

CREATING WEALTH

A PERSONAL BUDGET EXERCISE



The cover is a **BENJAMIN FRANKLIN** portrait created by the artist Joseph Duplessis in 1778.

Benjamin Franklin was born on January 17, 1706. Franklin was an American polymath (a smart person with knowledge in several different areas). He was a writer, scientist, inventor, statesman, diplomat, printer, publisher, political philosopher, a world traveler who loved to go to parties. Among the leading intellectuals of his time, Franklin was one of the Founding Fathers of the United States, a drafter and signer of the *Declaration of Independence*, and the first postmaster general.

Franklin had an exceptional personal *BRAND*.

His *STORYTELLING* and *NETWORKING* skills were renowned.

Franklin was a **serial entrepreneur**. He started his career as a printer and book publisher. He founded the *Pennsylvania Gazette*, a successful newspaper and also published the famous "*Poor Richard's Almanack*." His printing business was a very successful entrepreneurial venture. Franklin also started several other businesses, including the Library Company of Philadelphia, one of the **first subscription libraries** in America, and the Philadelphia Contributionship, **an insurance company**. He is famous for his experiments with **electricity**, which led to the discovery of the lightning rod. He also invented various practical devices, such as **bifocal glasses** and the **Franklin stove**. He helped establish **fire departments, paving and cleaning services**, and educational institutions in Philadelphia. In addition to his **newspapers** and **almanacs**, Franklin wrote and published books and essays. **His autobiography**, for example, became a **successful publication and is still popular today**.

Benjamin Franklin hated excessive borrowing.

He would be **furious** about TODAY'S **government debt** and America's **government LEADERS** (*Presidents and Congress men and women*) who **CHOSE to borrow money rather than spend less**. Franklin advised against incurring debt, especially for non-essential purposes. He believed that individuals should avoid borrowing money unless it was absolutely necessary. He famously wrote, "*A penny saved is a penny earned*," emphasizing the value of saving and prudent money management. He cautioned against accumulating debt that today would create low credit scores and paying high interest rates. Franklin also believed in paying debts/bills ON TIME.

While cautious about debt, he acknowledged that **credit could have a useful purpose if used wisely and for productive purposes, such as starting a business**. However, **he always emphasized responsible borrowing and avoiding excessive debt**. He believed that individuals should strive to be free from the burden of debt and the need to rely on others for financial support.

Benjamin Franklin had amassed so much **WEALTH** he essentially **retired** from running his businesses in his **early 40s**. At the time of his death in 1790,

his estate was valued at *\$400,000* in 18th-century U.S. dollars.

Some suggest \$400,000 in 1790 could be equivalent to

HUNDREDS OF MILLIONS of dollars in 2023.

GLOSSARY OF KEY TERMS:

PERSPECTIVE INTERPRETATION

“This text is not fact, rather the view of one author; consequently, it should not be automatically accepted as ‘truth.’ Two time Pulitzer Prize winning historian and author, Barbara Tuchman, stated ‘there is no such thing as a neutral or purely objective historian.... without an opinion, a historian would simply be a ticking clock....’ Your mission should be to determine the ‘truth.’ Your challenge will be to explain why anyone should believe you.”

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CREDIBILITY BELIEVABILITY

“It’s not a given, we acquiesce too quickly. Be respectfully skeptical. Do your homework; check the record and the resume. Ask the question – ‘should I trust this person as a credible source for the truth?’ Make it a prerequisite before embracing the claims of anyone who professes to have the ‘answers.’”

QUESTIONS about Budgeting

1. **WHAT** is a BUDGET?
2. **WHO / WHAT** CREATES A BUDGET?
3. **WHY** would a person have a budget?
4. ARE THERE **BENEFITS** with having a budget AND, IF so, WHAT ARE THE **BENEFITS**?
5. **WHAT** SHOULD BE THE **GOAL**(s) of a BUDGET?
6. **HOW** does someone create a BUDGET?
7. **WHAT** DOES **INCOME** MEAN?
8. WHAT DOES **REVENUE** MEAN?
9. **WHAT** DOES **EXPENSE** (s) MEAN?



- WHAT IS A **FIXED EXPENSE**?
- WHAT IS A **VARIABLE EXPENSE**

10. ARE THERE **BENEFITS FOR SETTING GOALS** WHEN CREATING A BUDGET?
11. WHO IS **THE BEST** at establishing and following a budget?
12. WHO IS **THE WORST** at establishing and following a budget?



13. **OTHER QUESTIONS** - because QUESTIONS ARE ALWAYS MORE IMPORTANT THAN ANSWERS!

ANSWERS about Budgeting

1. A **BUDGET is a PLAN** created to help INDIVIDUALS, FAMILIES, COMPANIES, ORGANIZATIONS, COUNTRIES, STATES / PROVINCES, CITIES / MUNICIPALITIES / TOWNS, organize and keep track of their income (the money earned / collected) and expenses (the money spent on 'stuff').
2. **WHO** or **WHAT CREATES a BUDGET?**
 - **individuals** - like **YOU**
 - **families** - Cronin, Garcia, Barone, Chang, Wilson, etc
 - **countries** - e.g. United States, Dominican Republic, China, Ukraine, Israel, etc
 - **states / estados / provinces** - **USA**: Rhode Island, Massachusetts, North Carolina, etc **Canada**: British Columbia, Saskatchewan, Quebec, etc **Mexico**: Veracruz, Jalisco, etc
 - **cities / towns** - **Providence**, RI; **Cranston**, RI, USA; **Charlotte**, NC, USA; **Baltimore**, MD, USA, **New York**, NY, USA; **Quebec City**, Quebec, CANADA; **Santo Domingo**, capital city of DR; **Nuevo Laredo**, Tamaulipas, MEX;
 - **organizations / businesses** - YMCA, NAACP, Boys & Girls Club, etc / Nike, Amazon, McDonalds, Apple, Netflix, etc
3. The **PURPOSE of a BUDGET** is to provide ACCURATE information to the person / country / family creating and managing their budget to help them make logical, fact based decisions for the best ways to use their money to achieve their goals and the success the person / family / country / state / city / organization they aspires to.
4. WHAT are the **most often used WORDS** in a BUDGET?
 - **INCOME** - *often referred to as "net income" or "profit," is the amount of money a company earns after deducting / subtracting the amount of all expenses, taxes, and other costs from its revenue.*
 - **REVENUE** - *refers to the total amount of money a company collects from selling the goods and services a company sells.*
 - **EXPENSES** - *'stuff' a company or person spends their money on*
 - **FIXED EXPENSE** - *stuff like rent, credit card, food, etc a person must have*
 - **VARIABLE EXPENSE** - *stuff like going to a restaurant, jewelry, netflix, etc a person doesn't need*
 - **DEFICIT** - *having less income or profit than a company or person originally expected*
 - **SURPLUS** - *having more total income or profit than a company or person originally expected*
 - **BALANCED (BUDGET)** - *income is equal to the total of all expenses*
5. The **BENEFITS** of a BUDGET can only be realized IF THE BUDGET is based on **FACTS** as well as a COM-

MITMENT to follow your budget plan. For example, a budget helps you **only spend** the amount of money you have collected or have been paid.. In other words, YOU DON'T SPEND MORE THAN YOU MAKE / EARN / COLLECT. The **BENEFIT** of a BUDGET is having a REALISTIC PLAN to help you manage your expenses and profits so you don't spend more money than you collect.

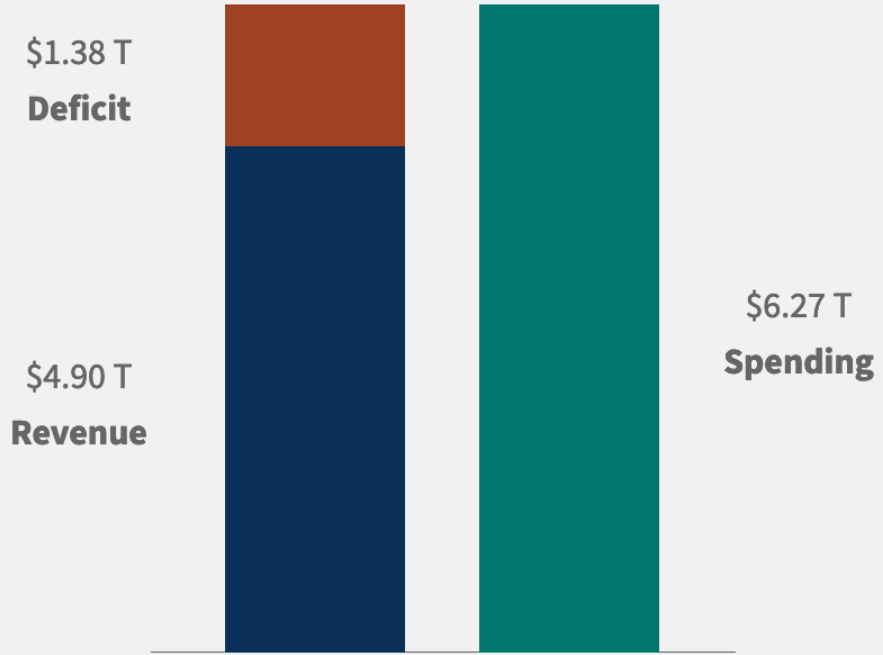
6. THE **GOAL** of the BUDGET is to **COMMIT TO THE BUDGET YOU CREATE**. That is, make sure you EARN / MAKE / COLLECT the amount of money you said you would and ONLY SPEND the amount of money on expenses you have planned to spend. **IF** you find out you are not earning / making / collecting the amount of money you thought you would, **THEN** you must SPEND LESS than what you originally planned to spend. **FOR EXAMPLE, IF** you planned on spending \$100 a month on food and snacks and you're making / earning / collecting **LESS** money **THAN YOU BUDGETED, THEN** you should **SPEND LESS** than the \$100 you planned on spending when you originally created your budget **OR, *earn more money!!!*** You must adjust your budget to achieve your goals of becoming what / who you aspire to be.
7. WHO IS **THE WORST** at establishing and following a budget? There are many families, cities, states and countries all over the world that are terrible at **creating and following** a realistic **budget**. Here are a few examples - The country of Argentina. The American state of California. The country of the United States of America.

- ♦ **Argentina** - Argentina has faced repeated economic challenges and financial crises in the past which has forced **Argentinian leaders to borrow from other countries** and the **WORLD BANK to stabilize its economy and pay its bills**. Argentina's financial challenges has created high inflation, currency devaluation, lots of debt and borrowing, and fiscal deficits (spending more money than the Argentinian government collects in taxes). **CONSEQUENTLY, INFLATION REMAINS A SIGNIFICANT PROBLEM IN ARGENTINA**. The **Consumer Price Index (CPI)** keeps track of price changes for a basket of goods and services over a defined time period. In Argentina, the **CPI in January 2023** was 99% higher than the one calculated in the same month of the previous year, with this figure being the largest monthly inflation rate since the beginning of 2018. **FOR EXAMPLE, if a loaf of bread was \$30 in 2022, the same loaf of bread today, in 2023, costs \$60.**
- ♦ **California** - has a **\$32 billion dollar budget DEFICIT** for the year 2023. In other words, the state of California spent \$32 billion dollars MORE than they collected in taxes for the year 2023. California has a **balanced budget law** as stipulated in its state constitution. The California Constitution, Article 4, Section 12, mandates **CALIFORNIA'S state BUDGET MUST BE BALANCED**. This means that the state government **CANNOT SPEND MORE MONEY THAN IT COLLECTS IN TAXES** and fees in any fiscal year. **If California does spend more than it collects in taxes, California must cut expenses and / or raise taxes to balance their state budget for the following year.**



- The **United States of America**. The **T** in the graph below stands for **TRILLIONS** of dollars!

U.S. Deficit Compared to Revenue and Spending, FY 2022

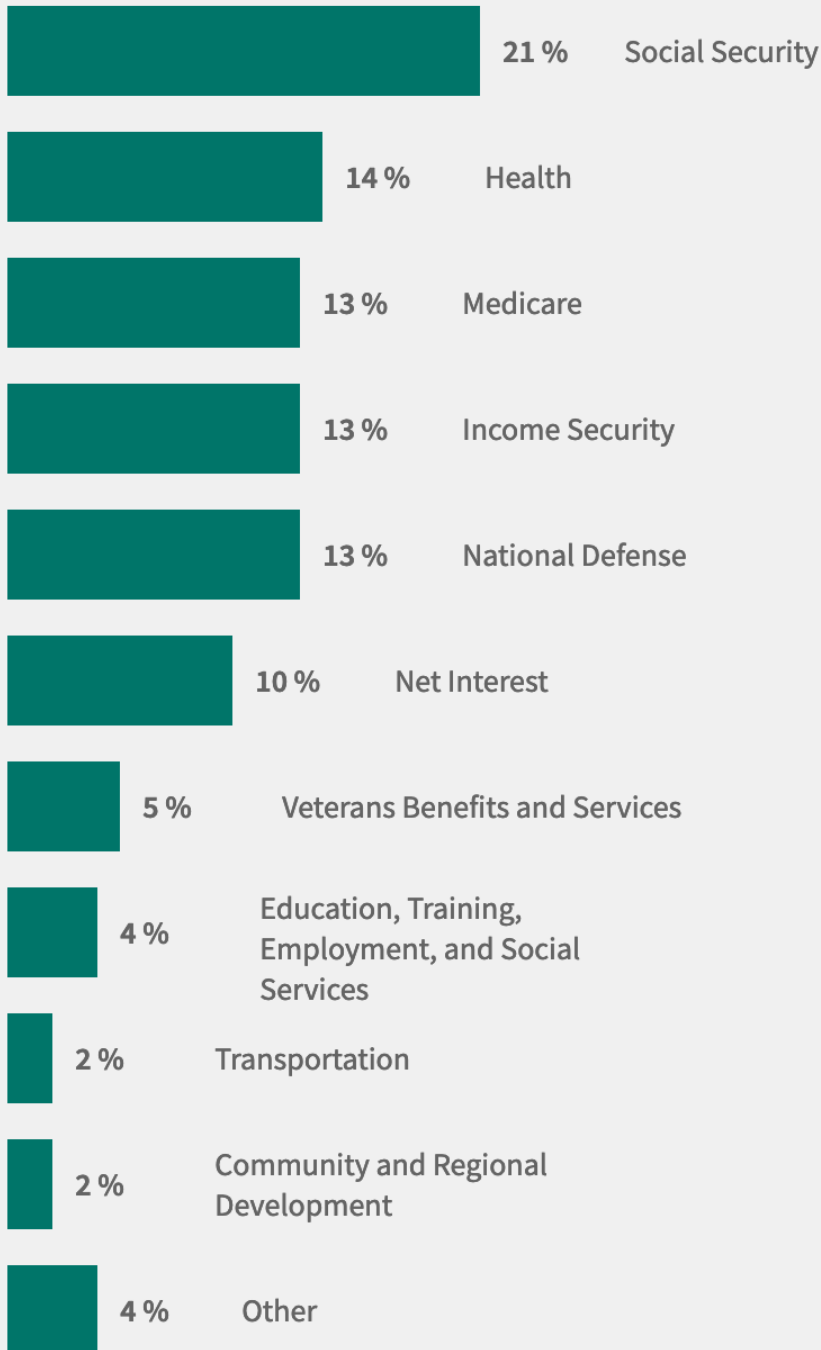


U.S. Government Spending, FYTD 2023

Top 10 Spending by Category and Agency

Category **Agency**

Percentage Dollars

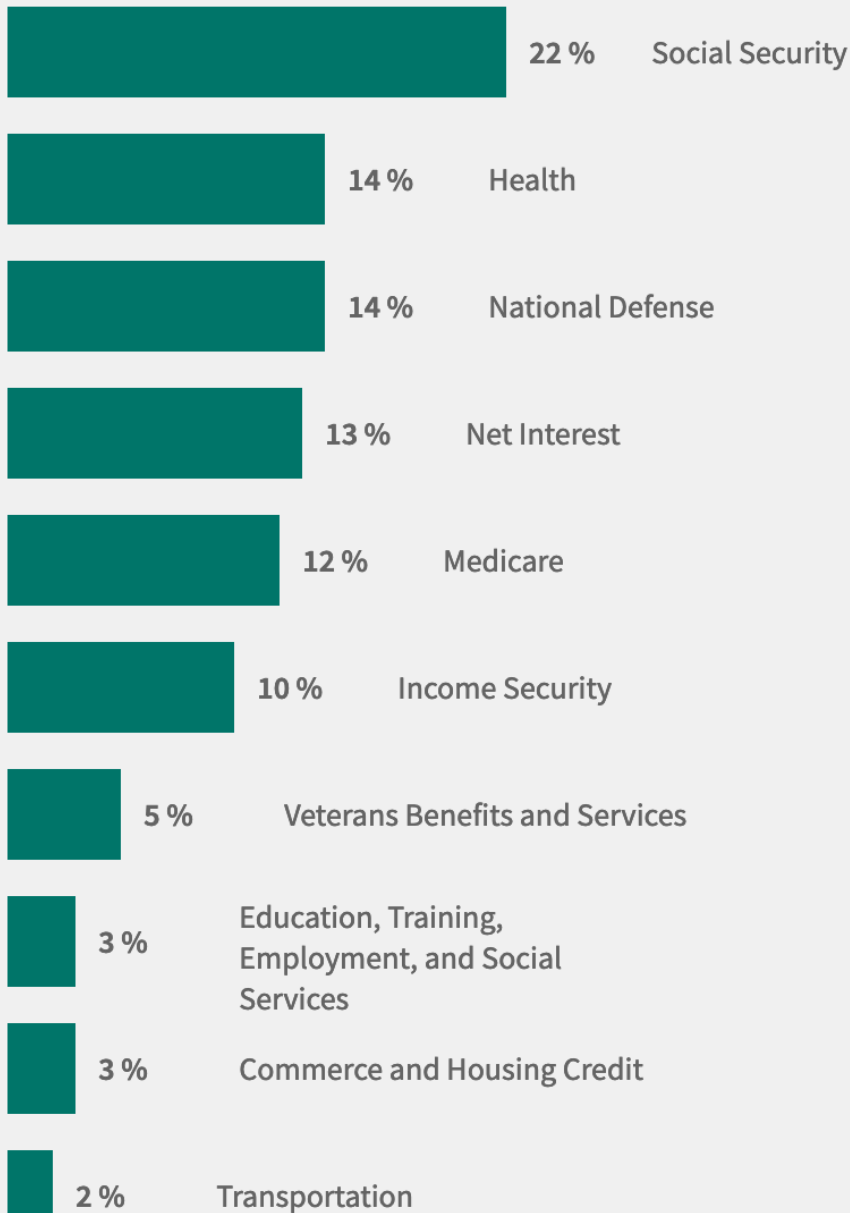


U.S. Government Spending, FYTD 2024

Top 10 Spending by Category and Agency



Percentage Dollars



As you can see in the GRAPH ON THE **PAGE 7**,
the **United States FEDERAL** government in Washington, D.C.
SPENDS MORE MONEY THAN IT COLLECTS IN TAXES.
The FEDERAL GOVERNMENT OF AMERICA DOES NOT HAVE
A BALANCED BUDGET REQUIREMENT.

A **BUDGET DEFICIT** occurs when money going out (spending) exceeds money coming in (revenue collected or earned). THIS IS DANGEROUS. AMERICA'S federal government spent \$6.27 trillion and ONLY collected \$4.90 trillion in revenue from tax collections, *resulting in a deficit*. WHEN **spending exceeds revenue**, there is **deficit spending**. American government leaders continue to **CHOOSE** to spend MORE AND MORE money than the government collects in taxes. America's government leaders **CHOOSE TO BORROW MORE** than **CHOOSING TO SPEND LESS**. **COULD YOU RUN YOUR FAMILY BUDGET THE WAY AMERICAN GOVERNMENT LEADERS RUN OUR AMERICAN GOVERNMENT BUDGET? DOES THIS MAKE SENSE TO YOU?** *Companies / businesses that run deficits, i.e. they spend more money than they collect in sales revenue from their customers, are not profitable and soon go out of business / close.*

The opposite of a budget deficit is a **BUDGET SURPLUS** which occurs when the federal government collects more money in taxes than it spends. A budget surplus for a company usually means the company is profitable; i.e. the company made more money than it spent. The U.S. has experienced a fiscal year-end budget surplus five times in the last 50 years, most recently in 2001.

When there is **NO deficit or surplus** BECAUSE spending and revenue ARE EQUAL, the budget is considered A **BALANCED BUDGET**.

UNITED STATES OF AMERICA FEDERAL GOVERNMENT LEADERS CHOOSE TO BORROW MONEY FROM FOREIGN COUNTRIES TO PAY AMERICA'S BILLS.

Top Foreign Owners of US National Debt

	US Treasury Holdings (Billions)	Share of Foreign-Owned US Debt
Japan	\$1,104.4	15.18%
China	\$859.4	11.82%
United Kingdom	\$668.3	9.19%
Belgium	\$331.1	4.55%
Luxembourg	\$318.2	4.37%

Data as of January 2023.

Source: [U.S. Department of the Treasury](#) • [Get the data](#) • [Add this chart to your site](#)



WHERE AMERICA'S FEDERAL GOVERNMENT GETS ITS MONEY!

Sources of Revenue for the U.S. Federal Government, FYTD 2023
Revenue by Source Categories

Individual Income Taxes

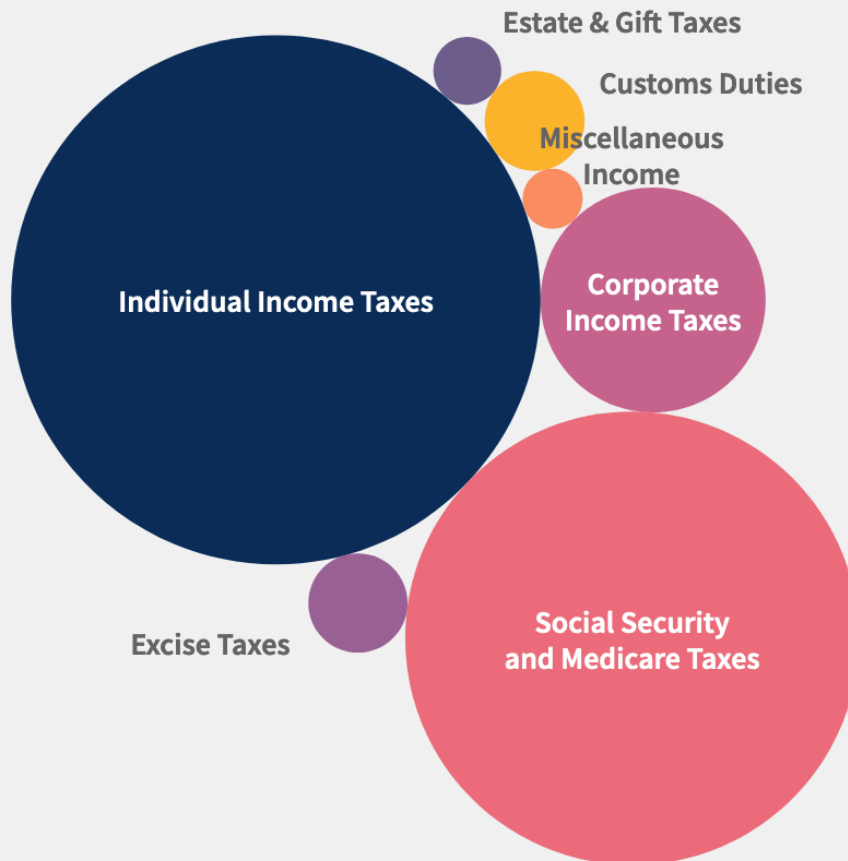
Category

\$1.69 T

Revenue Amount

50%

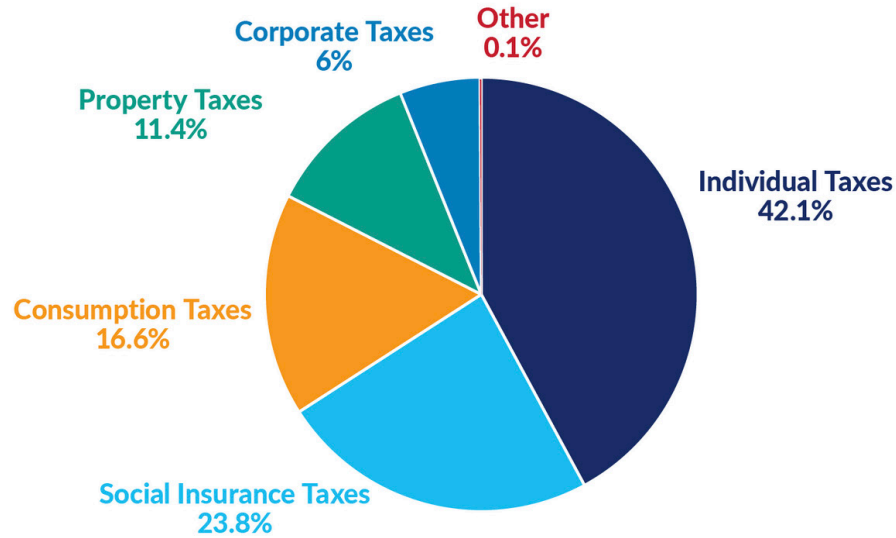
% of Total Revenue



Total Revenue: \$3.41 T

Individual Taxes Are the Most Important Tax Revenue Source for the United States

Sources of Tax Revenue in the United States, 2021



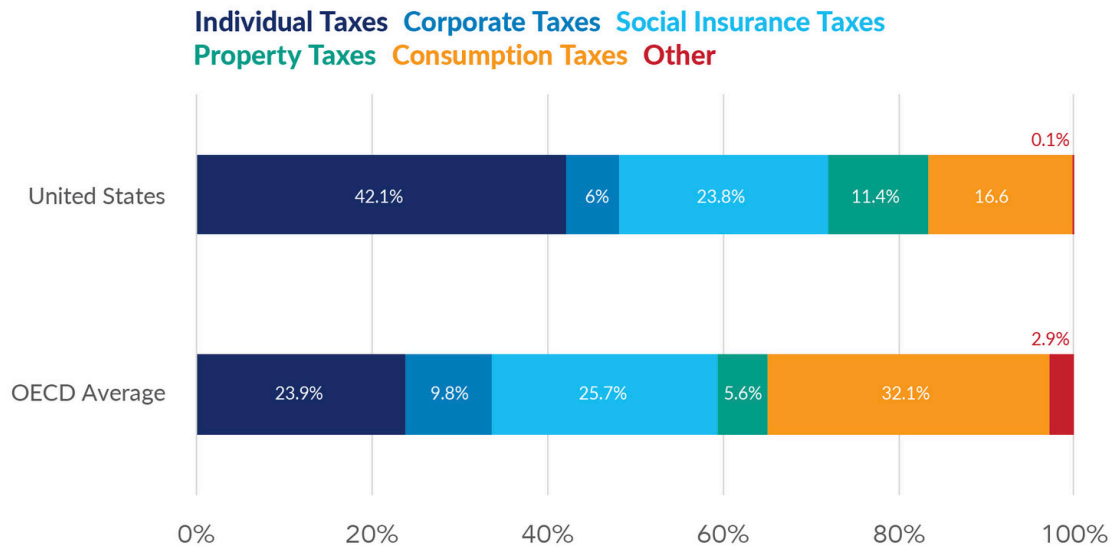
Source: OECD, Revenue Statistics- OECD Countries: Comparative Tables."

TAX FOUNDATION

@TaxFoundation

The United States Relies More on Individual and Property Taxes Compared to the OECD Average

Sources of Tax Revenue in the United States Compared to the OECD Average, 2021



Source: OECD, "Revenue Statistics - OECD Countries Comparative Tables."

The **OECD** (Organization for Economic Co-operation and Development) is an organization of 38 countries founded in 1961 to promote trade among countries and stimulate economic growth. OECD member countries include: United States of America, France, Australia, Colombia, Japan, South Korea, Iceland, Mexico, Canada, Turkey, Germany, and more. Most OECD member countries have 'successful' economies supported by successful, highly profitable companies like Microsoft, Google, Nvidia, Apple, Meta (Facebook), Tesla, BYD, Alibaba, Lego, BMW, Mercedes, BP, Rolls Royce, and more. The collective populations of OECD is 1.38 billion people with an average life expectancy of 80 years and a current median age of 40, against a global average of 30 years old.

Glossary / Definition of Terms

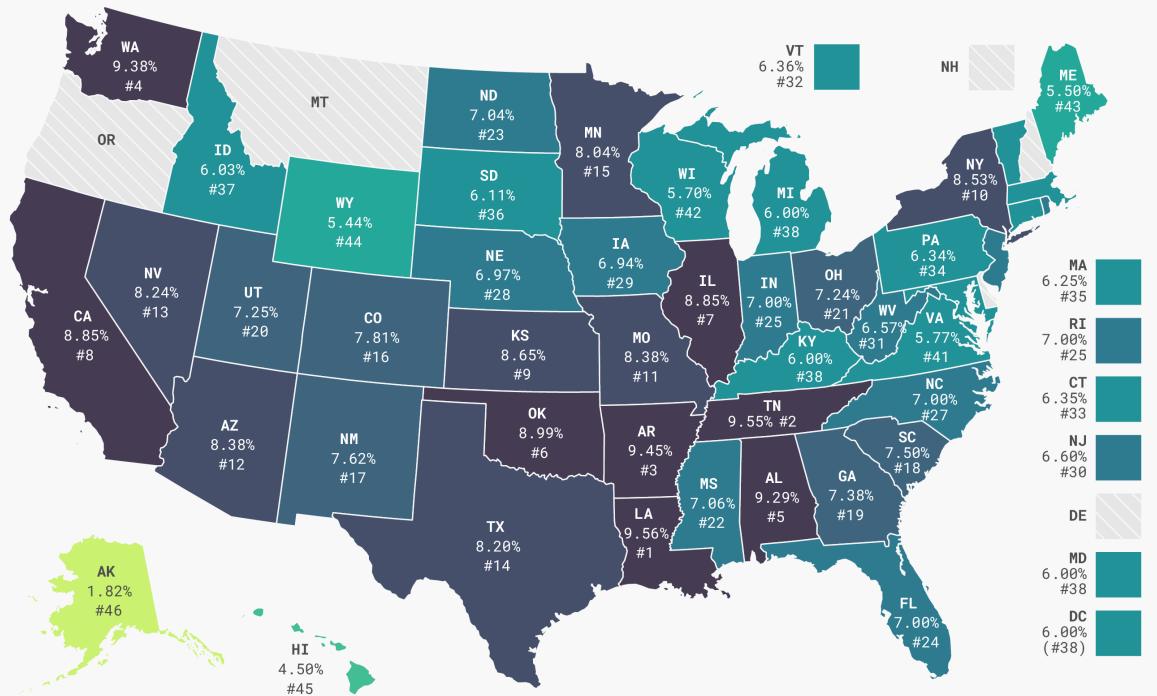
WHAT IS A / CONSUMPTION / SALES TAX?

A sales tax is **an extra charge on 'stuff' you buy** like *cars, cigarettes, clothing, restaurant food, TVs and other appliances, toys, books, furniture, and other goods*. For example, if you purchase a new television for \$400 and live in an area where the sales tax is 7%, you would pay an additional \$28 in sales tax. Many governments exempt some goods considered essential like groceries.

In the United States, retail sales taxes are a significant source of money / revenue for states, cities and towns. All United States of America states **EXCEPT Alaska, Delaware, Montana, New Hampshire, and Oregon** collect statewide sales taxes. Alaska allows cities and towns to charge local sales taxes. As of 2024, local sales taxes were collected in 38 states. In some cases, local sales tax rates can rival or even exceed state rates.

How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 2024



Notes: City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites.



WHAT ARE INDIVIDUAL TAXES? a charge on the wages, salaries, dividends, interest, and other income a person earns.

WHAT ARE CORPORATE TAXES? a charge on the money businesses make after expenses are subtracted from revenues (money charged for products and services sold)

WHAT ARE PROPERTY TAXES? quarterly, semiannual or annual charge levied by a local government and paid by the owners of **real estate / property / homes / buildings** owned by individual or companies.

WHAT ARE SOCIAL INSURANCE TAXES? money deducted from a person's pay check by the FEDERAL government in Washington, DC for a special savings account; this government savings account is paid to people when they retire.

America Must Borrow Money Every Year to Pay America's Bills



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BECAUSE America's **POLITICIANS CHOOSE TO BORROW MONEY** RATHER THAN ONLY SPENDING THE AMOUNT OF MONEY THE GOVERNMENT COLLECTS IN TAXES AND FEES, the United States government must **BORROW** money to pay its bills.

Here's how the government borrows:

The Treasury Division of **America's** federal **government sells IOUs** (called *securities*) which essentially means the government promises the organization it borrows from to pay back the amount it borrows PLUS INTEREST CHARGES. **Interest charges are extra money that must be paid just for borrowing money; interest payments have nothing to do with repaying the actual amount of money borrowed.** There are different types of IOU / security promises. Some government securities promise to pay back lenders in a few days to 1 year. Other securities are promised to be paid back in 2 to 10 years and others 20 to 30 years.

America borrows money from foreign countries like China and Japan AS WELL AS borrowing money from itself - e.g. the United States of America Social Security Retirement Savings account, Medicare, America's Post Office department, etc. The American government ALSO sells *securities* (IOUs) to private banks and investors. America promises to repay the money borrowed by a specific date AND WITH INTEREST.

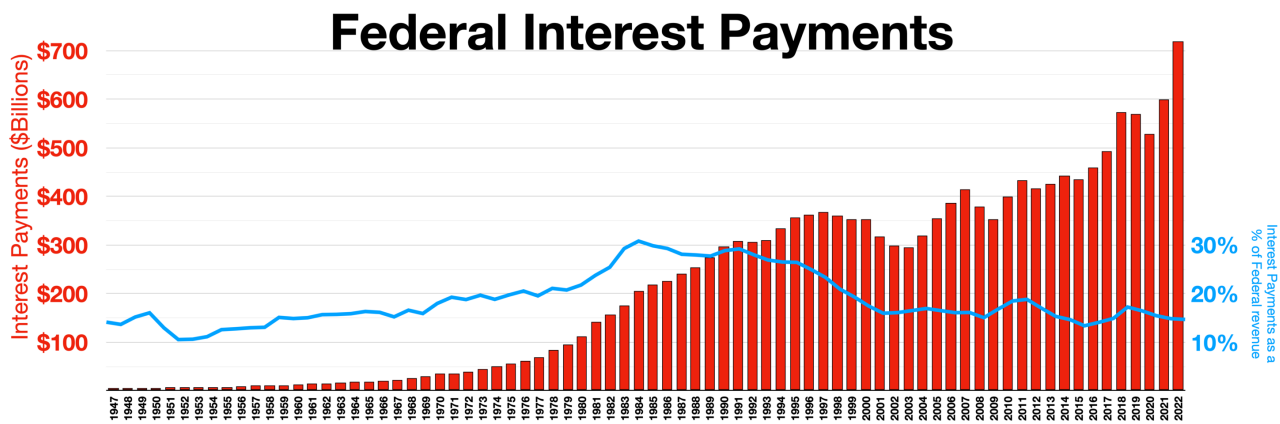
The government sells its IOUs (securities) in an AUCTION. The interest charges are determined by the demand for these securities; in other words, the more foreign countries, private banks, investment companies or government agencies which want to buy the government IOUs, the lower the interest rate. If the demand is low, interest payments are set higher to attract more buyers.

The money from the sale of government Treasury securities are used to pay **government bills like paying the salaries of men and women in the army, navy and other military branches, salaries for Congress men and women, National Parks service, construction and highway maintenance equipment, buildings, and livestock, to research, education, and training. and for other federal programs and obligations including Social Security benefits and Medicare.**

Besides foreign countries, **THE UNITED STATES of AMERICA'S FEDERAL GOVERNMENT ALSO BORROWS MONEY from banks, the Social Security Retirement fund managed by the US federal government, state and local governments, mutual funds, pension funds, insurance companies, and investors in savings bonds.**

What is an INTEREST PAYMENT when BORROWING MONEY ?

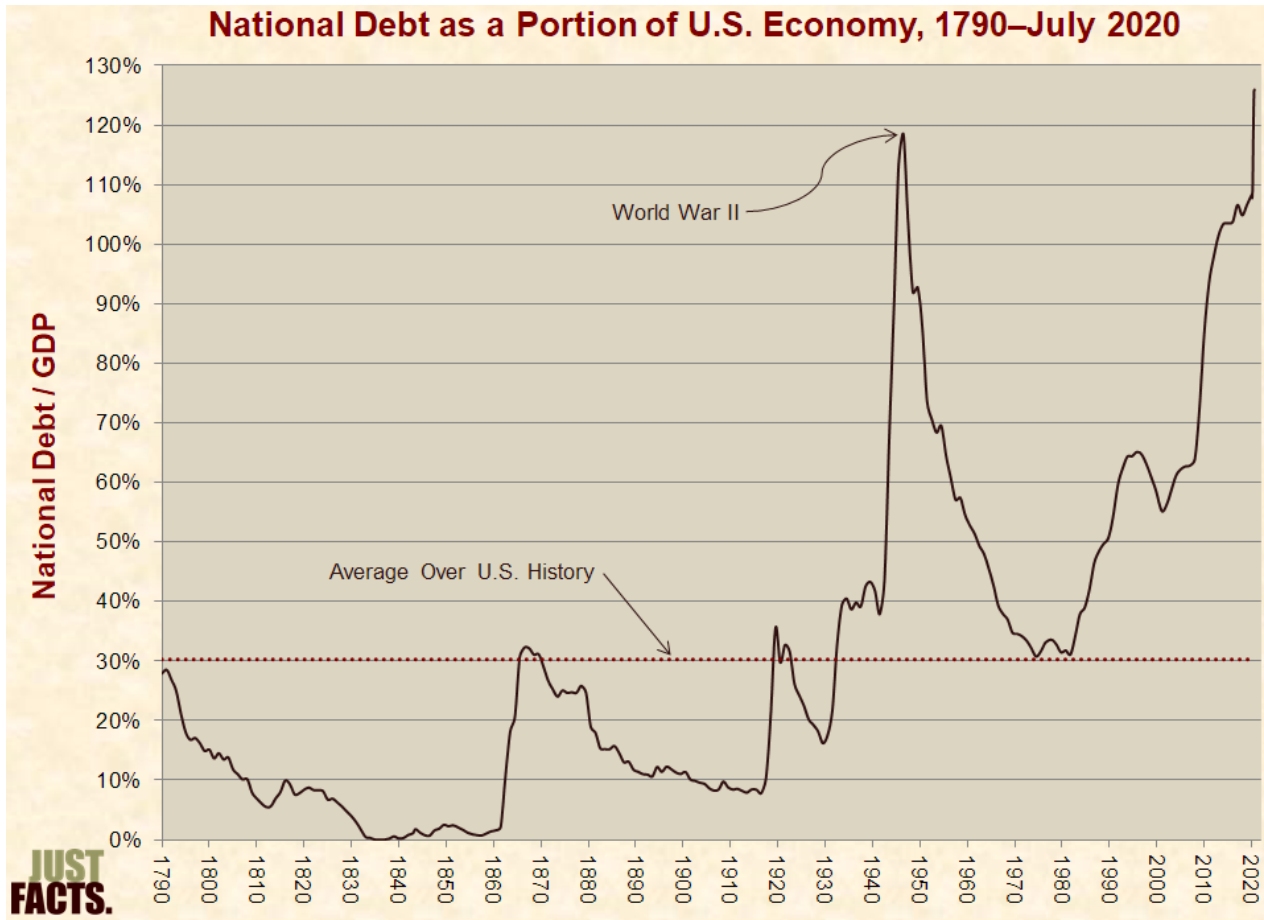
Your interest payment is an EXTRA FEE you pay to whomever you borrow money from. WHEN YOU BORROW MONEY, YOU MUST PAY BACK THE AMOUNT OF MONEY YOU'VE BORROWED TO THE LENDER (bank, etc) PLUS AN EXTRA FEE / COST to the lender, i.e. INTEREST. Imagine - you borrow some money from a friend or a bank, and the friend or bank agrees to lend the money to you, but they want a little extra back to pay for their effort for letting you borrow the money. That 'extra' they want is the 'interest payment' when we talk about debt." This chart below shows the American government has been borrowing more and more money over many years and paying more and more interest (BILLIONS OF DOLLARS) to borrow money to pay its bills.



The Congressional Budget Office's (CBO) is a federal agency of the United States government responsible for providing **honest, objective and nonpartisan analysis** of economic and budgetary matters to **AMERICA'S GOVERNMENT LEADERS**. **The CBO's purpose** is to provide government leaders **OBJECTIVE, UNBIASED** information on the United States federal budget and the US economy to help the **LEADERS** of the American Congress AND the United States PRESIDENT make **FACT BASED** decisions **IN THE BEST INTEREST OF ALL AMERICANS**.

The CBO reports the United States federal government spent \$400 BILLION on interest payments / extra fees for the money American GOVERNMENT LEADERS choose to borrow in 2022.

That's equal to a payment of \$3,055 per household in America.



**THE UNITED STATES FEDERAL GOVERNMENT has
a DEBT PROBLEM;**

in other words,

**government political leaders keep spending more money than
the government collects in taxes and fees.**

Consequently, the US government is forced to BORROW MONEY from other countries like Japan and China AND from American citizens to pay its bills.

ONE SOLUTION is collect MORE money in taxes & fees from American citizens and businesses
OR spend less **OR** a combination of both.

What do you recommend?

Credit Ratings: For People and Governments

CREDIT RATINGS and CREDIT SCORES are issued by companies that evaluate the likelihood of a person, company, country / state / city will pay their bills / debts; a debt is something to be paid to others for what has been borrowed including interest payments. THE CREDIT RATING AND CREDIT SCORE COMPANIES ASSIGN A SCORE / RATING that indicates the likelihood of a borrower paying their debt / loan.

CREDIT RATINGS are usually expressed in letters like "AAA", "AA", "BB", "CCC", etc. "AAA" rating is the highest, meaning best score, making it easier and less expensive to get loans / credit. Credit ratings are an estimate of the level of risk involved lending money to a business or other entity, including national and state governments and government agencies. **Moody's Investors Service** and **Standard & Poor's (S&P)** together control 80% of the global market, and **Fitch Ratings** controls a further 15%. Countries are issued "sovereign" credit ratings. This rating analyzes the "creditworthiness" of a country's government. A country's credit rating analyzes the success of countries economies, including how many other organizations / investors are investing in the country, and how

MOODY'S

honest the country is about its ability to pay its debts / bills. Credit Ratings also assess a country's overall political and economic conditions in a country, i.e. if politicians are able to put aside political differences to collaborate and compromise to get things done. **On**

August 1, 2023, Fitch Ratings, one of the country's three major credit rating agencies, announced that it had downgraded the United States credit rating from AAA to AA+ because of America's rising debt and also the continuous arguing and divisiveness between politicians in Congress. Investors rely on ratings to decide whether to lend or invest in a country / state/ city, etc. Rating downgrades lead to negative publicity for a company or city / state / national government which means higher interest charges if it is able to borrow money. When an issuer of debt has its credit rating downgraded, they pay higher interest rates because of the fear lenders have of the country defaulting (not paying) on its loans.

CREDIT SCORES are expressed as numbers ranging from 850 to 300. The average credit score in the United States is 718, according to the latest FICO data from April 2023. By law, a person can get a free credit report each year from three major credit reporting agencies: **Equifax, Experian, and TransUnion.** Their reports contain information about a person, company, and country / municipality's payment history - how much credit they have and use, whether they have and still pay the loans ON TIME, ALL THE TIME and other information.

EQUIFAX

The closer the score comes to 850, the more creditworthy the person, country, city, state, etc is and consequently, the easier it is to get a loan with the lowest possible interest charge.



The best way to establish a good credit rating is having a credit card and paying your monthly bill ON TIME, ALL THE TIME. Late credit card payments or missing payments cause low / poor credit scores making it difficult to get a loan and, if you are able to get a loan with a low credit rating, the higher interests fees will increase the cost you pay for your car, home, and any other investment loan.

FACTS:

- *United States government **LEADERS** have always **borrowed** and had **debt** except during the Presidency of **ANDREW JACKSON**. (wikipedia)*
- *American government **leaders do not always have to borrow money**. Government leaders **CHOOSE** to borrow rather than spending less or increasing taxes on Americans to balance the American federal government budget.*
- *The total amount of money America's GOVERNMENT **LEADERS** have **chosen to borrow** has been **RAPIDLY INCREASING** since 2008.*
- *The **U.S. NATIONAL DEBT** (the money America owes the many lenders (countries, banks, investors, etc), stood at **\$31.46 trillion** as of May 2023.*

OPINION (Stephen Cronin):

- *American **FEDERAL** government leaders in the United States are jeopardizing the long term success of the country by refusing to establish a **balanced budget requirement**.*
- *Some times in life there are good reasons to borrow money. **FOR EXAMPLE**, to buy a home or car, to buy military supplies / technology / weapons to protect a country during war, to buy a computer, a new boiler to heat your home or home smoke alarms to protect your family from fire. But, **the amount of money you borrow should NEVER EXCEED the amount of money you earn**. **UNLIKE THE AMERICAN GOVERNMENT**, when a person can't pay back your loans on time all the time, **the lender** (usually the bank you borrowed from) **will take your home, computer, car, and maybe the boiler**.*

QUESTION #1 - do you think American government LEADERS (President, Congress men and women) should do something different to pay its bills than continuing to borrow MORE and MORE MONEY? **yes OR no**

QUESTION 2 -

- if '**YES**', **why** should American LEADERS (President and Congress) borrow LESS MONEY? _____
- If '**NO**', please explain the benefits to the American people when government LEADERS continuously **CHOOSE** to spend more money than the government collects in taxes and is forced to borrow money at significantly high interest payments in 2023. _____

QUESTION 3 - *what ALTERNATIVES would you suggest to our GOVERNMENT LEADERS for spending the \$31.46 TRILLION we've borrowed and owe to those who lend us the money AND the \$400 BILLION we pay extra for interest fees RATHER THAN paying debts and extra interest fees? Are there better places to spend money rather than on debt services? I'm interested in your ideas. (Please express your ideas in complete sentences with perfect spelling, good grammar and capitalization and no run on sentences.) Thank you.* _____

What is an INTEREST PAYMENT WHEN YOU SAVE MONEY?

When you put money in a savings account, the holder of your savings, usually **a bank, pays you a fee, an interest payment, for using your money in your savings account to lend to other people.** It's very important you place your savings in a bank that is government **insured (FDIC)** so that if the bank is robbed or goes out of business, government insurance will pay you the money you've lost.

8. BUILDING YOUR PERSONAL BUDGET. You can **CREATE YOUR BUDGET BY** following these instructions:

- predict a **REALISTIC** amount of money you will **earn / collect each month / year.** **WE CALL THIS FIXED INCOME** for YOUR budget. For example, **FIXED INCOME** IS money earned from your job and investments; if you own property / real estate, payments the people who rent your property pay to you each month; if you have social media sponsor payments, etc
- identify a **FIXED EXPENSE**, i.e. an **amount** of money you must **PAY ON TIME**, weekly, monthly. For example, identify **FIXED EXPENSES** you **MUST** pay like rent, food, CREDIT CARD payment, TAXES, transportation (gas, Uber, etc), mobile phone, etc
- THEN, **VARIABLE EXPENSES, i.e other expenses** not required but you spend on extra things because you simply like - entertainment, Netflix, savings, investments, prom tickets, birthday card for your teacher, or an emergency fund to pay for unexpected events like replacing a lost or damaged phone, etc
- **STEP ONE - LIST YOUR FIXED INCOME -** (income / earnings from a job, investments (dividend payments from stocks you own, rent from the tenants of a building you own and rent to tenants, etc)
 - JOB - \$ _____
 - DIVIDENDS / PAYMENTS from INVESTMENT(s) like rental property you own; stock dividends, selling 'stuff' on EBAY, etc \$ _____
 - INTEREST EARNED ON SAVINGS ACCOUNT(s) \$ _____

- **STEP TWO** - list your **FIXED MONTHLY EXPENSES..** (Name each FIXED expense and the amount of money for each FIXED expense - **for example**, \$50 for your monthly CREDIT CARD payment; TAXES to be paid the city or town where you live every 3 months if you own a home; \$50 mobile phone; \$100 car payment to the bank or institution you borrowed money from for the purchase of your car; car insurance \$70; rent \$40, etc):

- _____
- _____
- _____
- _____
- _____
- _____

- **STEP THREE** - list **VARIABLE MONTHLY EXPENSES** (name each variable expense and the amount of money for each variable expense - for example, fun \$20, snacks \$30, Netflix \$17, savings \$5 at an FDIC bank, \$5 investment in stocks, bonds, crypto, commodities like pork or soybeans, minerals like lithium, nickel, energy like oil, natural gas, coal, wind, hydro, collectibles like baseball cards, vinyl, etc)

- _____
- _____
- _____
- _____

- **STEP FOUR: When looking at the financial report on the top of the next page, what is the DIFFERENCE BETWEEN BUDGET \$ numbers VS ACTUAL \$ numbers**

- **STEP FIVE: DIFFERENCES BETWEEN GROSS INCOME and NET INCOME**

- **BE AWARE OF THE DIFFERENCE BETWEEN GROSS INCOME / REVENUE versus NET-INCOME / REVENUE.**

- **GROSS INCOME / REVENUE** - the amount of money earned / collected BEFORE DEDUCTIONS LIKE taxes (federal, state), Social Security, Medicare, optional retirement savings, optional health insurance, etc
- **NET INCOME** - after all deductions have been subtracted from the gross money earned / paid, etc

The income / expense chart below is a sample of a monthly **financial report**. It shows the plan (**budget**) the person created at the beginning of a year showing the **income they hoped to earn** and the **expenses they thought they'd spend** COMPARED TO the **actual income** the person **earned** (**ACTUAL INCOME**) AND the **person's actual** fixed and variable **expenses** (**ACTUAL EXPENSES**). The difference between the two is shown in different expense categories (**DIFF**). **YTD** is how their income and expenses accumulate / add up after each month throughout the year.

PERSONAL BUDGET -- APRIL Financial report

INCOME (NET)	BUDGET	ACTUAL	DIFF	BUDGET YTD	ACTUAL YTD	DIFF YTD
primary job	\$2,400	\$2,400	0	\$9,600	\$9,600	0
2nd job						
other income	\$200	\$500	\$300	\$800	\$1,200	\$600
investment						
Total Income	\$2,600	\$2,900	\$300	\$10,400	\$10,800	\$400
EXPENSES						
rent	\$800	\$800	0	\$3,200	\$3,200	0
food	\$440	\$400	\$40	\$1,760	\$1,660	\$100
savings	\$10	\$10	0	\$40	\$40	0
investments	\$10	\$10	0	\$40	\$40	0
transportation	\$100	\$125	(\$25)	\$320	\$350	(\$30)
credit card	\$200	\$200	0	\$750	\$800	(\$50)
phone	\$50	\$50	0	\$200	\$200	0
netflix	\$15	\$15	0	\$60	\$60	0
education/tuition	\$100	\$100	0	\$400	\$400	0
cosmetics/beauty	\$100	\$100	0	\$400	\$500	(\$100)
clothes	\$50	\$50	0	\$200	\$225	(\$25)
laundry / dryclean	\$25	\$15	\$10	\$80	\$80	\$0
entertainment	\$100	\$100	0	\$400	\$375	\$25
other	\$50	\$2,500	(\$2,450)	\$200	\$2,700	(\$2,500)
Total Expenses	\$2,050	\$4,475	(\$2,425)	\$8,050	\$10,630	(\$2,580)
PROFIT / (LOSS)	\$550	(\$2,425)	(\$1,875)	\$2,350	\$170	(\$2,180)

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JOB IS 4 hrs per day, 5 days a week PLUS 10 hrs Saturday at \$20 per hour plus some overtime @\$30 per hr.

Other expenses for APRIL include purchase of used APPLE MAC PRO lap top to replace my lap top.

OTHER INCOME is from selling used clothing and other stuff on EBAY; PLUS Airbnb income

PERSONAL BUDGET SURVEY

PLEASE ANSWER THE FOLLOWING QUESTION about THE PERSONAL FINANCIAL REPORT ON THE PREVIOUS PAGE.

1. What was the NET INCOME the person actually earned in the month of April according to the financial report on the previous page? _____
2. HOW MUCH net income did the person expect (budget) to earn in April when they planned their budget in December (2023) before the start of their financial year in January of 2024? _____
3. Did this person whose budget we saw on the previous page experience a BUDGET SURPLUS, BUDGET DEFICIT or a BALANCED BUDGET for the month of April? _____
4. What was the largest budgeted expense this person planned for the month of APRIL? _____
5. What was the largest actual expense of this person during the month of APRIL? _____
6. Did this person actually spend LESS on any expense than they anticipated in their budget? _____

7. Does this person's financial report show an actual YTD (year to date at the end of April) SURPLUS, DEFICIT or a BALANCED BUDGET? Circle one: SURPLUS - DEFICIT - BALANCED

♦ According to this April financial report, did this person achieve their YTD profit? yes OR no

♦ If no, please explain why this person did not fulfill their YTD profit expectation. _____

♦ if yes, please explain why this person was able to fulfill their YTD profit expectation. _____

8. In your opinion, please explain what does this person have to do to be profitable at the end of their financial year, December 31, 2024? _____

9. If you could ask this person who created this budget one question about their budget or this April report on the previous page, what would that question be ? _____

EXAMINE THE PAY CHECK BELOW.

rate	hours/units	this period	year to date	Other Benefits and Information	this period	year to date
	40.00	0.00	0.00	*ADP RS employer match	46.67	1941.12
		0.00	7000.00	Total Hours Worked	40.00	1640.00
	0.00	2333.79	90761.78			
Gross Pay		\$2,333.79	\$97,761.78			
Statutory Deductions		this period	year to date	Deposits	transit/ABA	amount
Federal Income		-230.08	9579.15	account number		
Social Security		-144.21	6041.05	XXXXXX3567	XXXXXXXXXX	1654.76
Medicare		-33.73	1412.83	Important Notes		
Rhode Island State Income		-88.04	3639.07	Basis of pay: Salaried		
Rhode Island State DI		0.00	924.00			
Voluntary Deductions		this period	year to date			
*ADP RS employee		-175.03	7279.38			
*Dental pre-tax		-7.94	325.54			
Net Pay		\$1,654.76				

IDENTIFY THE FOLLOWING from this pay check summary:

- GROSS TOTAL INCOME for this pay period: \$ _____
- GROSS TOTAL INCOME **year to date** (income for the first 39 weeks of the year) _____
- NET INCOME for this pay period: \$ _____
- Explain WHY there is a difference between the GROSS INCOME and NET INCOME on this person's pay stub. _____
- What is the amount of this difference between this person's gross income and net income/ _____
- IDENTIFY THE NAME OF THE LARGEST DEDUCTION IN THIS PERSON'S PAY for this pay period? _____
- WHAT IS THE \$ AMOUNT OF THE LARGEST FEDERAL DEDUCTION IN THIS PERSON'S PAY? _____
- WHAT IS THE \$ AMOUNT OF THE LARGEST STATE DEDUCTION IN THIS PERSON'S PAY? _____
- Please explain what the ADP RS employee deduction for this pay period shown on this pay stub is. _____
- Please explain what the benefit deduction of \$46.67 is for this pay period shown on this pay stub. _____

- Please *follow the following instructions.*

1. **Organize into collaborative groups.** **COLLABORATION** is an activity where groups of people come together to examine / analyze data (*information*) THEN discuss the data being examined. **FINALLY**, make decisions based on the data examined / analyzed. **The CHALLENGE** faced by all collaboration groups is their ability and willingness to **COMPROMISE**. **A compromise is** finding a middle ground or making a deal when two people or groups have different ideas or wants and are willing to work things out so that both sides are okay with the outcome, even if it means giving up a little bit of what they originally wanted. It's like meeting in the middle to make everyone a little happy but not completely happy. **Compromises** are often used in everyday life, like when you and your friend want to watch different movies, so you compromise by picking a movie that both of you can enjoy. **Compromise** is the way **successful companies, families** and **governments can achieve** their **goals**; **unsuccessful companies, families and governments rarely compromise** and this is one of the **main reasons they are 'unsuccessful'**. Successful **compromise means everyone accepts less than what they originally wanted so the ENTIRE company (employees and owners), family (parents and kids) or government (ALL CITIZENS) can eventually achieve their goals.**



2. **IMAGINE - each collaboration group as** ONE FAMILY, or one COMPANY, or an ORGANIZATION, or even the GOVERNMENT of a city, town, state or country.
3. **Identify a leader** for each collaborative group. **Leaders are expected to** make sure each person in a collaboration group expresses their opinions AND contributes ideas during the group collaboration.

4. **EACH GROUP will collaborate** to **identify** and **prioritize** as many **FIXED EXPENSES** the group decides are necessary. **YOUR MOST IMPORTANT FIXED EXPENSE SHOULD BE THE FIRST FIXED EXPENSE YOU LIST. The second most important fixed expense should be the second fixed expense you list and so on.**

5. **NEXT - Collaborate to identify AND prioritize as many VARIABLE EXPENSES** the group feels are needed

6. AFTER IDENTIFYING EXPENSES, **THEN COLLABORATE TO DETERMINE REALISTIC MONTHLY TOTAL NET INCOME, i.e how are you going to make money, i.e generate income?**

a) **identify REALISTIC sources for the monthly NET income decided upon. MAKE SURE NET INCOME SOURCE(S) ARE REALISTIC.** _____

7. EACH GROUP will **choose a SPOKESPERSON** who will **announce to the class** when called upon by Mr Cronin to answer the following:

a) TOTAL AMOUNT OF INCOME / MONEY / SALES REVENUE _____

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b) THEN, IDENTIFY 6 MOST IMPORTANT FIXED expenses _____

c) A TOTAL FIXED EXPENSE TOTAL \$ _____

d) IDENTIFY 4 VARIABLE EXPENSES _____

e) TOTAL AMOUNT FOR FIXED EXPENSES _____

f) TOTAL AMOUNT VARIABLE EXPENSES _____

g) TOTAL NET INCOME AMOUNT and THEN, the source(s) of the income

h) ANNOUNCE TO THE CLASS WHETHER THE BUDGET IS BALANCED or SURPLUS. DEFICIT BUDGETS ARE UNACCEPTABLE

8. **FINALLY** - the entire class will **vote** on which GROUP has THE **MOST 'REALISTIC' BUDGET.** i.e. most realistic fixed and variable expenses AS WELL AS the most realistic NET INCOME projection.

QUESTIONS -

REMEMBER, **QUESTIONS ARE ALWAYS MORE IMPORTANT THAN ANSWERS.**

PERSONAL BUDGET - WORKSHEET

INCOME Sources and amounts:

JOB (s) _____ \$ _____
Other sources of Income _____ \$ _____
_____ \$ _____

TOTAL PERSONAL INCOME \$ _____

• COST / EXPENDITURE(s)

FIXED:

example - utilities (electricity, water, etc) \$200.00

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____
5. _____ \$ _____
6. _____ \$ _____
7. _____ \$ _____
8. _____ \$ _____
9. _____ \$ _____

Total Fixed Expenditure: \$ _____

VARIABLE EXPENSES:

example - Entertainment (movie, date, etc) \$300

1. _____ \$ _____
2. _____ \$ _____
3. _____ \$ _____
4. _____ \$ _____
5. _____ \$ _____
6. _____ \$ _____
7. _____ \$ _____
8. _____ \$ _____
9. _____ \$ _____
10. _____ \$ _____

Total Variable Expenditure: \$ _____

TOTAL ALL EXPENDITURES (fixed AND variable): \$ _____

NEXT - *SUBTRACT YOUR TOTAL EXPENDITURES from your TOTAL INCOME.*

- IS YOUR PERSONAL BUDGET **BALANCED**, does it have a **SURPLUS OR** do you have a **DEFICIT**?
 - circle one = BALANCED, DEFICIT or SURPLUS? _____
- ***IF YOU HAVE A BUDGET DEFICIT***, you must **cut expenses OR earn more money** to make your budget **BALANCED or** create a **SURPLUS!**
- FOLLOWING AN INSTRUCTION ON HOW TO USE **EXCEL SOFTWARE or GOOGLE SHEETS**, YOU ARE ASKED TO:
 - put your BUDGET on EXCEL or GOOGLE SHEETS AND give it to your teacher.
- **QUESTIONS?** Always more important than answers!!

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- WHICH **20TH CENTURY** AMERICAN PRESIDENT lowered the FEDERAL deficit during his Presidency from what the deficit was at the beginning of his Presidency to what the deficit was at the end of his Presidency?

DID YOU KNOW - Calvin Coolidge served as American President from August 1923 to March 1929. President Coolidge **reduced taxes** AND limited American FEDERAL government spending. By 1927, only the wealthiest 2% of American taxpayers paid any federal income tax. As a result, President Coolidge **reduced the overall federal debt** which had increased during World War 1. The war lasted from July 28, 1914 to November 11, 1918 - a total of 4 years, 3 months and 2 weeks - wikipedia



William Jefferson Clinton (Presidency 1993 - 2001) was the 42nd President of the United States. During the last three years of Clinton's presidency, the Congressional Budget Office (CBO) reported **a budget surplus for each financial year**. Unfortunately, the overall federal debt continued to grow. wikipedia

“The second vice is lying. The first is running in debt.”

—Benjamin Franklin