

## **Budgets are Beautiful – Answer Key**

a. What is disposable income?

**Disposable income is the money you have left to spend or save as you wish after all required deductions (e.g., taxes, Social Security, retirement plan contributions) have been taken out of your gross pay.**

b. What does Dr. Saver recommend as the three parts of a family budget?

**A family budget should include a listing of income, expenses, and savings. Some students may note that savings can be included as part of family expenses. This is one way to make sure that a family makes a commitment to saving.**

c. What are fixed and variable expenses? Use examples to illustrate each.

**Use examples to illustrate each. Fixed expenses are ones that are relatively constant each month, such as a house payment, rent payment, and car payment. Variable expenses are ones that are likely to change or can be changed in the short term. Examples include groceries, medical bills not covered by insurance, entertainment, recreation, and charge account purchases.**

d. What does “pay yourself first” mean?

**Some savers include their savings goal in the fixed expenses part of their budget. This means that they make a commitment to saving in the same way that they are committed to paying expenses like car and house payments.**

e. What is net worth?

**Net worth is a measure of wealth. It is the current value of assets minus liabilities. Liabilities are debts you owe.**

f. What is meant by a balanced budget?

**A balanced budget occurs when monthly expenses are equal to monthly income. If expenses are greater than income, the budget is negative. Certain expenses may not get paid or the person may go into debt to pay them.**