Budgeting for Teenagers: Tips for Saving Money Young

(adapted from <https://mint.intuit.com/blog/budgeting/budgeting-for-teens/>)

Remember that time you said you wanted to learn something you could actually use from school? [Budgeting](https://mint.intuit.com/blog/saving/how-to-budget/) is a real-life skill that you can practice every day to set yourself up for financial success. The purpose of budgeting is to encourage conscious decision making around money. It’s a plan of how you’ll spend your money, and it ensures you stay in control of your finances. Check out the points listed in this article to discover the most important tips for budgeting.

* **Track your funds**

Total your monthly income and consider all of the expenses. If you have a monthly allowance or a part time job, count the total salary you earn each month. This will become a guide for your spending and saving. If you have a birthday party to buy gifts for, or a payment coming due, make note of it and secure the necessary funds ahead of time. Tracking your habits and recognizing things you spend money on allows an awareness of where your spending occurs on a daily basis. An example of a budgeting list is included below:

|  |  |
| --- | --- |
| **Saving** | **Spending** |
| Savings account | **Gas money & car repairs** |
| College fund | **Phone bill** |
| Short and long term purchases (e.g. car, vacation, house) | **Groceries** |
| Retirement Savings | Gym membership |
|  | Clothes and accessories |
|  | Beauty services and aesthetics |
|  | Entertainment and subscription services |
|  | Other food and treats (e.g. fast food) |

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## **Pick a budgeting strategy**

## Once you have a list of all your categories, it’s time to figure out how much money to allot for each one. You can do this using a variety of budgeting methods. Learn more about a few different strategies below and choose the one that works best for you.

**“Pay Yourself First” method:** Paying yourself first means that you immediately put a certain amount or percentage of your income into savings. Whatever money is left over can be spent however you choose.

Experts recommend that you put 10% into your savings. If you pay yourself first, you will always find that 10%, but if you wait to make all of your monthly expenditures, and then try to find the savings, it likely won’t be there.

[**Zero-based budgeting**](https://mint.intuit.com/blog/budgeting/zero-based-budgeting/)**:** Want to account for every dollar in your budget? This method operates off of the idea that when you subtract your expenses from your income, the result is zero. Estimate the cost of each budget category and divvy up your income until you hit zero, using those estimates as a guide.

[**50/30/20 rule**](https://mint.intuit.com/blog/saving/how-to-budget/)**:** This rule budgets your money based on the following percentages: 50 percent for necessary expenses, 30 percent for other expenses, and 20 percent for savings. These percentages can be altered to fit your needs, and if you don’t have many expenses, you may want to contribute the larger percentage toward savings.

* **Set goals**

Set goals to keep you motivated. Things won’t work out all the time, and you might lose sight of your motivation, but making a plan to reflect on your goals, will increase your chances of success. And, take the opportunity to learn from any mistakes you make.

* **Prioritize**

Keep track of expenses that are “needs”, like gas money, lunch money or a post-secondary fund, and things that are “wants”, like a new phone or an entertainment subscription. Decide how much money you would like to spend within each category, and figure out what you have to cut from the budget. For example, if you find yourself splurging on iced coffee multiple times a week, try out a more budget-friendly alternative like making it at home. A simple modification such as this, can free up a sizable chunk of change in your budget.

* **Savings**

Emergency Fund - When unexpected life events occur, the fund acts as an insurance policy for your finances. For example, if you have a medical emergency, sudden job loss, or a vehicle accident, you can pay for it using money in your emergency fund. That way, you don't have to dip into your savings or go into debt. It’s recommended that you aim for the equivalent of three months of salary saved.

You can also start saving for vacations, education, down payments on your first home, a more reliable vehicle, etc.

* **Don’t give in to peer pressure**

Life as a teen comes with many pressures. Whether it’s keeping up with current fashion trends, or grabbing a bite to eat with friends, you may be tempted to overspend. It’s okay to say no to dining out or going shopping at the mall- suggest alternatives, as your friends will be glad to spend time with you regardless of the activity or how you’re dressed. Focus on your own money goals and what’s most important to you. Money put into Tax Free Savings Accounts (TFSA) can be earning you tax-free interest (and it adds up if you start saving when you are young).

* **Find a way to have fun**

Use technology to make your budgeting simpler and more enjoyable. Saving your money may seem like a chore, but you can download many apps to keep track of your saving and spending. Online videos can provide more knowledge on budgeting techniques and financial terms. <https://youngandthrifty.ca/best-budgeting-apps-and-tools/>

* **Adjust your budget**

Be flexible, and remember your budget is always adjustable. If you find that your current plan isn’t working for you, change your budget so that money is allocated to somewhere more meaningful. You won’t achieve your financial aspirations overnight, so make sure to forgive yourself and learn from mistakes. If you consistently overspend on clothes, try reworking other non-essential expenses to free up more funding.

Remember- a budget should not make you radically alter your lifestyle or really restrict your spending. It becomes a chore, and you’re not going to stick to it. A budget is a tool, not your boss. Over time, budgeting becomes second nature. It’s easy and anyone can do it!

**Questions:**

1. What is a budget?
2. What are three methods you can choose from to budget your money?
3. How much money should you save each pay cheque? What can this be used for?
4. Are budgets set in stone? Is there any flexibility?

**Rework A Budget – Sophia’s Budget**

**Directions:**

Use the attached budget sheet to set up and maintain Sophia’s budget.

* **Planned Income and Expenses**

Sophia works part-time at a restaurant and part-time at a clothing store. The net monthly income of her first job is $1200. The net monthly income for her second job is $1000.

Her **fixed monthly expenses** include:

* $400 for rent (shared apartment with two roommates)
* $350 for car payment (used car)
* $200 for car insurance

Her **flexible expenses** include:

* $120 savings for future education plans
* $350 for food
* $250 for gas & car maintenance
* $60 for entertainment & subscriptions
* $100 for clothing
* $75 for personal items
* **How Sophia’s Month Actually Goes:**

In addition to her planned income, Sophia made $300 in tips this month.

**Fixed Expenses**: Her rent went up to $430 starting this month, and her car insurance premium jumped to $265/month.

What her **flexible expenses** actually were:

* $150 for new clothes
* $475 for food (she went out for dinner a couple of times)
* $100 for a concert ticket (entertainment)
* $65 for an oil change
* $300 for gas
* $150 for a new car battery (thankfully she took Car Care in school and could install it herself!)
* $110 for a birthday present for her mother
* $50 for personal items
* $90 for new running shoes

**Unforeseen event:**

She also received two speeding tickets amounting to $278.

**Budget**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budget** | **Actual** | **Difference** |
| **Income** |  |  |  |
| **Employment** |  |  |  |
| Job 1 |  |  |  |
| Job 2 |  |  |  |
| Other |  |  |  |
| **Total Income** |  |  |  |
|  |  |  |  |
| **Expenses** |  |  |  |
| **Housing:** |  |  |  |
| Rent |  |  |  |
| Utilities |  |  |  |
| Household Items |  |  |  |
| Tenant Insurance |  |  |  |
| **Transportation:** |  |  |  |
| Car Payment |  |  |  |
| Car Insurance |  |  |  |
| Bus Fare |  |  |  |
| Gas |  |  |  |
| Repairs & Maintenance |  |  |  |
| Parking |  |  |  |
| **Savings and Credit** |  |  |  |
| Credit Card |  |  |  |
| Savings |  |  |  |
| **Personal** |  |  |  |
| Food |  |  |  |
| Shoes/Clothing |  |  |  |
| Entertainment |  |  |  |
| Personal Items |  |  |  |
| Medical |  |  |  |
| Miscellaneous |  |  |  |
| **Education** |  |  |  |
| Tuition |  |  |  |
| School Expenses |  |  |  |
| **Total Monthly Expenses** |  |  |  |
|  |  |  |  |
| **Income Minus Expenses** |  |  |  |

**How Does Sophia’s Budget Look Now?**

1. What is the difference between Sophia’s planned expenses and her actual expenses?
2. In what areas did she overspend?
3. In what areas did she spend less than she planned?
4. What could she do differently next month, so she doesn’t continue to get in over her head?
5. How much did she spend for the use of your car this month?
6. How much money did she have at the end of the month to put into savings?
7. Is it important to plan for the unexpected? Why or why not?



1. If this was your budget, what would you have done

differently?