

Chapter 20 – Managing Your Money

I-Study

A budget will help you meet your current financial needs and achieve your future financial goals. To create a budget, you first define and prioritize your financial needs and goals. Next, you estimate your income and expenses. When you write your budget, use a standard budget form. Be sure to include savings as a budget item. To follow a budget, track your expenses and regularly check your expenses against your budget. If your expenses exceed your budget, you can increase your income or cut back on expenses. Tips for staying on a budget include paying with cash and shopping smart.

The key to managing financial responsibility is financial planning. One aspect of financial planning is being prepared for changes that may affect your financial situation. Personal changes, such as the birth of a child or the loss of a job, and economic changes can affect your personal financial situation. To handle economic changes such as inflation and recession, you may need to cut back on expenses and increase your income. Help for financial problems is available from publications, Web sites, schools, government agencies, and other resources.

I-Quiz

1. What is the term for a plan for saving and spending money based on your income and expenses?
 - A. cash flow
 - B. business plan
 - C. budget
 - D. taxes

2. Expenses that change each month are called
 - A. fixed expenses
 - B. flexible expenses
 - C. income
 - D. actual expenses

3. Developing a strategy to meet present and long-term financial needs is called
 - A. investing
 - B. strategizing
 - C. financial planning
 - D. saving

Answer Key

1. C

2. B

3. C