



Income and Expense Statement

Advanced Level

The Costs Add Up

How much do you think each item would cost if purchased every day for one month?



Item	Average Cost of Item	Approximate Cost <u>Per Month</u> if purchased every day	Approximate Cost <u>Per Year</u> if purchased every day
16 oz. soda	\$1.00 - \$2.00	\$30.00 - \$60.00	\$365.00 - \$730.00
16 oz. energy or sports drink	\$2.00 - \$3.00	\$60.00 - \$90.00	\$730.00 - \$1095.00
Candy bar	\$0.75 - \$1.25	\$22.50 - \$37.50	\$273.75 - \$456.25
16 oz. Latte' or flavored coffee	\$2.50 - \$3.50	\$75.00 - \$105.00	\$912.50 - \$1277.50

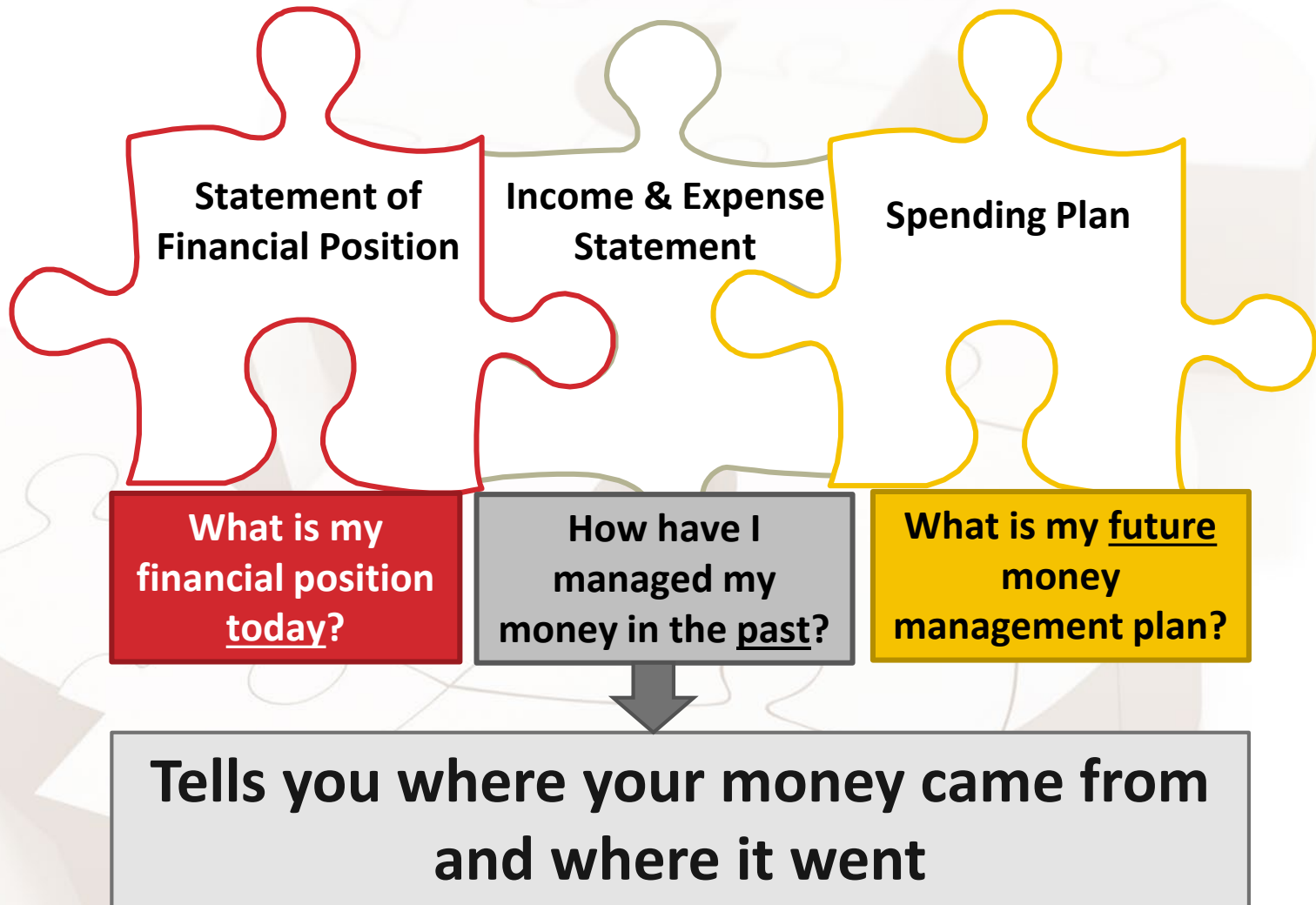
The Income and Expense Statement


Income and Expense Statement - lists and summarizes income and expense transactions that have taken place over a specific period of time, usually a month or year

Income and Expense Statement for:	
Time Period:	
	Amount
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Earned Income	
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Deductions Often Taken from Paychecks	
Contributions to retirement programs (401k, 403b, pension, IRA)	
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Student loan, credit card, other loan payments	
Total Expenses	\$
Net Gain or Net Loss (Income less Expenses)	\$



Money Management Tools





How can an Income and Expense Statement help you manage money?

Evaluate past financial decisions

Make changes to increase net worth

Make changes to reach goals

Improve financial well-being

Three Components

Income

Expenses

Net gain or
net loss

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What is Income?



**Income –
money
received**

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Income Categories

Earned income – any money earned from work

Unearned income – income received from sources other than employment

Received Income from Government Programs – offer a form of income, usually temporary



What income category is represented on your card?

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Earned Income

Any money earned from working for pay

Wages or salary before deductions

Commissions/tips/bonuses

Tax refunds

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Gross Income vs. Net Income

Evan earns \$1600.00
before taxes



This is his **gross
income**



Recorded in the
income section of
the statement

Evan's paycheck is
worth \$1277.60



This is his **net
income**

**Net
Income**

Employer Address City, State Zip Code	
<u>Evan Jones</u>	\$1277.60
<u>One-thousand seventy seven dollars and 60/100</u>	
<u>Employer</u>	

Unearned Income

Income received from sources other than employment

Interest earned during time period

Money earned from investment during time period

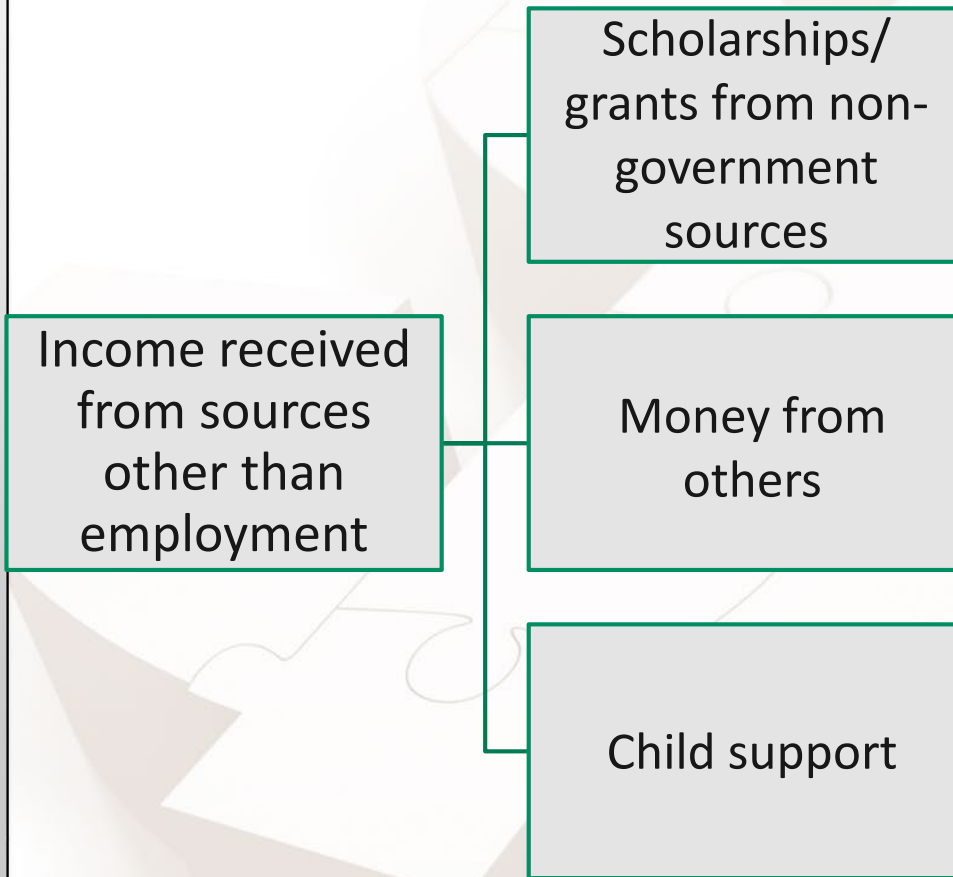
Sales of assets

Money from savings and investments to help pay expenses during time period

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Clothing and Per	
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Pet Care	
Entertainment	
Gifts and Charita	
Credit Costs	
Student loan,	
Total Expenses	
Net Gain or Net	

Using savings and asset sales are not sources of income you can rely upon in the next time period!

Unearned Income



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Received Income from Government Programs

May offer a form of income, usually temporary

Government programs such as workers compensation

Scholarships/grants from government sources



Place a checkmark next to income that you have

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What are Expenses?



**Expenses –
money spent**

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Expense Categories

- Taxes
- Saving and Investing
- Insurance
- Housing
- Transportation
- Food
- Other

Expenses will vary for every person

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Taxes

Deductions often taken from paychecks

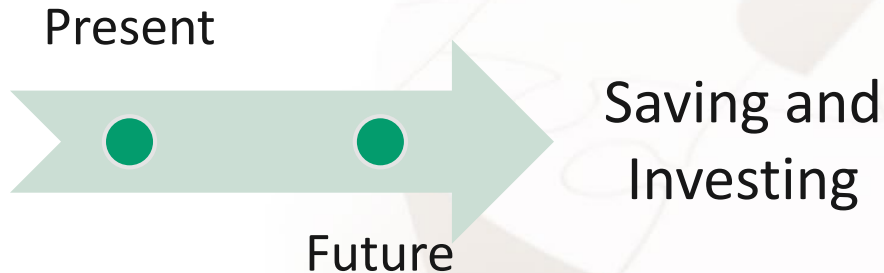
- Includes income and payroll tax
- Numbers may be found on the paycheck stub

Taxes included in other expense categories

- Property taxes such as housing and transportation
- Sales and excise taxes are included within the cost of other expenses

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Saving and Investing



- Includes any portion of income that is saved or invested for future use
- Retirement investments may be deducted directly from a paycheck

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Why can savings and investments be both an income and expense?

Using money from savings or investments to pay for expenses during the time period

Adding money to savings or investments for future use

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Insurance

Insurance - a product that transfers risk from an individual to an insurance company or organization

Health

Property and liability (home, automobile)

Life

Disability

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Four on the Floor

- If you receive a paper, add at least one expense to any of the categories that wasn't already recorded

What expenses may be included in the “**housing**” category?

What expenses may be included in the “**transportation**” category?

What expenses may be included in the “**food**” category?

What expenses may be included in the “**other**” category?

What expenses were recorded in the housing category?



Housing payment
(rent or mortgage)

Utilities

Property taxes

Maintenance

Household
furnishings

Home/renter's
insurance
(included in
insurance)

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What expenses were recorded in the transportation category?



Personal automobile:

- Loan payment
- Fuel
- License and registration
- Repairs and maintenance
- Insurance (included in insurance category)

Public transportation fees

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What expenses were recorded in the food category?



Groceries

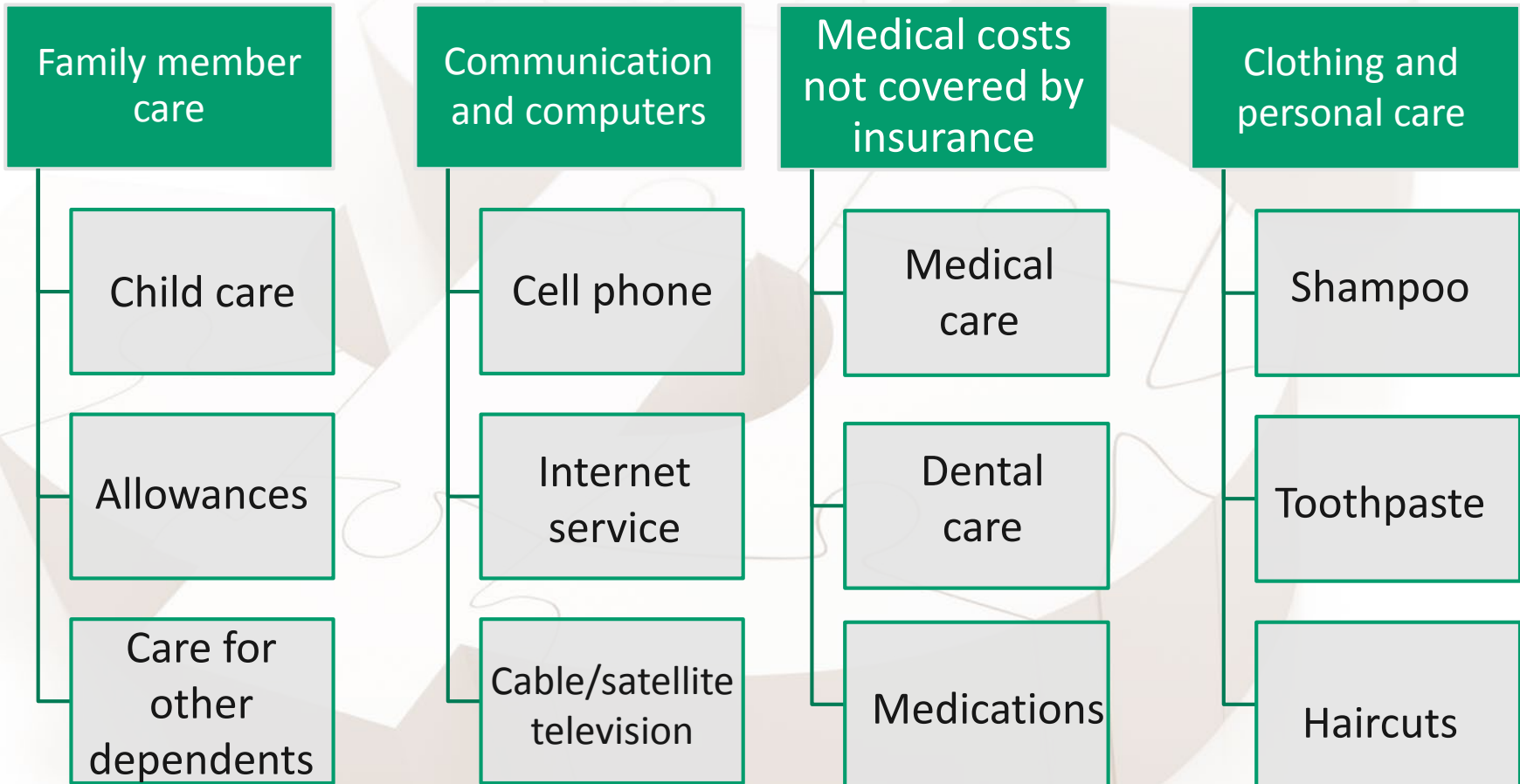
Meals eaten at restaurants

Snacks away from home

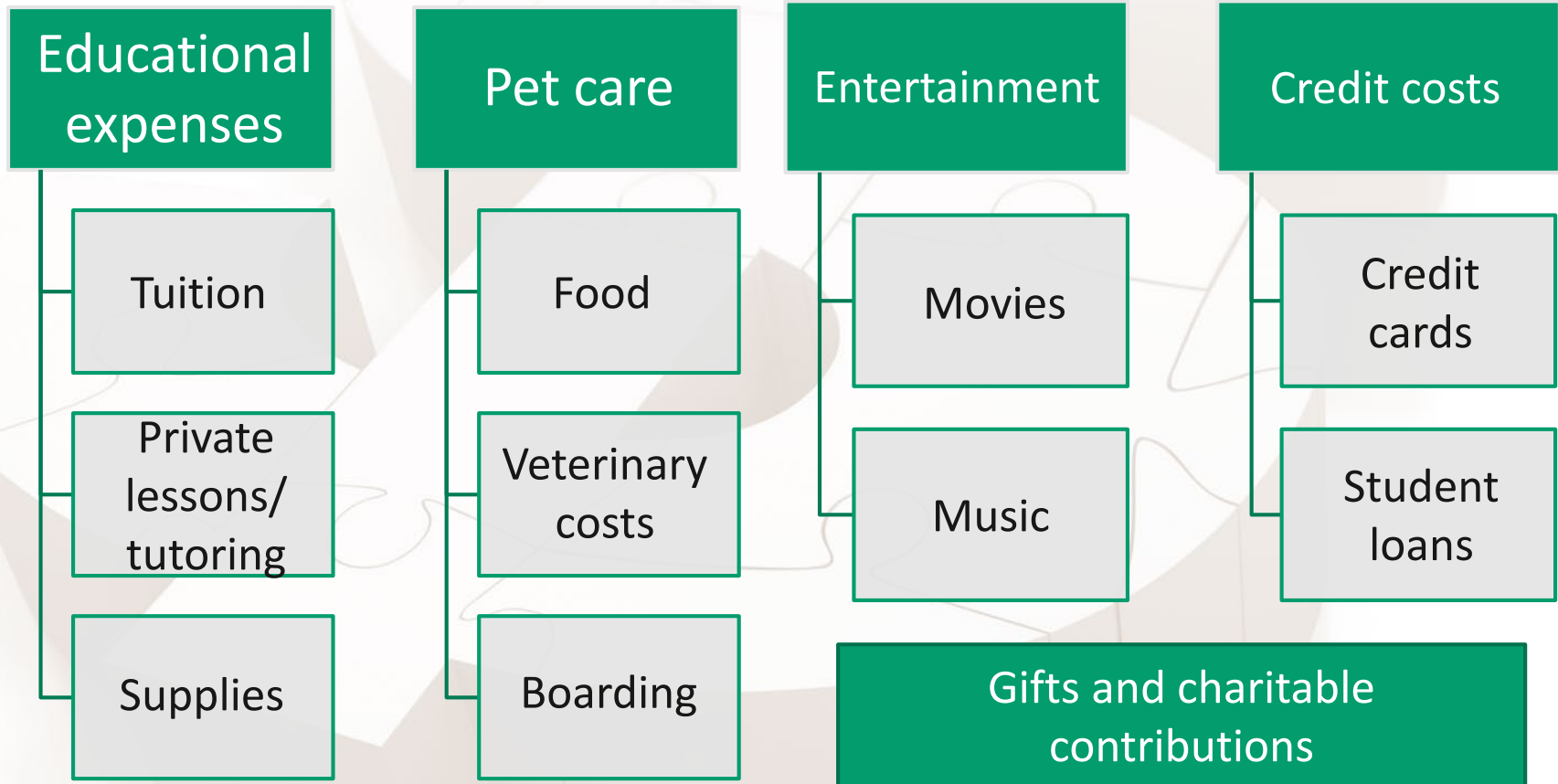
Kitchen supplies


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What expenses were recorded in the other category?



What expenses were recorded in the other category?





Make the Income and Expense Statement your own!

Customize the categories to represent all income and expenses you have

Specific categories may be more effective



Place a checkmark next to expenses that you have



Find a tracking method that works for you

Record in writing

Smartphone

Keep receipts

Depository
institution
account
statements

Money
management
computer software
program

A written system is more effective than a mental system – like Evan you can trick yourself into thinking you spend less than you do!

Net Gain or Net Loss



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Goal is to have income (from sources other than drawing down savings or selling assets) greater than expenses.

Net Gain

Use that money for savings or other expenses

Net Loss

Increase income and/or decrease expenses

Statement of Financial Position

Income & Expense Statement

Spending Plan

A spending plan will help you plan your spending

What is my financial position today?

How have I managed my money in the past?

What is my future money management plan?

Summary

Tells you where your money is coming from and where it is going

Three components: income, expenses, and net gain/loss

Use a tracking method that works best for you

Customize income and expense categories

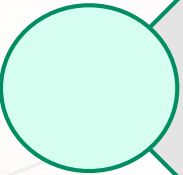
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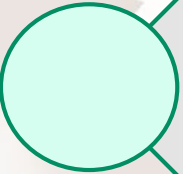
Meet Evan



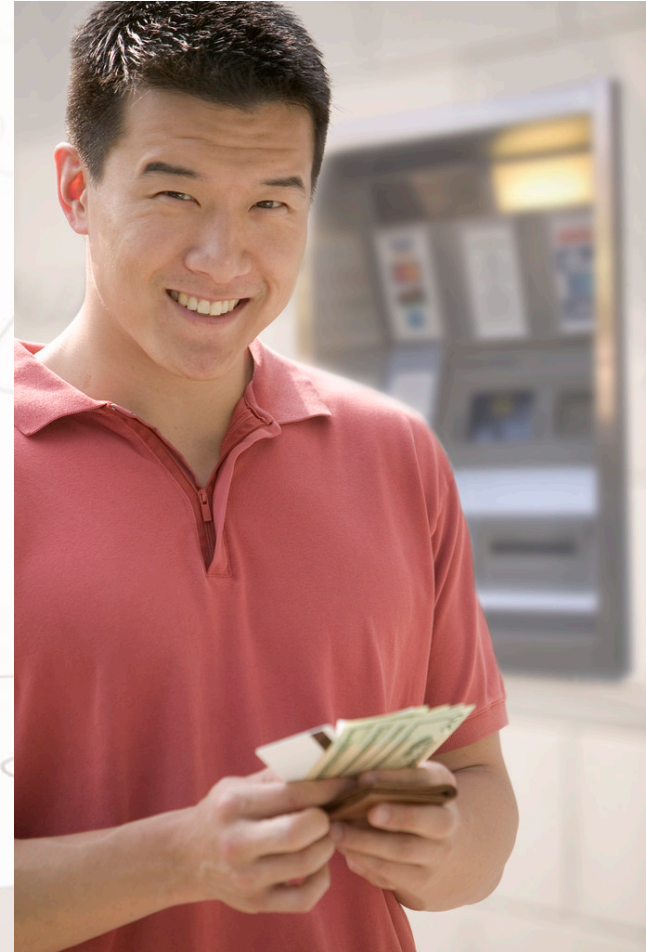
Paid once per month



Puts enough money in his checking account to cover his expenses for the month



He runs out of money each month before all of his expenses are paid



How does Evan think he is spending his money?

- Evan created a list of all of his expenses
- First allocates money to his savings account
- Estimates that his remaining expenses will be no more than \$1000/month:
- But he runs out of money before the end of each month

Expense	Amount
Rent and Utilities	\$500
Health insurance	\$100
Renter's Insurance	\$10
Car insurance	\$40
Gas	\$100
Groceries	\$100
Cell phone	\$70
Personal care	\$30
Entertainment	\$50
Total	\$1000

Are you sure there isn't anything else you spend your money on, Evan?



Well... I do purchase a cup of drip coffee almost every morning but that is only \$1.00! And I usually eat lunch at a restaurant about once per week... but I didn't think that added up to much money.

\$1.00/
day



\$30/
month



\$365/
year

Lunch at
\$8.00/
week



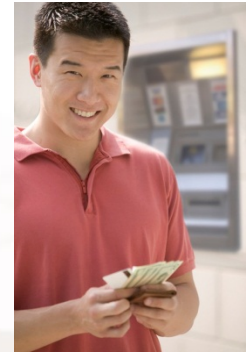
\$32/
month



\$416/
year

Evan wasn't accounting for \$62.00 per month!

Help Evan Create an Income and Expense Statement



Create an Income and Expense Statement for Evan for the month of March

Evan has summarized the information from his March paycheck

This is Evan's only source of income

Gross Income	\$1600.00
Federal Income Tax	\$200.00
Social Security	\$99.20
Medicare	\$23.20
Net Income	\$1277.60

Evan's Expenses

Used an app on his smartphone to track his expenses

3/1 – Automatic transfer to savings account \$255.52
 3/1 – \$400 check for rent payment
 3/1 – Health insurance \$100
 3/2 – Withdrew \$20 in cash to purchase daily coffee
 3/3 – Lunch \$6.50
 3/3 - Hockey game admission - \$10
 3/5 – Purchased gas for \$40
 3/6 – Movie theater ticket \$7.50
 3/7 – Groceries \$52



Evan's Expenses

- 3/10 – Lunch \$8
- 3/12 – Basketball game admission \$15
- 3/15 – Cell phone payment \$70
- 3/15 – Car insurance payment \$40
- 3/15 – Renter's insurance payment \$10
- 3/16 – Haircut \$15
- 3/17 – Purchased gas for \$40
- 3/20 – Lunch \$7.50
- 3/25 – Bowling with friends \$15
- 3/27 – Groceries \$38
- 3/27 – Concert ticket - \$45
- 3/28 – Purchased gas for \$40
- 3/31 – Electricity payment \$50
- 3/31 – Water payment \$50



Evan's Income and Expense Statement

Customize Evan's statement by removing the categories and sub-categories that you believe he doesn't need

**Net Loss
-\$57.42**

Income and Expense Statement for:		Evan
Time Period:		March
		Amount
Income		
Earned Income		
Wages or salary before deductions		1600.00
Total Income		\$1,600.00
Expenses		
Deductions Often Taken from Paychecks		
Federal Income Tax		200.00
Social Security (FICA)		99.20
Medicare		23.20
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments		255.52
Insurance Premiums		
Health insurance, Medicaid and Medicare		100.00
Renters or homeowners insurance		10.00
Auto insurance		40.00
Housing Costs		
Housing payment (rent or mortgage)		400.00
Utilities (gas, electricity, water, garbage)		100.00
Transportation Costs		
Fuel (gasoline/diesel)		120.00
Food Costs		
Food at the grocery store		90.00
Meals at restaurants		22.00
Snacks away from home (coffees, treats)		20.00
Communication and Computers		
Cell phone		70.00
Clothing and Personal Care		
Personal care (shampoo, haircuts, cosmetics)		15.00
Entertainment		
Movies, books, and other entertainment		92.50
Total Expenses		\$1,657.42
Net Gain or Net Loss (Income less Expenses)		-\$57.42




Discussion



- According to Evan's Income and Expense Statement, he has a net loss. What could he do to change his net loss to a net gain?
 - Increase income and/or decrease expenses
 - Use a spending plan to determine what changes to income and expenses to make

Discussion

- Were Evan's mental calculations accurate? 
 - What does this say regarding only thinking about your finances versus writing the information down?
- How has creating an Income and Expense Statement helped Evan manage his money?

Expense	Amount
Rent and Utilities	\$500
Health insurance	\$100
Renter's Insurance	\$10
Car insurance	\$40
Gas	\$100
Groceries	\$100
Cell phone	\$70
Personal care	\$30
Entertainment	\$50
Total	\$1000