet



What is a budget?

A budget is a written plan that helps you know how much money you have coming in and what you need to spend it on. It helps you keep track of what you are spending.

What is in a budget?

- ▶ Your income – how much money you have coming in and where it comes from (for example, wages or from Centrelink).
- ▶ Your expenses – how much money you spend and where you spend the money (for example, on bills, food and school fees).

Budgeting means you can:

- ▶ keep a regular check on where your money goes
- ▶ pay for the things you need such as food and your current bills
- ▶ prepare for emergencies and unplanned expenses
- ▶ save for something special
- ▶ decide as a family how to spend your money

Remember

- ▶ A budget is a written plan that helps you know how much money you have coming in and what you need to spend it on.
- ▶ A budget helps you keep track of what you are spending.
- ▶ For a budget to work you need to follow it.

Where to get help and more information

If you have money problems, contact a free Financial Counsellor on 1800 007 007.

For more information about financial counsellors, or to complete the online budget planner, visit the MoneySmart website, www.moneysmart.gov.au, or call a Centrelink Financial Information Service Officer on 13 23 00 to get help to plan your budget.



Making a budget work for you

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