Financial Literacy — Budgeting, Saving, and Investing

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Name _____ **Date** _____ **Score** _____ / 8

QUICK REVIEW

A budget assigns income to needs, wants, and saving; the assigned amounts must sum to income. Saving 15 dollars a week for 8 weeks adds 120 dollars. An investment return can be positive or negative; a projected return is not a guarantee.

Worked example

Example: monthly income is $500.00, necessary costs are $250.00, and savings are $100.00. Find spending money and the savings percent.

1. Committed money: $250 + 100 = 350$ dollars.
2. Spending money: $500 - 350 = 150$ dollars.
3. Savings percent number: $100/500 \times 100 = 20$; therefore the savings share is 20%.
Answer: Spending money $150.00; savings 20%.

Practice Problems

Show your thinking.

1. Monthly plan: income $800.00, needs $480.00, savings goal $160.00. A purchase costs $172.00. Can it fit without reducing savings? Find the shortfall.

2. Summer job: income $1000.00, needs $650.00, savings goal $200.00. A purchase costs $162.00. Can it fit without reducing savings? Find the shortfall.

3. You have $105.00 saved toward $420.00. You add $35.00 each week. How many more weeks are needed?

4. Option A charges 4% simple annual interest on $600.00 for 3 years. Option B charges $82.00 total interest. Which is cheaper and by how much?

5. A fictional investment of $500.00 gains 8% in year 1, then loses 8% of its new balance in year 2. Find both balances; is the original money guaranteed?

6. A budget reserves 140 dollars as 20% saving, with 50% for needs and 30% for wants. Recover total income, then find the other allocations and check the sum.

7. Savings allocation: income $1200.00, needs $720.00, savings goal $240.00. A purchase costs $252.00. Can it fit without reducing savings? Find the shortfall.

8. Start with 60 dollars. Compare saving 30 or 36 dollars weekly for 9 weeks toward 384 dollars. Which reaches the goal and what is the other shortfall?

Answer Key

1. No; short $12.00.
2. No; short $12.00.
3. 9 weeks.
4. Option A by $10.00.
5. Year 1 $540.00; year 2 $496.80. No guarantee of the original balance.
6. Income 700 dollars; needs 350, wants 210, saving 140.
7. No; short $12.00.
8. The 36-dollar plan reaches the goal; the 30-dollar plan is 54 dollars short.

Step-by-Step Solutions

Follow each calculation, then check your own work.

Problem 1

1. Committed money: $480 + 160 = 640$ dollars.
2. Spending money: $800 - 640 = 160$ dollars.
3. Shortfall: $172 - 160 = 12$ dollars.

Problem 2

1. Committed money: $650 + 200 = 850$ dollars.
2. Spending money: $1000 - 850 = 150$ dollars.
3. Shortfall: $162 - 150 = 12$ dollars.

Problem 3

1. Remaining goal: $420 - 105 = 315$ dollars.
2. Weeks $= 315 \div 35 = 9$.
3. Check: $105 + 9(35) = 420$ dollars.

Problem 4

1. Annual interest: $600(4/100) = 24$ dollars.
2. Option A total simple interest: $I = 600(4/100)(3) = 72$ dollars.
3. Option B total interest is $82.00. B minus A: $82 - 72 = 10$ dollars. Since $72 < 82$, option A is cheaper by $10.00.

Problem 5

1. First gain: $500(0.08) = 40$ dollars, so the balance is 540 dollars.
2. Second loss: $540(0.08) = 43.2$ dollars.
3. Final balance: $540 - 43.2 = 496.8$ dollars; $500 - 496.8 = 3.2$ dollars below the original, so the original money is not guaranteed.

Problem 6

1. Let income be I: $0.20I = 140$, so $I = 140/0.20 = 700$ dollars.
2. Needs $700(0.50) = 350$ and wants $700(0.30) = 210$ dollars.
3. Check $350 + 210 + 140 = 700$ dollars and shares $50\% + 30\% + 20\% = 100\%$.

Problem 7

1. Committed money: $720 + 240 = 960$ dollars.
2. Spending money: $1200 - 960 = 240$ dollars.
3. Shortfall: $252 - 240 = 12$ dollars.

Problem 8

1. The 30-dollar plan ends with $60 + 9(30) = 330$ dollars.
2. The 36-dollar plan ends with $60 + 9(36) = 384$ dollars and meets the goal.
3. The first plan is short by $384 - 330 = 54$ dollars.

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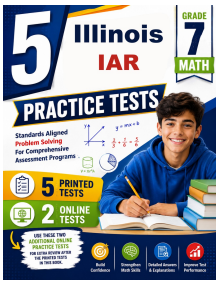

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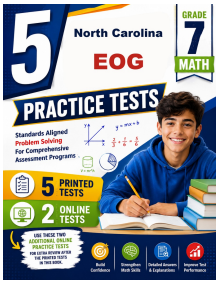

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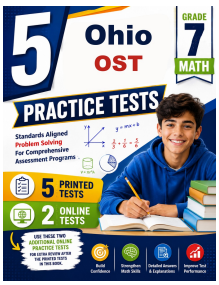

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