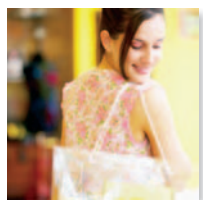


DISTINGUISHING BETWEEN NEEDS AND WANTS

(adapted from Taking Stock In Your Future Intermediate Guide)



Spending wisely is a must if you wish to remain within your budget. Before you buy, you should ask yourself if it's a need or a want and then determine if you wish to make the purchase.

Your needs are the things you must buy for your daily living. These things might include school supplies, clothes, gym shoes or bus fare. Your wants are things that you may wish to have but are not necessary to your daily living. These might include CDs, movie tickets, magazines, or fast food. We try to spend money on both our needs and our wants.

One way to avoid either spending only on needs or only on wants is to classify your expenditures as needs or wants. Then set aside enough of your earnings to buy your needs. Put as much aside as possible for savings. Leave a smaller amount for your wants.

How much you set aside for savings will depend upon how eager you are to build wealth. The idea of setting aside an amount for your savings before you spend on your wants is called the pay-yourself-first principle. This avoids the trap of spending everything on wants and having no money left over for savings.

Analysing Your Expenditures (expenses)

Make a table like the one shown below.

1. List your monthly expenditures by category (want or need).
2. Beside each category, write the average amount you spend on that item each month.
3. Calculate your total expenditures
4. Calculate each expenditure as a percent of your total expenditures.

EXPENDITURE	WANT / NEED	AVERAGE MONTHLY COST	% OF TOTAL EXPENDITURE
School supplies			
Cab fare			
Public transportation			
Clothes			
Fast food			
Entertainment (movies etc.)			
Merchandise (jewellery, CDs, DVDs)			
Other expenditures			
Pay-Yourself-First Principle			
			100 %

1. Use a spreadsheet program to enter your needs and wants in percentages. What % of your expenditures are needs? What % of your expenditures are wants?
2. Create a pie chart showing your total wants and total needs in %. What does your graph indicate about your expenditures?
3. Calculate your total monthly income (allowance, earnings). Compare your total monthly expenditures to your total monthly income. Does your income cover your expenditures?
4. What are some ways you can reduce your expenditures to ensure that you are within your monthly budget?
5. What % of your expenditures is allocated to savings? What are some ways you can increase the % allocated for this expenditure?