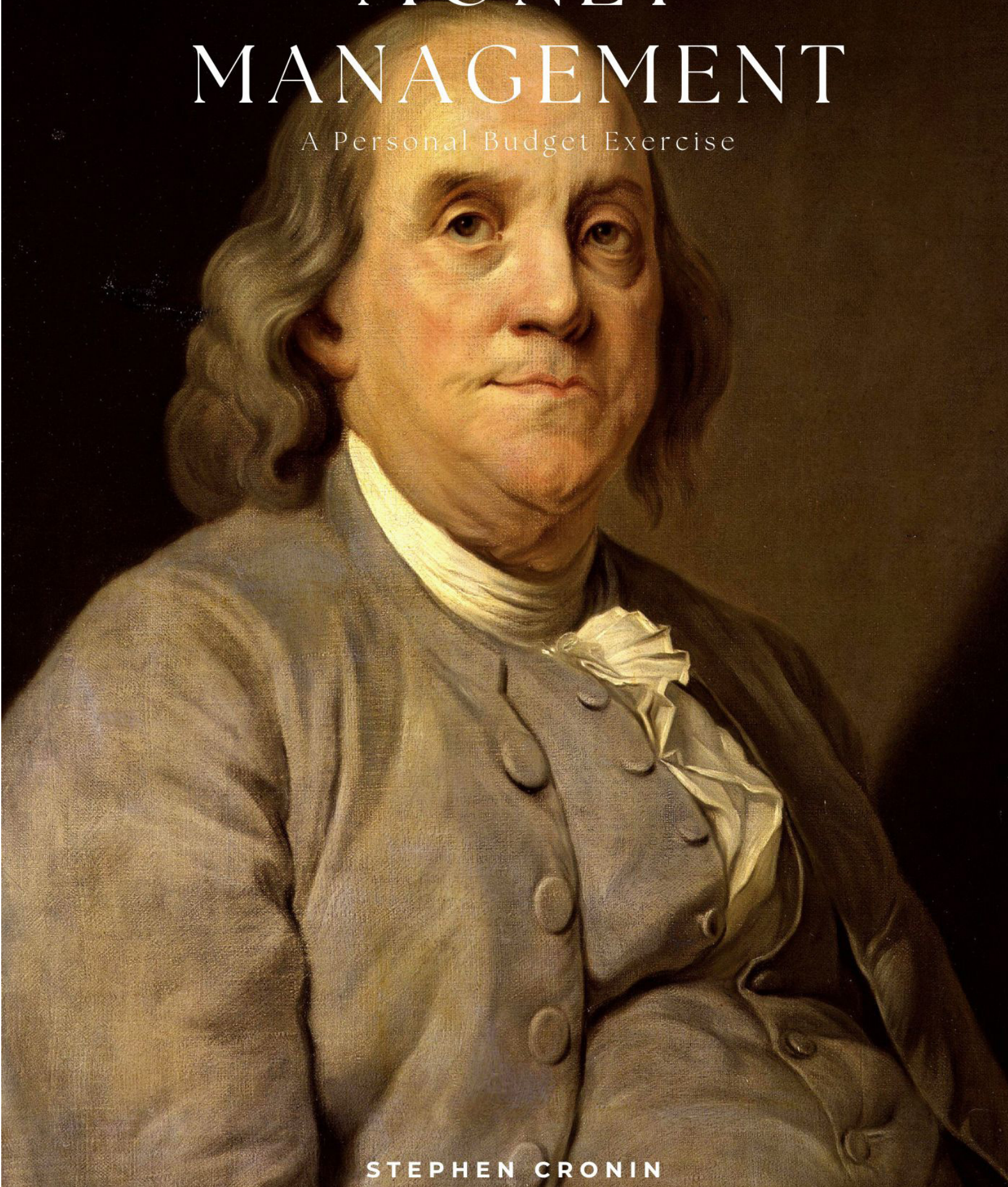


MONEY MANAGEMENT

A Personal Budget Exercise



STEPHEN CRONIN

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

BENJAMIN FRANKLIN, the ELON MUSK of the 18th century, was born on January 17, 1706. Franklin, like Musk, was an **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.

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?
 - should there be LONG TERM goals and SHORT TERM goals in a budget? YES **OR** NO and WHY



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. WHAT IS A **CREDIT SCORE** and HOW DOES A CREDIT SCORE AFFECT WHAT **A PERSON PAYS** FOR A CAR OR A HOME ?

14. WHAT IS A **CREDIT RATING FOR A COUNTRY OR COMPANY** AND HOW DOES A COUNTRY OR COUNTRY'S CREDIT RATING AFFECT WHAT **A COUNTRY OR COUNTRY PAYS** TO BORROW MONEY? _____

GLOSSARY OF KEY TERMS:

PERSPECTIVE INTERPRETATION

“This text, this program, are not fact, rather the view of one person. Consequently, they should not automatically be 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....’ Likewise, the statements of any person in a position of influence and power should bring some level of scrutiny and, if warranted, questions to the conversation. Life’s mission should be determining ‘truth.’ The challenge is to explain why anyone should believe it.”

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 ‘truth’? Make it a prerequisite before embracing the claims of anyone who professes to have ‘it.’ ”*

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') **in order to create wealth.**
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, **PROVIDENCE School Department**, etc / Nike, Amazon, McDonalds, Apple, Netflix, etc
3. The **PURPOSE of a BUDGET** is to provide **ACCURATE** information so a person / country / family creating the budget is able to make logical, fact based decisions for the best ways to spend / invest / save their money for the success the person / family / country / state / city / organization 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 the money it collects from customers. Following budgets help keep more income / profit to create **MORE WEALTH.***
 - **REVENUE** - *refers to the total amount of money a company collects from selling the goods / products it makes and sells (e.g cars, computers, jewelry, etc) and services (printing, cable TV, etc).*
 - **EXPENSES** - *'stuff' a company or person spends their money on*
 - **FIXED EXPENSE** - *'stuff' like rent, credit card payments, food, etc a person must have*
 - **VARIABLE EXPENSE** - *stuff like going to a restaurant, jewelry, Netflix, **savings**, investments, etc (is regularly saving money important?? If 'yes,' WHY? If 'no,' WHY NOT? If 'yes,' should you then make savings a Fixed expense??)*
 - **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 COMMITMENT to follow the budget plan. For example, a budget helps you plan to **only spend** the amount of money 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** that helps you manage your expenses and profits so you don't spend more money than you collect and thus **create greater wealth**.
6. THE **GOAL** of the BUDGET is to **COMMIT TO THE BUDGET (PLAN) YOU CREATE**. That is, make sure you EARN / MAKE / COLLECT the amount of money you planned on AND ONLY SPEND the amount of money on expenses you have planned to spend based on your profit. **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 once faced repeated economic challenges and financial crises which forced **Argentinian leaders to borrow from other countries** and the **WORLD BANK to pay its bills**. Argentina continued to have financial challenges because politicians kept spending more money than the country collected in taxes. This created **high inflation,** currency devaluation, MORE debt and rising borrowing **INFLATION**. **FOR EXAMPLE, if a loaf of bread was \$30 in 2022, the next year, inflation caused the same loaf of bread, in 2023, was \$60.** **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. Argentians elected a new President, Javier Milei, in 2023 who promised to spend less, pay the country's debt, and lower INFLATION.
- ♦ **California** - had 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. This means California **MUST have a BALANCED** which means that the state government CANNOT SPEND MORE MONEY THAN IT COLLECTS IN TAXES. **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.**

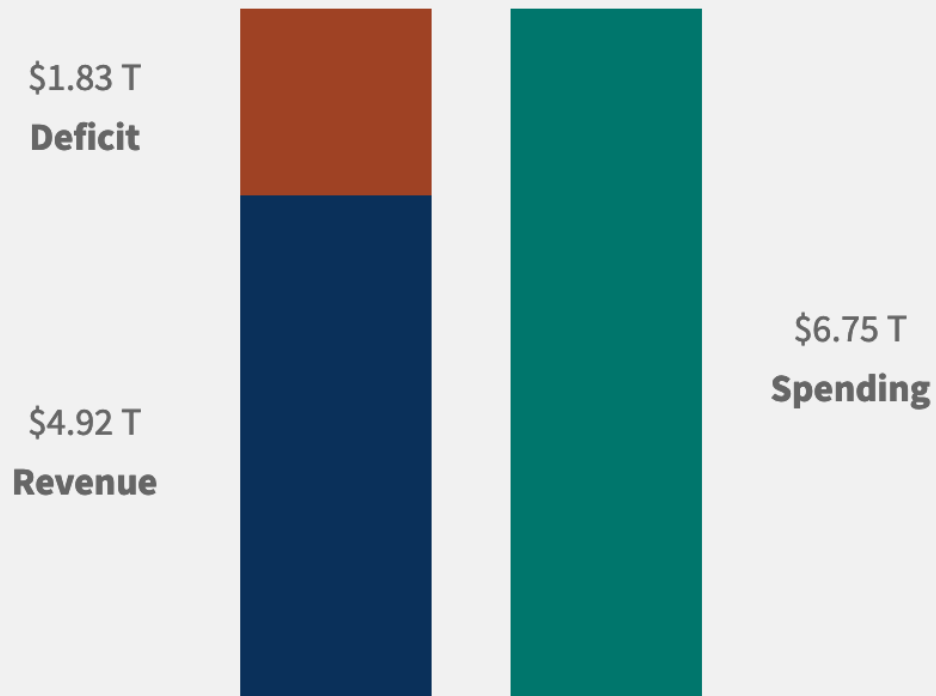
THE STATE OF CALIFORNIA IS IN RED ON THIS MAP OF THE UNITED STATES



7

- 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 2024

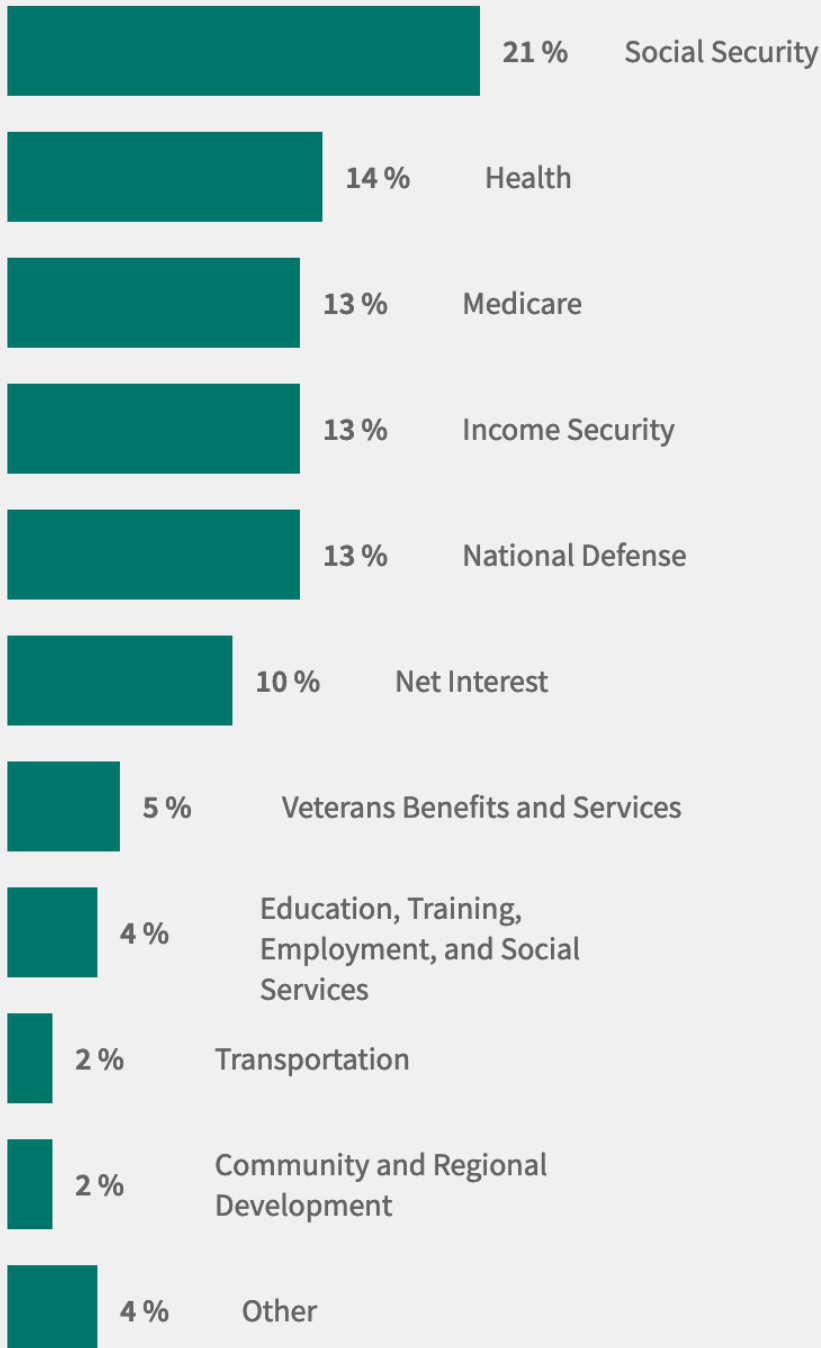


U.S. Government Spending, FYTD 2023

Top 10 Spending by Category and Agency

Category **Agency**

Percentage Dollars

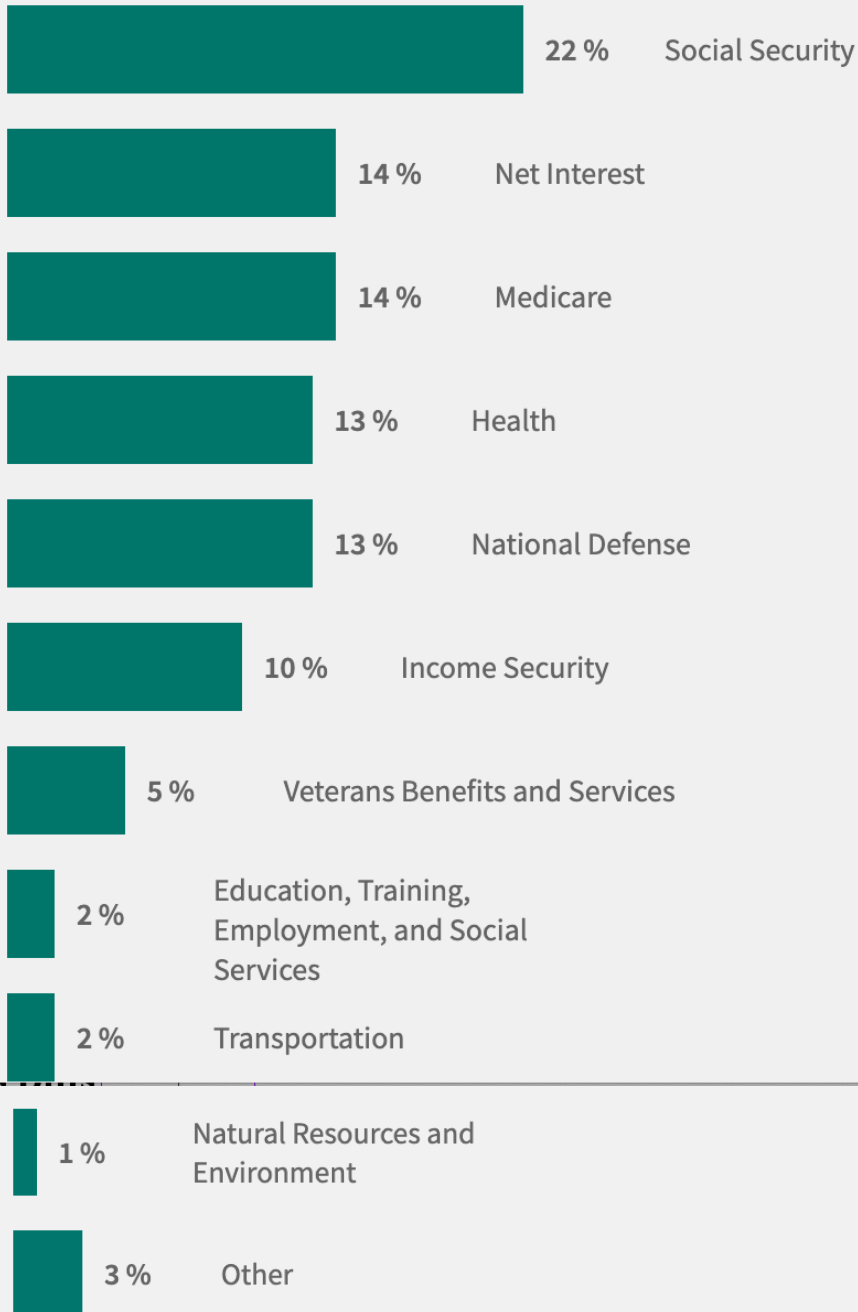


U.S. Government Spending, FYTD 2025

Top 10 Spending by Category and Agency



Percentage Dollars



WHERE AMERICA'S FEDERAL GOVERNMENT GETS ITS MONEY!

Sources of Revenue for the U.S. Federal Government, FYTD 2025

Revenue by Source Categories

Individual Income Taxes

Category

\$2.06 T

Revenue Amount

51%

% of Total Revenue



Total Revenue: \$4.01 T

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.** *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.*

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.

UNITED STATES OF AMERICA FEDERAL POLITICIANS CHOOSE
to accept a BUDGET DEFICIT.

As a result, the **US Government MUST BORROW MONEY TO PAY AMERICA'S BILLS.**

Borrowing money creates *extra payments*, INTEREST charges, *to borrow money.*

In 2025 alone, America is paying **\$1 TRILLION DOLLARS in interest charges!!!!!!**

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%

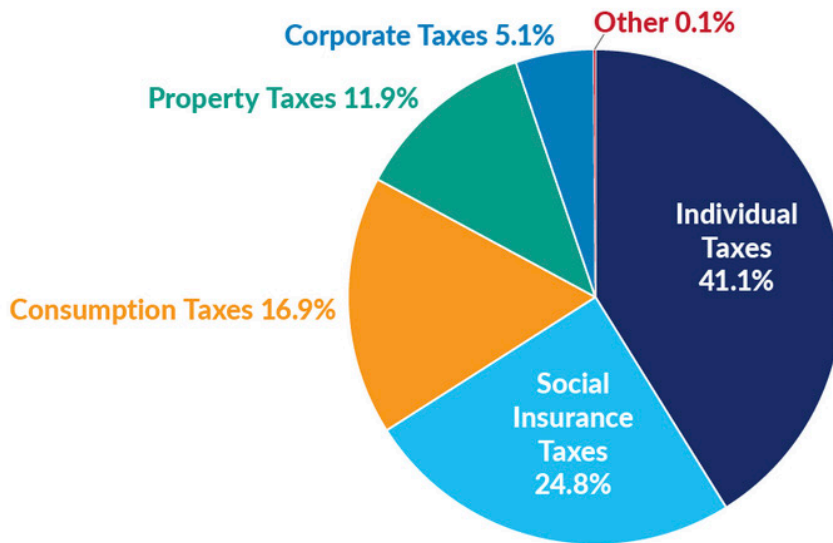
Data as of January 2023.

In 2025, fewer foreign countries are willing to lend America money than the year before!!



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

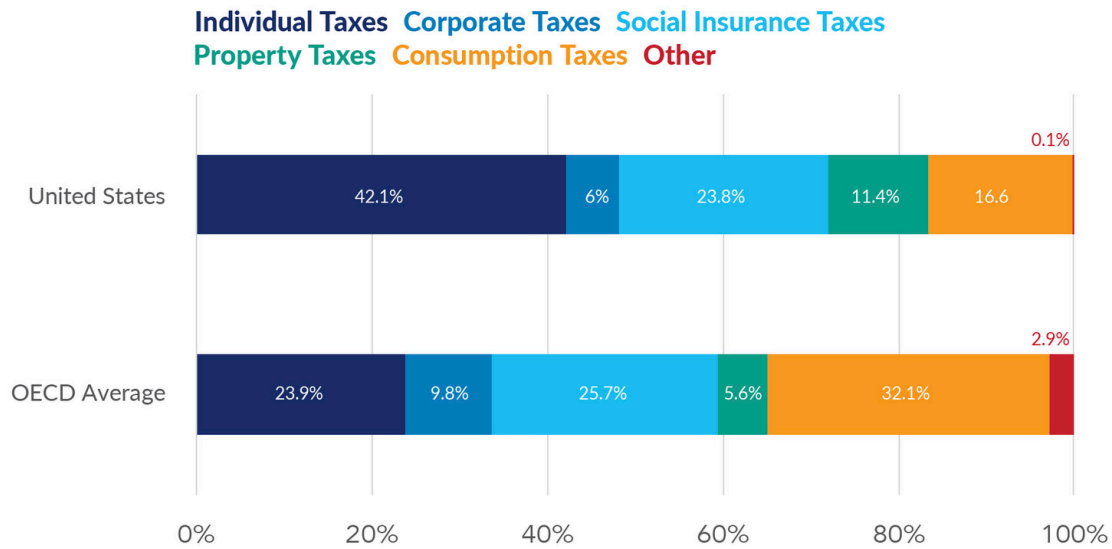
Sources of Tax Revenue in the United States, 2020



12

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

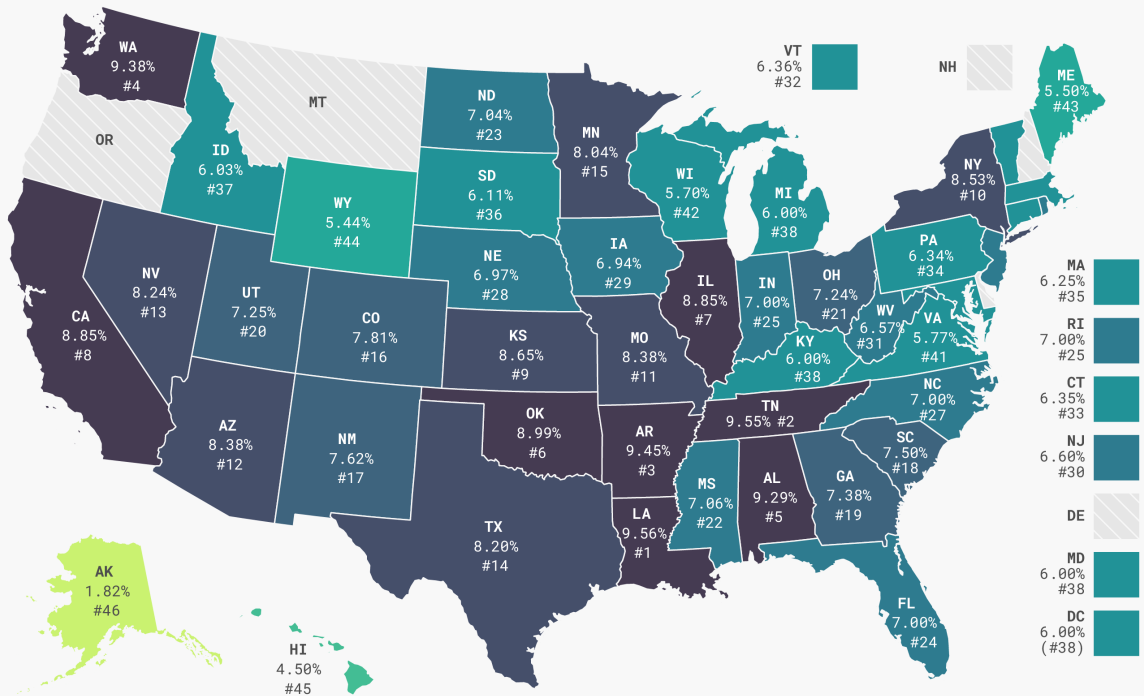
WHAT IS A / CONSUMPTION / SALES TAX?

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 sales taxes. Alaska also allows cities and towns to charge sales taxes. As of 2024, sales taxes were collected in 38 states.

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.



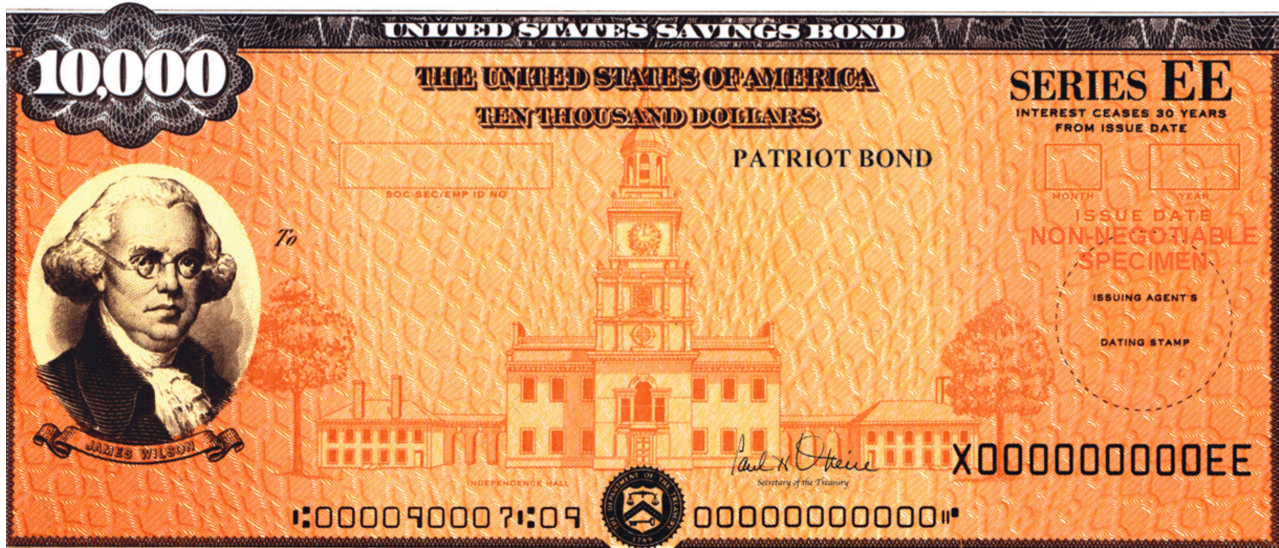
WHAT ARE INDIVIDUAL INCOME TAXES? a charge on wages, salaries, dividends, interest, and other income a person earns.

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, semi-annual or annual cost charged by a local government to 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 for the government to pay people over 62 years old monthly SOCIAL SECURITY retirement \$.

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



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.

14

Here's how the government borrows:

The Treasury Division of **America's** federal **government sells IOUs** (called **securities also called bonds**) 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 fees 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 / bond promises. Some government securities / bonds 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.

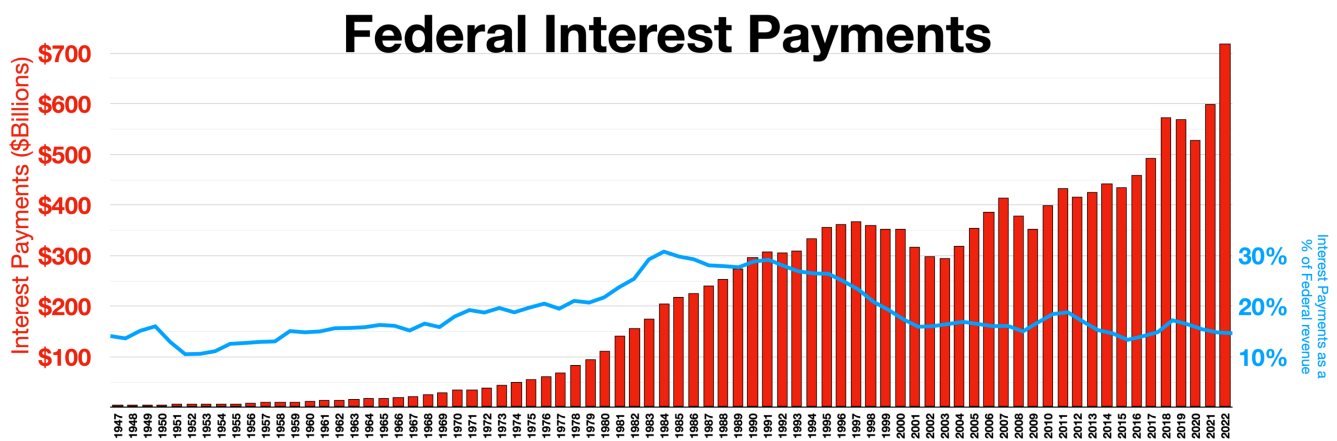
America borrows money from foreign countries like China and Japan AS WELL AS borrowing money from itself - e.g. the United States of America Social Security Retirement Savings account, Medicare, America's Post Office department, etc. The American government ALSO sells **securities / bonds** (IOUs) to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

The government sells its IOUs (securities / bonds) 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 salaries of men and women in the army, navy and other military branches, salaries for Congress men and women, National Parks service, construction and maintenance of highways and buildings, college research, education, training, and for other federal programs and obligations including Social Security benefits and Medicare.**

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**. Interest is paid each month as well as paying back some of the money you borrow. 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*'. **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.**



15

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 report says

the **United States federal government LEADERS do a poor job managing it's budget.**

The government paid **\$400 BILLION** in interest payments **in 2022**.

In 2025, the federal government will pay close to **\$1 TRILLION** in interest payments.

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 **\$33.17 trillion in 2023 and, IN 2025, \$36.1 TRILLION**.

OPINION (Stephen Cronin):

- American FEDERAL government leaders in the United States are jeopardizing the long term SAFETY and SECURITY 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 their 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 (\$33 BILLION -as of 2023 AND \$683 BILLION for interest/borrowing fees in 2023 alone) to pay federal government bills? **yes OR no**

QUESTION 2 -

- if **'YES'**, why is it NOT a good idea for American political leaders to keep borrowing so

much money for so many years to pay America's bills? (America's **FEDERAL debt** as of 2023 was **\$33 TRILLION** and the interest fee/bill America paid to its lenders in 2023 alone was **\$683 BILLION**). _____

- if **'YES'**, what suggestion(S) would you make to **FEDERAL GOVERNMENT POLITICAL LEADERS** (**SENATORS, CONGRESSMEN AND WOMEN who represent our state in Washington, DC**) so the **FEDERAL GOVERNMENT** would NOT have to borrow MONEY to pay its **FEDERAL GOVERNMENT BILLS**? _____ **what would happen if the foreign countries and banks which lend money to the American FEDERAL government STOPPED LENDING AMERICA MONEY?** Please **explain** these consequences in a well written paragraph with perfect spelling, good grammar and short, succinct sentences. Thank you. (See page 14 in this text for the process the American FEDERAL government follows to get foreign countries and banks to lend America money.) _____
- If **'NO'**, please explain the benefits 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. _____

17

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 estimate the level of risk 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 credit rating business 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 suc-

MOODY'S

cess of countries' economies, including how honest the country is about its ability to pay its debts / bills. Credit Ratings also assess a country's overall political and economic conditions, 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 credit 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

EQUIFAX



and use, whether they have and still pay the loans ON TIME, ALL THE TIME and other information. 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.

QUESTION - What is 'INTEREST INCOME' WHEN YOU SAVE MONEY?

When you put money in a savings account, the bank pays you interest income. This is like a small reward or fee the bank gives you for letting it use your money. Banks often lend out your deposits to other people or businesses, and in return, they share a little bit of that money with you as interest.

It's very important to place your savings in a bank that is FDIC-insured. That way, if the bank ever goes out of business, the federal government guarantees you'll get your money back (up to certain limits).

Here's a simple, concrete example to see how interest income works:

- If you put \$100 in a savings account and the interest rate is **2% per year**, the bank will pay you \$2 after one year.
- After **1 year, you have \$102** (your \$100 **plus \$2 interest**).
- After 2 years, you'll earn interest on the new total (\$102), so you get a little more than \$2 the second year. This is called compound interest — interest paid not just on your original savings, but also on the interest you've already earned. So **you earn \$2.04 in interest Year 2. - Savings goes from \$102 (year one balance to \$104.04 after 2 years.**

How Banks Pay Interest

- **Daily** calculation
- **monthly** credit (most common today): The bank figures out how much interest you earn each day, then adds it to your account once a month.
- **Quarterly** credit (every 3 months): Some banks or credit unions pay interest four times a year.

Semiannual or annual credit (*less common now*): A few banks, credit unions, or certificates of deposit (CDs) may only credit interest twice a year, or once at year-end.

The key thing: How often interest is added to your account matters. If interest is credited more often, your money grows faster because you start earning "interest on interest" sooner (**compound interest**).

ACTIVITY - COMPARE what happens deposit \$250 each year for 10 years in a savings account at 4% compounded annual interest **versus** \$250 a year for 10 years in a shoe box placed under your bed.

-**SHOEBOX** TOTAL _____ **BANK SAVINGS ACCOUNT AT 4% ANNUAL INTEREST** _____

see the savings account statement on the next page.

Annual Growth Of \$250 Deposits At 4% Interest

	Year	Balance End of Year	
1	1	\$260.00	
2	2	\$530.40	
3	3	\$811.62	
4	4	\$1,104.08	
5	5	\$1,408.24	
6	6	\$1,724.57	
7	7	\$2,053.56	
8	8	\$2,395.70	
9	9	\$2,751.53	
10	10	\$3,121.59	

20

QUESTION - what is the difference in the amount of money after 10 years of saving \$250 a year for 10 years in a 4% annual interest earning account **versus** putting \$250 a year for 10 years in a checking account earning no interest?

Information on a PERSON'S pay check.

Please answer THE FOLLOWING questions after examining the pay check summary below:

Earnings	rate	hours/units	this period	year to date	Other Benefits and Information	this period	year to date
Regular		40.00	0.00	0.00	*ADP RS employer match	46.67	1941.12
AutoTx			0.00	7000.00	Total Hours Worked	40.00	1640.00
Commission		0.00	2333.79	90761.78			
Gross Pay			\$2,333.79	\$97,761.78			
Statutory Deductions			this period	year to date	Deposits		
Federal Income			-230.08	9579.15	account number	transit/ABA	amount
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				

1. **GROSS TOTAL INCOME** for this pay period: \$ _____
2. **GROSS TOTAL INCOME** year to date (income for the first 39 weeks of the year) _____
3. **NET INCOME** for this pay period: \$ _____
4. Explain **WHY there is a difference** between the GROSS INCOME and NET INCOME on this person's pay stub.

5. What is the amount of this difference between this person's gross income and net income/ \$ _____
6. IDENTIFY THE NAME OF THE **LARGEST DEDUCTION** IN THIS PERSON'S PAY for this pay period?

7. WHAT IS THE \$ **AMOUNT** OF THE LARGEST **FEDERAL** DEDUCTION IN THIS PERSON'S PAY? _____
8. WHAT IS THE \$ **AMOUNT** OF THE LARGEST **STATE** DEDUCTION IN THIS PERSON'S PAY? _____
9. Please explain what the **ADP RS employee deduction** for this pay period shown on this pay stub is. _____
10. Please explain what the **benefit match of \$46.67 is** for this pay period shown on this pay stub. _____
11. The state income tax rate in Rhode Island is - from no income to \$79,900 in income, person pays an STATE income tax of 3.75% of income. FROM \$79,900 – \$181,650 STATE INCOME TAX IS 4.75% (of the money over \$79,900) // Over \$181,650 is taxed at 5.99% (on the portion over \$181,650 **Example** - \$80,000 income - you pay an income tax of \$3,001 \$120,000 income - tax \$4,901

Please identify the State income tax in: **Florida** - _____ **Texas** - _____

California - _____ **New Hampshire** - _____

ACTIVITY - Imagine you work at **TACO BELL** - 20 hours per week last year. You were paid \$15. per hour.

Your total **GROSS ANNUAL INCOME** working at **TACO BELL DURING THE PREVIOUS YEAR WAS -**

\$? _____

Fill out the 1040 form on page 22 and 23. Let's see what you owe in taxes because you did not have enough federal taxes taken out of your weekly paycheck OR what the government owes you because you've had too much tax taken out of your pay check for the PREVIOUS year when you worked. Did you **OWE** the government money? **Yes** or **No** OR Will you get a **REFUND** from the government because you had too much tax taken out of your paychecks? **Yes** or **No**

Form 1040 (2024) Page **2**

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____	16	
	17	Amount from Schedule 2, line 3	17	
	18	Add lines 16 and 17	18	
	19	Child tax credit or credit for other dependents from Schedule 8812	19	
	20	Amount from Schedule 3, line 8	20	
	21	Add lines 19 and 20	21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
	24	Add lines 22 and 23. This is your total tax	24	
Payments	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c	25d	
	26	2024 estimated tax payments and amount applied from 2023 return	26	
	27	Earned income credit (EIC)	27	
	28	Additional child tax credit from Schedule 8812	28	
	29	American opportunity credit from Form 8863, line 8	29	
	30	Reserved for future use	30	
	31	Amount from Schedule 3, line 15	31	
	32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	
	33	Add lines 25d, 28, and 32. These are your total payments	33	
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	
	b	Routing number _____ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number _____		
	36	Amount of line 34 you want applied to your 2025 estimated tax	36	
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions	37	
	38	Estimated tax penalty (see instructions)	38	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes . Complete below. <input type="checkbox"/> No			
	Designee's name _____	Phone no. _____	Personal identification number (PIN) _____	
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature _____	Date _____	Your occupation _____	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____
	Spouse's signature. If a joint return, both must sign. _____	Date _____	Spouse's occupation _____	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) _____
	Phone no. _____	Email address _____		
	Paid Preparer Use Only	Preparer's name _____	Preparer's signature _____	Date _____
	Firm's name _____	Firm's address _____		Phone no. _____
				Firm's EIN _____

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2024)

If you made \$15,600 working part-time and had \$750 taken out of your paychecks for federal tax, the IRS would say you only owe \$100. Since you already paid \$750, you'd get a \$650 refund—just for filing your 1040."

COMPANY / ORGANIZATION FINANCIAL REPORT below.

The chart below is a sample of a **COMPANY'S monthly financial report**. It shows the plan (**budget**) the leadership team of a company or organization (CEO - chief executive officer, CFO, - chief financial officer, and others) collaborated to create showing the **income/revenue the company leadership hoped to earn**, the fixed and variable **expenses they thought they'd spend** and **the PROFIT they hope to make**. **PROFIT is** the money the company has after paying expenses. This FINANCIAL REPORT also shows the **ACTUAL revenue / income** the company **earned**, the **company's ACTUAL** fixed and variable **expenses AND** the difference between the ACTUAL and the BUDGET in THE **DIFF** COLUMN. The report finally shows how much the company made (PROFIT) after paying expenses. **YTD** is how their income, expenses, and, **most importantly, PROFITS**, accumulate / add up after each month through the year.

COMPANY/ORGANIZATION BUDGET -- APRIL Financial report

INCOME (NET)	BUDGET	ACTUAL	DIFF	BUDGET YTD	ACTUAL YTD	DIFF YTD
sales (income/revenue)	\$10,000	\$16,200	\$6,200	\$40,000	\$37,400	-2,600
other income	\$200	\$500	\$300	\$800	\$1,400	\$600
investment(s) - \$						
Total revenue/income	\$10,200	\$16,700	\$6,500	\$40,800	\$38,800	(\$2,000)
EXPENSES						
office rent	\$1,000	\$1,000	0	\$4,000	\$3,200	\$800
loans	\$440	\$400	\$40	\$1,760	\$1,660	\$100
data security soft	\$100	\$100	0	\$400	\$400	0
car payment	\$350	\$350	0	\$40	\$40	0
truck rental payment	\$2,000	\$2,000	\$0	\$8,000	\$8,000	\$0
credit card	\$1,000	\$800	\$200	\$4,000	\$4,500	(\$500)
phone	\$50	\$50	0	\$200	\$200	0
WiFi/ cable TV	\$300	\$300	0	\$1,200	\$1,200	0
employee training	\$100	\$200	\$100	\$400	\$500	(\$100)
Gym membership	\$100	\$100	0	\$400	\$400	\$0
landscaping	\$50	\$50	0	\$200	\$225	(\$25)
office cleaning	\$50	\$50	\$0	\$200	\$200	\$0
employee food	\$100	\$200	\$100	\$400	\$600	(\$200)
marketing	\$200	\$2,500	(\$2,300)	\$800	\$50,000	(\$3,900)
OTHER	\$100	\$1,000	(\$900)	\$400	\$1,300	(\$900)
Total Expenses	\$4,260	\$9,100	(\$4,840)	\$22,400	\$26,375	(\$4,725)
PROFIT / (LOSS)	\$5,940	\$7,600	\$1,660	\$18,400	\$17,725	(\$675)

NOTES - MARCH AND APRIL started unbudgeted marketing plan - META & Joe Rogan podcast advertising new services
Other expenses for APRIL include employee training on new software application
OTHER INCOME - sub leasing extra office space

BUSINESS BUDGET SURVEY

ANSWER THE FOLLOWING QUESTIONS about THE FINANCIAL REPORT ON PAGE 26.

1. What was the **NET INCOME** (not profit) this company actually earned in the **month of April** according to the financial report on the previous page? _____
2. HOW MUCH **NET income did this company plan (budget) to earn in April** according to the budget they created for their 2024 BUDGET? _____
3. Did this company achieve a PROFIT just in the MONTH OF APRIL? yes **OR** no
 - If YES (profitable in April), what was the profit? \$ _____
 - If NO, the company lost money in April, how much money did the company lose in April? \$ _____
4. Did this company achieve a **BUDGET SURPLUS, BUDGET DEFICIT or a BALANCED BUDGET** **for the month of April ONLY**? _____
5. What was the **largest BUDGETED EXPENSE** this company planned for the month of **APRIL**? _____
6. What was the **largest ACTUAL EXPENSE** for the month of **APRIL**? _____
7. Did this company **spend LESS on any expense** than it **planned in their** budget **YTD**? Please identify the expense - _____

8. Does this company achieve a **SURPLUS, DEFICIT or a BALANCED BUDGET** **YTD (year to date)** at the end of April)?
Circle one: SURPLUS - DEFICIT - BALANCED
 - According to this financial report, **is this company profitable YTD**? yes **OR** no
 - **If no**, please explain WHY this company was NOT PROFITABLE APRIL **YTD** _____

 - **if yes**, WHAT WAS THE **APRIL YTD** PROFIT of this company? \$ _____
 1. Please explain WHY this company is PROFITABLE YTD APRIL? _____
 - Please offer **2 SUGGESTIONS** HOW this company can INCREASE PROFITABILITY -
 - _____
 - _____
8. If you could ask the CHIEF OPERATING OFFICER (**CEO - the head of the company**) **ONE QUESTION** about the company budget AND this April report on the previous page, what would that question be? _____
9. WHICH is more important - YTD totals **OR** one month's results **AND** WHY do you feel your answer is correct? YTD **or** MONTH WHY - _____

BUILDING YOUR PERSONAL BUDGET.

CREATE YOUR BUDGET BY following these instructions:

1. First - describe a LIFESTYLE you wish to live. This means, do you wish to own a house or rent an apartment? do you wish to own a car? do you want to save for retirement? do you wish to take a vacation each year? do you wish to buy nice clothes? do you wish to have a family and provide the family with a great education at a excellent school? etc. **DESCRIBE THIS LIFESTYLE and IDENTIFY THE COST of each item in your lifestyle (car loan, car insurance, apartment rent, clothes, pet care, cosmetics, wifi, health insurance, etc) WHICH MUST BE PAID TO SUPPORT THIS LIFESTYLE on a separate piece of paper.**

2. NEXT, PREDICT a REALISTIC amount of money (INCOME) you MUST earn / collect each month / year to pay for the things you want in your LIFESTYLE. 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. **MAKE SURE YOUR NET FIXED INCOME IS ENOUGH MONEY TO PAY FOR YOUR EXPENSES. GO TO PAGE 28- STEP 2 FOR INCOME COMPENSATION SAMPLES FOR A VARIETY OF JOBS.**

3. THEN, identify all your EXPENSES and the cost of each that YOU WILL PAY TO SUPPORT THE LIFESTYLE YOU WANT TO LIVE. There are 2 kinds of expenses - FIXED and VARIABLE. GO TO PAGE 28 FOR APPROXIMATE COMPENSATION FOR A VARIETY OF JOBS..

- 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, Mother Day gifts, 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

BEFORE YOU **BEGIN** TO CREATE YOUR BUDGET, CHECK OUT THIS **Sample of Lifestyle Costs Estimates for High School Students Thinking Ahead**

NB - geography, or where a person lives, can affect lifestyle costs. For example, the cost of living in Miami, Florida, or New York City, is much higher than Fort Mills, South Carolina.

Housing

- Rent for 1-bedroom apartment in a mid-sized city: \$1,200–\$1,800/month
-
- Rent in a large city (NYC, LA, Boston): \$2,500+/month
-
- Owning a modest home: \$1,600–\$2,200/month mortgage (not including property tax & insurance)

Car/Transportation

- Car payment (used car): \$300–\$450/month
-
- Car payment (new car): \$500–\$700/month
-
- Insurance, gas, maintenance: \$200–\$400/month
-
- Alternative: Public transportation pass: \$70–\$125/month

Investments & Savings

- Good starter goal: 10% of monthly income toward savings/investments
-
- Example: \$250/month if earning \$30,000/year

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Vacations/Trips

- Modest domestic trip: \$1,500/year (~\$125/month)
-
- International trip: \$3,000/year (~\$250/month)

Technology

- New phone: \$1,000 every 3 years (~\$30/month)
-
- Laptop: \$1,200 every 5 years (~\$20/month)

Monthly Lifestyle Costs (averages for a single adult)

- Food & groceries: \$400–\$600
-
- Utilities (electricity, water, internet, phone): \$250–\$350
-
- Health insurance: \$300–\$500
-
- Streaming & entertainment: \$30–\$70
-
- Misc. (clothes, gifts, church/charity, dates, etc.): \$200–\$300

Total monthly costs for a **modest lifestyle: \$2,500–\$3,500**

Total monthly costs for a **more expensive lifestyle: \$4,500–\$6,000+**

LIST YOUR 10 MOST IMPORTANT FIXED MONTHLY EXPENSES (COSTS)

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

LIST YOUR 10 MOST IMPORTANT VARIABLE MONTHLY EXPENSES

28

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

Step 2: ***STARTING Salary Sample for some Jobs*** (Approximate U.S. Averages)

- Retail / Food Service (part-time, entry-level): \$22,000–\$28,000/year (~\$1,800–\$2,300/month before taxes)
- Skilled Trades (plumbing, electrician, mechanic): \$40,000–\$55,000/year (~\$3,300–\$4,500/month)
- Teaching (starting K–12 teacher): \$40,000–\$50,000/year (~\$3,300–\$4,200/month)
- Nursing (RN starting salary): \$55,000–\$65,000/year (~\$4,600–\$5,400/month)
- Computer Science / IT (entry-level): \$65,000–\$75,000/year (~\$5,400–\$6,200/month)
- Business / Finance (entry-level analyst): \$55,000–\$65,000/year (~\$4,600–\$5,400/month)

Rule of Thumb: Take-home pay *AFTER TAXES* (NET) is about 75% of gross salary.

So, a \$60,000/year job pays closer to \$3,750/month in spendable money.

Step 3: ***SAMPLE - Case Study - Student Lifestyle Goal - SAMPLE COSTS***

- Apartment: \$1,500/month
- Car + insurance: \$600/month
- Food & utilities: \$800/month
- Vacation savings: \$125/month
- Tech + misc.: \$150/month
- Investments/savings: \$300/month
- Total = \$3,475/month (\$41,700/year)

29

SAMPLE - Case Study - Student's Career SAMPLE - INCOME = \$45,000/year

- Monthly take-home (after taxes): ~**\$2,800/month**

Predictive Analysis

- Lifestyle costs: \$3,475
- Income: \$2,800

PREDICTIVE ANALYSIS FINDINGS - BUDGET Deficit: -\$675/month !

ADJUSTMENTS NEED TO BE MADE when running a **DEFICIT**

This Case Study PERSON is running a **DEFICIT** with their finances; this means they're spending more money each month than they earn in income! *Every month, more money goes out than comes in. That gap doesn't just disappear — it often gets worse and debt increases.*

On a Personal Level, a **financial deficit means:**

- “Imagine you earn \$100 a week from your part-time job. But you spend \$120 on food, sneakers, and going out. You’re short \$20. Where does it come from? You either borrow from a friend, put it on a credit card, or skip paying something important. Next week, you’re already \$20 behind — plus whatever you owe. That’s how debt snowballs.”

POTENTIAL DEFICIT CONSEQUENCES FOR THE PERSON

- **Debt Piles Up:** If you spend more than you make every month, you end up borrowing — from friends, credit cards, or loans. That debt doesn’t go away; THE DEBT GET BIGGER WITH INTEREST CHARGES.
- **Stress & Worry:** Constantly being short on money causes anxiety AND STRESS. STRESS AFFECTS A PERSON’S MENTAL AND PHYSICAL HEALTH. It’s hard to focus on school, work, or health when you’re worrying about bills.
- **Lost Opportunities:** Instead of saving for college, a car, or a house, money goes to paying off debt. You get stuck in survival mode, not growth mode.
- **Damaged CREDIT SCORE:** For teens, this means when you grow up, lenders won’t trust you — **making it harder to get a car loan, apartment, or even some jobs.**

WHAT A PERSON CAN DO TO FIX THEIR DEFICIT

- Choose a less expensive apartment or live with roommates
- Delay buying a new car (take public transit)
- Reduce vacation or investment contributions at the start
- Look for side income (tutoring, coaching, part-time work)

On a Family Level:

- “Think of your household. If your family earns \$3,000 a month but bills add up to \$3,500, that \$500 doesn’t vanish. It means unpaid rent, late fees on bills, or borrowing money that has to be paid back with interest.”

POTENTIAL DEFICIT CONSEQUENCES FOR THE FAMILY

- **Late Bills & Evictions:** If the family runs a deficit, rent, utilities, and groceries become harder to cover. That can mean eviction, lights being shut off, or skipped meals.
- Cycle of Borrowing: **Families often rely on payday loans or credit cards to cover deficits** — but those come with huge interest rates that make the deficit worse.
- **Stress** on Relationships: Financial struggles cause fights and **STRESS inside the household. Parents may have to work extra jobs in order to pay their bills, leaving less time with kids.**
- **Fewer Choices for Kids:** Chronic deficits mean **less money for education, activities, vacations, or even stable housing.**
- **LOW CREDIT RATING** - **which means you pay higher fees to borrow money to buy cars, houses, etc. If your credit score is too low, companies will not lend you money to buy cars, houses, to pay for education, etc.**

**STATE WHAT A FAMILY CAN DO TO FIX THEIR DEFICIT and IMPROVE THEIR CREDIT SCORE?
LIST YOUR SUGGESTIONS BELOW !**

1. _____
2. _____
3. _____
4. _____

STATE WHAT A BUSINESS CAN DO TO FIX THEIR DEFICIT and IMPROVE THEIR CREDIT SCORE

- *“Even a store can fall into this trap. If a sneaker shop makes \$10,000 in sales but spends \$12,000 on rent, employees, and inventory, it’s losing \$2,000. If that keeps happening, eventually the shop closes and goes out of business!! . “*

POTENTIAL DEFICIT CONSEQUENCES FOR A BUSINESS

- Operating at a **BUSINESS** COMPANY FINANCIAL Loss: If a store or company is losing money because it spends more each month than it earns, **it can’t survive long.**
- Debt Spiral: To cover deficits, businesses borrow more money; by borrowing more money, the business has to pay interest charges on the money it borrow, this increasing the debt. If sales don’t improve, loans pile up and interest charges increase.
- **Layoffs & Cuts:** To survive, businesses **ELIMINATE PEOPLE’S JOBS, reduce wages, or cut quality** — which can make things worse.
- **Bankruptcy & Closure:** In the end, chronic deficits **force many businesses to shut down** completely.

WHAT CAN A BUSINESS DO TO FIX THEIR BUSINESS SO THEY DON’T GO OUT OF BUSINESS

1. _____
2. _____
3. _____
4. _____

CHECK MR CRONIN'S SAMPLE MONTHLY BUDGET BEFORE CREATING YOURS

For this activity we'll say you will live in a ONE or TWO bedroom apartment **6 YEARS from today**.

- **NAME OF THE CITY** AND the section of this City where you'll live - **Example** - City – Providence, RI / Section/Neighborhood – Federal Hill **OR** East Side **OR** South Providence, **etc** . **Be aware** many costs will be different according to the City and Section of this city you choose to live.
- **YOUR CHOICE OF A CITY** to live **Providence, RI** - Neighborhood - **West Side of Providence**

• **MONTHLY COSTS**

1. **Monthly** RENT **OR** HOME OWNERSHIP (bank **mortgage**) = **\$1,750 (RENT)**

2. HOME insurance - if you choose to have insurance (ask me if you don't know what benefits insurance provides for home renters and owners) **\$100**

3. **Real Estate taxes Providence - if home ownership - the city of Providence charges \$8.40 per \$1,000 of assessed value for single-family homes, while non-owner-occupied single-family homes are taxed at \$14.60 per \$1,000. Providence County has an effective property tax rate notably higher than the national median (average).**

4. Transportation – car or transit (bus, subway, Uber, etc) or walk

*\$325 if the borrower has an excellent **credit score**.*

5. if Car **used** - Mr Cronin bought 2016 Subaru in 2020 - 5 year monthly borrowing cost - **\$ 325**

*Car payment will be higher with a lower or worse **credit score**.*

6. If car, monthly insurance on this car for a 26 year old - **\$125**

7. Excise tax - Local government tax on cars, autos, etc **\$ 10**

8. If gasoline - weekly GAS expense - **\$50 week; \$200 per month**

9. maintenance (every 5 thousand miles change oil, tire rotation, etc) **\$ 50**

10. If public transportation or UBER (example – subway, bus, etc) \$ **own a car**

11. TOTAL - MONTHLY TRANSPORTATION = \$710.

12. Health Insurance **\$ 175**

13. Food **\$ 900**

14. Utilities (example – heat, electricity, water, trash pick up, etc) **\$350**

15. Clothes – cleaning (*Tide detergent, dry cleaner for dress clothes - dresses, sport coat*), replace clothes, etc **\$150_**

16. WiFi - **\$ 70**

17. Mobile **\$ 30**

18. Entertainment - Netflix, dates, concert, theatre, take out, etc **\$ 100**

19. Exercise/Fitness – membership, gym, bag, clothes, shoes, goggles (if you swim), etc **\$25**

20. Pet care – if you choose to have a pet = **NO PETS** \$ 0000

21. Savings - emergency account for things like major car repairs, or retirement, etc **\$ 60**

22. **Investment for retirement - \$50**

23. Money to help parent(s) or love ones IF YOU CHOOSE TO DO THIS \$ 0000

24. Vacation - if you so choose to take a vacation during the year - VACATION **\$50**

25. Christmas card to Mr Cronin each year (A VERY NICE THING TO DO) **\$ 5**

26. OTHER - Hygiene (*tooth paste, deodorant, floss, shampoo, shaving, bath soap*, etc) - **\$25**

TOTAL MONTHLY COSTS - \$4, 550.

**IT MAKES A DIFFERENCE
WHERE YOU LIVE
FOR HOW MUCH MONEY
YOU TAKE HOME:**

*If you live in Rhode Island - an hourly wage of \$25 and a 40-hour work week, your annual **gross** pay is **\$52,000**. As of early 2026, after federal FICA, SDI, and Social Security Tax and Rhode Island state income taxes are **deducted from your pay**, the **net** take-home pay is estimated at **\$41,000 - 43,200 annually, or roughly \$3,417 - 3,600 per month***

*If you live in Texas, earning \$25 per hour for 40 hours a week in Dallas, TX, results in an annual **gross** pay of **\$52,000**. After federal taxes (**Texas has no state income tax**) and federal FICA, SDI, Social Security taxes, estimated **annual net** pay is around **\$43,500-\$45,900, or roughly \$3,625-\$3,825 monthly**,*

*Texas provides roughly \$200-\$300 more per month in take-home pay than Providence, Rhode Island because **TEXAS NO STATE INCOME TAX***

- **MONTHLY INCOME** (*the money you earn from your JOB or INVESTMENTS 6 years from today*) - **\$75,000 annual (GROSS) salary /** pay in Rhode Island results in a take-home (**NET**) annual pay of approximately \$56,289 per year for a single filer. After taking a federal income tax, FICA (Social Security/Medicare), and RI state income tax from a person's GROSS salary or pay, **NET MONTHLY take-home will be around \$4,691.**

NOW CREATE YOUR PERSONAL **MONTHLY** BUDGET

In this activity, I am asking you to create a **BUDGET** - your LIFESTYLE PLAN for the life you want to live 6 YEARS FROM TODAY. **MAKE SURE YOUR BUDGET IS BALANCED.**

If you want a LIFESTYLE with a nice place to live, a car to drive, clothes to wear, food to eat, WiFi, and a smart phone, you need a plan - A BUDGET - that keeps track of the money you earn from your job and the bills you must pay for the LIFESTYLE you want to live 6 years from now. For this activity we'll say you will live in a ONE or TWO bedroom apartment.

- **BECAUSE costs for a LIFESTYLE are different in each city in the United States and the world, we need to identify the city AND the Section / Neighborhood of this city where you would like to live in 6 YEARS,**

- **NAME OF THE CITY** AND the section of this City where you'll live - **Example** - City – Providence, RI / Section/Neighborhood – Federal Hill **OR** East Side **OR** South Providence, **etc** . **Be aware** many costs will be different according to the City and Section of this city you choose to live.
- YOUR CHOICE OF A CITY to live _____ Neighborhood _____

• **MONTHLY COSTS**

1. Monthly Rent \$ _____
 2. Apartment insurance - if you choose to have insurance (*ask me if you don't know what benefits insurance provides for home renters and owners*) \$ _____
 3. Transportation – car or transit (bus, subway, Uber, etc)
 4. if Car ownership - 5 year monthly finance cost -\$ _____
 5. If car, monthly insurance on this car for a 26 year old _____
 6. Excise tax - Local government tax on cars, autos, etc \$ _____
 7. If gasoline or deisal powered car, weekly GAS expense \$ _____,
 8. maintenance (every 5 thousand miles change oil, tire rotation, etc) \$ _____
 9. If public transportation or UBER (example – subway, bus, etc) \$ _____
 10. TOTAL TRANSPORTATION MONTHLY COST - \$ _____
 11. Health Insurance \$ _____
 12. Food \$ _____ --
 13. Utilities (example – heat, electricity, water, trash pick up, etc) _____
 14. Clothes – cleaning, replacement, etc \$ _____
 15. WiFi - \$ _____
 16. Mobile \$ _____
 17. Entertainment - Netflix, dates, concert, theatre, take out, etc \$ _____
 18. Exercise/Fitness – membership, gym, bag, clothes, shoes, goggles (if you swim), etc
 19. Pet care – if you choose to have a pet \$ _____
 20. Savings - emergency account for things like major car repairs, or retirement, etc \$ _____
 21. Money to help parent(s) or love ones IF YOU CHOOSE TO DO THIS \$ _____
 22. Vacation - if you so choose to take a vacation during the year \$ _____
 23. **Christmas card** to Mr Cronin each year (A VERY NICE THING TO DO) \$ _____
 24. Hygiene (*tooth paste, deodorant, floss, shampoo, shaving, bath soap*, etc) \$ _____
- TOTAL MONTHLY COSTS** - \$ _____

- **TOTAL MONTHLY INCOME (NET)** money earned **monthly** after taxes 6 years from today) - \$ _____

Please remember - **QUESTIONS ARE MORE IMPORTANT THAN ANSWERS** so ask me if you're not sure of something.

BUSINESS OPERATIONS



IMAGINE! (creative thinking! use your native creativity! Every person has it residing in the deep recesses of your brain. Have the courage to release and express it!) - *Imagine* you are an owner of **EMILIO'S RESTAURANT**, a popular and very successful restaurant serving the community of Providence, RI.

Your accountant / controller / bookkeeper has just given you the financial statement for the 'month of April' as well as the 'Year to Date' information appearing on page 25 in this text book. As you can see from your financial statement, you are running a YEAR TO DATE **DEFICIT** or **LOSS** of (write in the deficit amount from your financial statement on page 25) \$ _____. You and your fellow investors in the restaurant have always agreed to never accept a YEAR TO DATE **DEFICIT** or **LOSS** (*deficits or losses are often expressed as 'in the red' hence the color red in the word deficit or loss*) in your business. **CONSEQUENTLY**, you must come up with a plan to turn this "**DEFICIT into a PROFIT**" within 3 months!

You, your fellow investors / owners, AND a few of your smartest, most trusted staff are now tasked to **COLLABORATE** to decide what **EMILIO'S RESTAURANT** will do to CHANGE your YEAR TO DATE financial statement from **DEFICIT to PROFIT** within 3 months.

THE PLAN - (Be specific with your plan. For instance, if you plan to cut expenses, name the expenses you'll

cut and the amount of savings those cuts will provide the operation of the company and how those cuts will change the YEAR TO DATE financial statement from **LOSS** to **PROFIT**. OR, if you have another plan for changing a **LOSS** into a **PROFIT** within 3 months, be specific describing the plan and what the Year to Date **PROFIT** will be in 3 months. Make sure, in your projections, you include any *costs for the plan*. For example, if you plan to have an *EXOTIC FISH TANK* outside the restaurant front door welcoming guests, you must subtract the cost of feeding the *EXOTIC FISH* and *cleaning the fish tank* from the extra amount of money the *EXOTIC FISH TANK* will create for the restaurant. FEEL FREE TO ASK ME ANY QUESTIONS DURING YOUR COLLABORATION. **Your plan will be judged by the teacher and your peers which group came up with the most REALISTIC plan most likely to change the company's YEAR TO DATE financial statement from **LOSS** to **PROFIT**.**

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

—Benjamin Franklin