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Chapter 12: Money Management Strategy

Check Your Answers: Section Assessment

Section 3

Review Key Concepts
1. Step 1: identify your long- and short-term financial goals; Step 2: estimate your income but do not include gifts or bonuses; Step 3: set money aside to address any unexpected expenses such as medical emergencies; Step 4: list your fixed expenses such as loan payments and fixed bills; Step 5: estimate cost for variable expenses such as transportation and food costs, utility bills, etc.; Step 6: record all of your spending for the set period; Step 7: review your budget and spending and revise it if necessary to account for any variance

2. Set your financial goals, estimate your income, budget for unexpected expenses, budget for fixed expenses, budget for variable expenses, record what you spend, review spending and savings.

3. If you increase your savings you can prepare for unexpected expenses or possibly retire comfortably. Increasing savings will help you to reach your financial goals.

Higher Order Thinking
4. It is difficult to resist the temptation to spend any extra money each month. If you increase your savings you may need to adjust spending in another area such as your variable expenses.

English Language Arts
5. Wants and Needs Answers will vary. Students' responses should discuss the importance of a budget and the need to make difficult decisions to eliminate unnecessary spending to increase savings.

Mathematics
6. Budget Variance 600 + 300 + 200 = 1100 (estimated expenses); 360 + 210 + 590 = 1160 (actual expenses); budget variance: 1100 – 1160 = – $60