



Co-funded by the
Erasmus+ Programme
of the European Union

CYCLES

"The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein." Project number: 2017-1-AT01-KA204-035082

CONTACT DETAILS

PROJECT COORDINATOR

FH JOANNEUM Graz/Austria

Gerhard Lechner

gerhard.lechner@fh-joaanneum.at

JOIN US ON

<https://www.facebook.com/cyclesEUproject/>

<http://cycles.fh-joaanneum.at/info/>



Co-funded by the
Erasmus+ Programme
of the European Union



MODUL 3: PERSONAL BUDGET PLANNING



Co-funded by the
Erasmus+ Programme
of the European Union



TABLE OF TOPICS

1. Budget structure and composition (face to face)
2. Budget component: shopping (face to face)
3. Budget component: housing (face to face)
4. Budget component: education (face to face)



INTRODUCTION

GENERAL DESCRIPTION OF THE MODULE

- The focus of this module lies on personal budget planning and is therefore elementary to financial education.
- Personal budget planning involves understanding the relation of
 - future incomes,
 - expenses,
 - savings and debt,
 - daily home budget planning (e.g. shopping, housing)
 - long-term budget planning (e.g. investments, education)



TABLE OF TOPICS

(1) Budget structure and composition (face to face)

(2) Budget component: shopping (face to face)

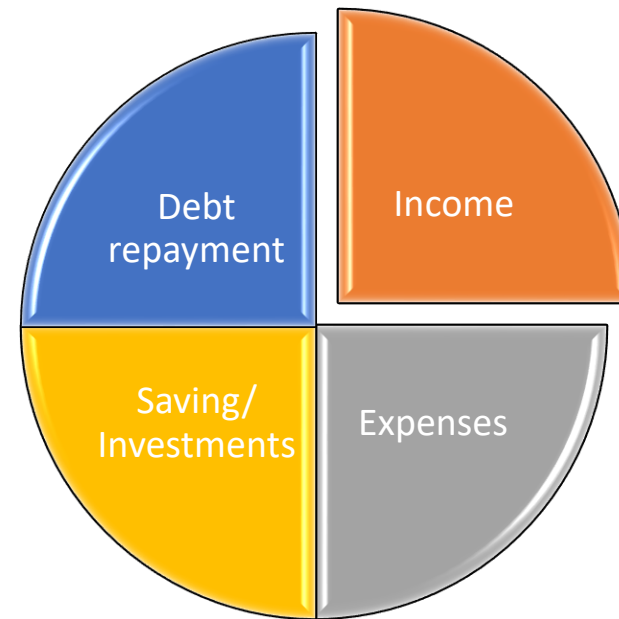
(3) Budget component: housing (face to face)

(4) Budget component: education (face to face)

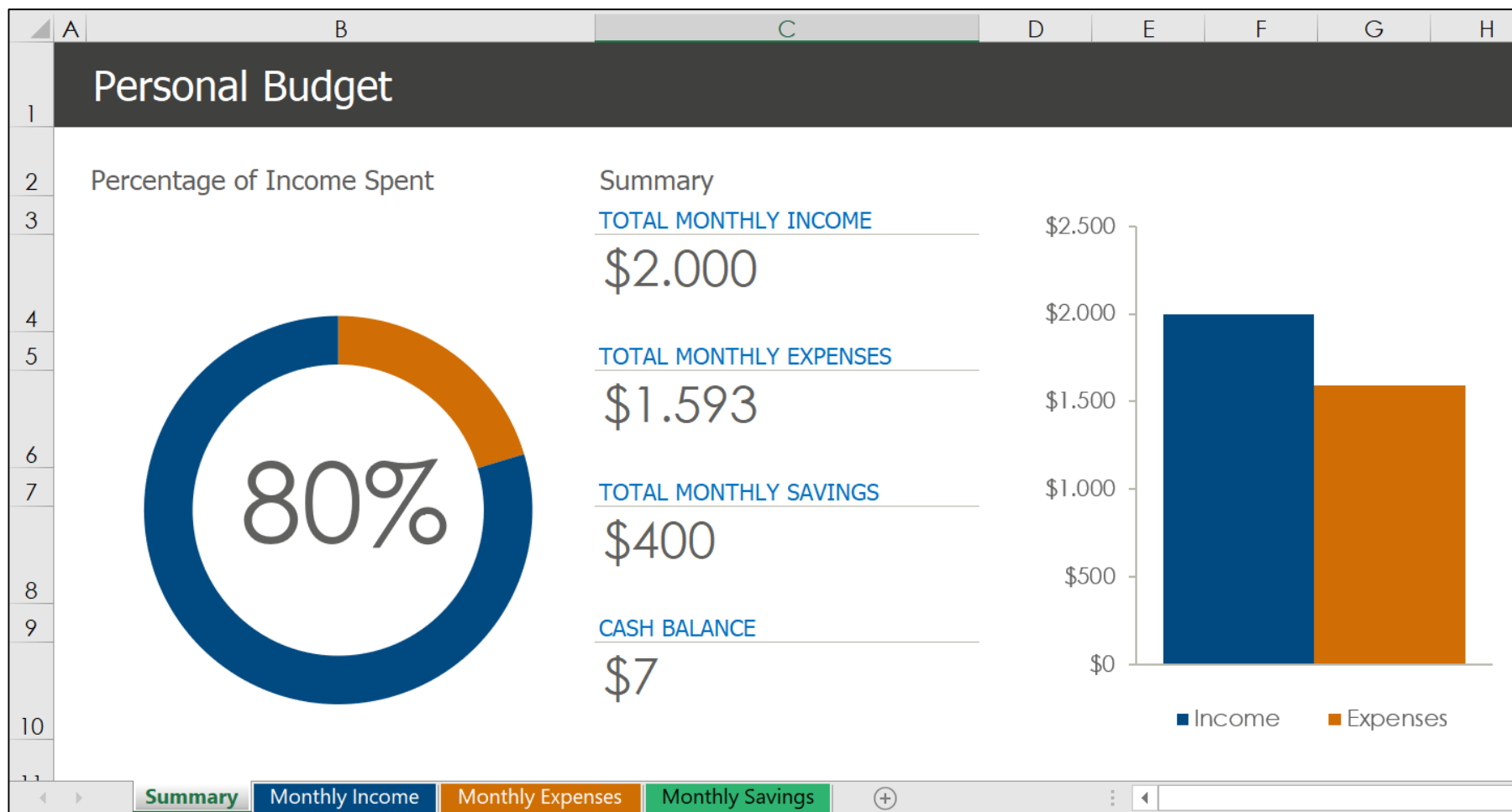


WHAT IS A PERSONAL BUDGET?

A personal budget, also called home budget, is a finance plan that allocates future personal income towards planned expenses, savings/investments and debt repayments. (Wikipedia, 2018)



AN EXAMPLE (1)



AN EXAMPLE (2)

	A	B	C	D	E	F
1	Personal Budget					
2	Monthly Income					
3		ITEM	AMOUNT			
4		Income Source 1	\$500,00			
5		Income Source 2	\$1.500,00			
6		Other				
7						
8						
9						
10						
11						
12						
		Summary	Monthly Income	Monthly Expenses	Monthly Savings	

	A	B	C	D	E	F
1	Personal Budget					
2	Monthly Savings					
3		DATE	AMOUNT			
4		Date	\$200,00			
5		Date	\$200,00			
6						
7						
8						
9						
10						
11						
12						
		Summary	Monthly Income	Monthly Expenses	Monthly Savings	



AN EXAMPLE (3)

	A	B	C	D	E
1	Personal Budget				
2	Monthly Expenses				
3		ITEM	DUE DATE	AMOUNT	
4		Rent/mortgage	Date	\$600,00	
5		Electric	Date	\$120,00	
6		Gas	Date	\$50,00	
7		Cell phone	Date	\$45,00	
8		Groceries	Date	\$400,00	
9		Car payment	Date	\$0,00	
10		Auto expenses	Date	\$100,00	
11		Student loans	Date	\$0,00	
12		Credit cards	Date	\$0,00	
		Summary	Monthly Income	Monthly Expenses	Monthly Savings



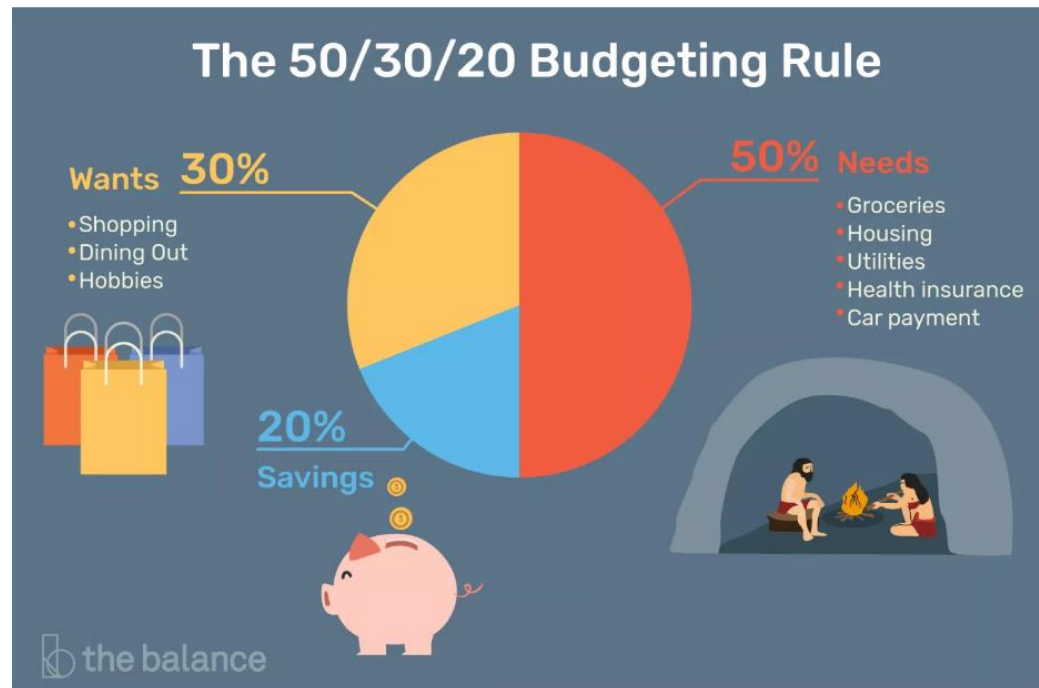
TIME HORIZON OF A BUDGET

- Personal budget Apps and spreadsheets usually offer a **12 monthly view**.
- This allows to consider:
 - Monthly financial needs: shopping, housing...
 - Longer term planning: saving for education, retirement...
- The budget is set up with your **expected income and expected expenses**. This is to be compared with your actual income and expenses.



BUDGET RULE 1: 50/30/20 (1)

→ BUDGET RULE 1: 50/30/20



BUDGET RULE 1: 50/30/20 (2)

STEP 1: Calculate income after tax (net income).

STEP 2: Your needs should not exceed 50% of it. This includes groceries, housing, car payments, etc.

STEP 3: '*Wants*' should not exceed 30% of it. This includes restaurant meals, extra pairs of shoes, holidays, etc.

STEP 4: Spend 20% on savings/investments and debt repayments. This would include emergency funds and retirement accounts.



BUDGET RULES 2 AND 3

→ BUDGET RULE 2:

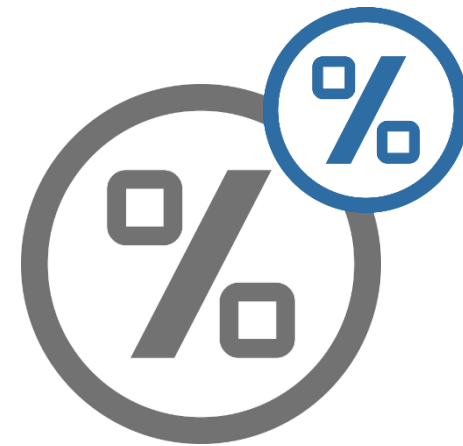
Limit housing expenses (mortgage/ rent) to 25% of your income.

→ BUDGET RULE 3:

Spend 60% of gross income on fixed expenses (this includes taxes, regular bills, housing...).

The other 40% break down with 10% each:

- retirement,
- long-term savings,
- irregular expenses,
- fun money.



DIFFERENCE TARGETED AND ACTUAL BUDGET

Calculate the difference between targeted and actual budget:

- Difference between the planned budget and the actual budget.
- Budget variance = budgeted amount - actual expense
- If the actual expense was lower than the budgeted amount, the result will be positive/ favourable.
- Budget variance (%) = $\frac{\text{budgeted amount} - \text{actual expense}}{\text{budgeted amount}} * 100$



TOOLS TO MONITOR YOUR BUDGET

- Apps
- Spreadsheets
- Paper and pen/ calculator
- Household accounts/budget books



GROSS VERSUS NET INCOME

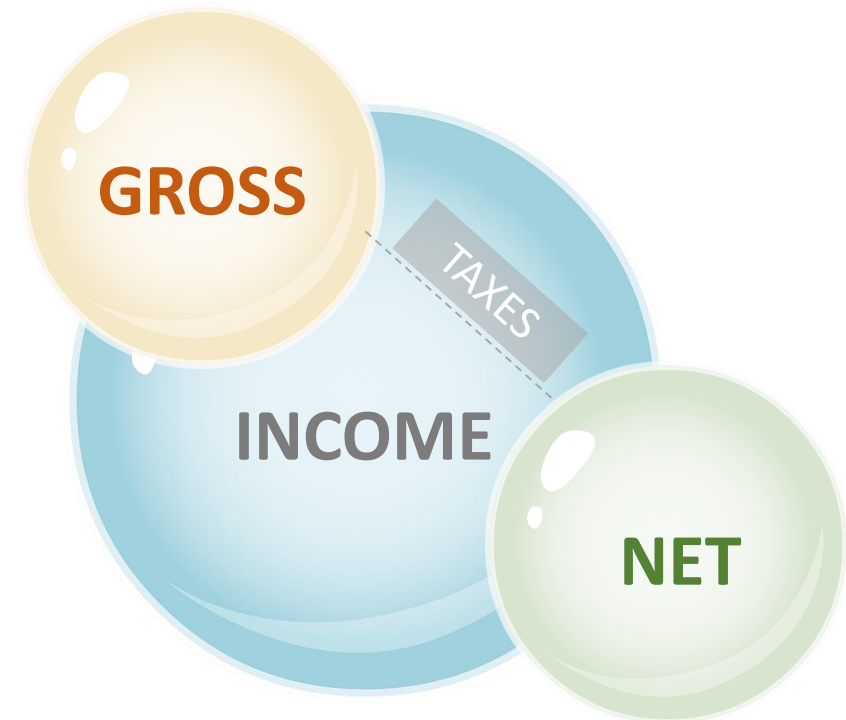
Relevant for your personal budget is
your disposable income.



Depends on the **tax rates** and your
individual **tax class.**

There are several calculators online that allow you to estimate
your gross income given your net income and vice versa.

Example for Germany: <https://www.brutto-netto-rechner.info/>



BIBLIOGRAPHY

- https://en.wikipedia.org/wiki/Personal_budget
- <https://templates.office.com/en-US/Personal-budget-TM10000134>
- <https://www.thebalance.com/the-50-30-20-rule-of-thumb-453922>
- <https://www.brutto-netto-rechner.info/>



TABLE OF TOPICS

- (1) Budget structure and composition (face to face)
- (2) Budget component: shopping (face to face)**
- (3) Budget component: housing (face to face)
- (4) Budget component: education (face to face)



BUDGET COMPONENT: SHOPPING

The budget category 'expenses' can include the following shopping items:



.... but also more → dependent on the level of details you wish to include.



Co-funded by the
Erasmus+ Programme
of the European Union

What additional categories can you think of?



WHERE TO SHOP?

PHYSICAL STORES



- Food shopping: Local market or supermarket
- Non-food shopping: Malls, retailers, second-hand shops

FROM HOME



- Via Internet (domestic and international)
- Via telephone
- From catalogues



PAYMENT METHODS

- Cash
- Debit card
- Credit card (can not always be used in all countries)
- Bank transfers
- Cheque (rarely used anymore)
- Apps (only in some countries)
- Online payment services (e.g. PayPal)



APPS FOR SHOPPING LISTS

→ These apps can be particularly helpful for families and shared houses:



Out of Milk



Grocery Pal



Bring!

These apps are only examples. You can find more apps like these in your App-Store



Wunderlist



That Shopping List

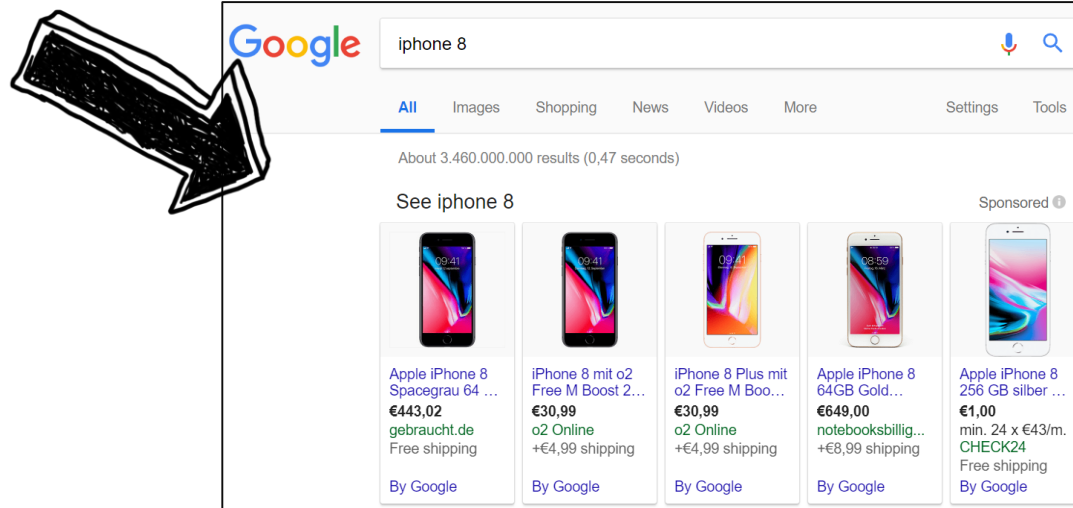
PRICE COMPARISONS

Make sure to compare prices of a similar product:
Homepages can help you to compare prices.

For example:

- www.check24.de
- www.billiger.de
- www.preisvergleich.de
- www.ideal.de

But also just typing the name of the product into Google will provide you with price comparisons.



LEGAL FRAMEWORK (1)

Legal framework and regulations for shopping decisions:

1) AGE - Legal capacity depends on the age

- Under 7 years: No legal capability
- 7-18 years: Limited contractual capability
- > 18 years: Full contractual capability



Keep in mind that the regulations differ between countries!



Co-funded by the
Erasmus+ Programme
of the European Union



LEGAL FRAMEWORK (2)

2) SHOPPING MODALITY

- **Online:** Any purchased item can be returned within two weeks. Be aware of exceptions (e.g. when downloading music or buying second-hand items).
- **Offline**

Keep in mind that the regulations differ between countries!



PRICE DIFFERENCES

Price differences can be caused through:

- Quality differences
- Social and environmental responsibility of producers
- Differences in wages (especially internationally)
- Exchange rate differences



SHOPPING INTERNATIONALLY

How to consider exchange rates when shopping internationally?

Let's assume that a product costs 100 Australian Dollars (AUD) and 20 AUD to be shipped to Germany. If $1 \text{ AUD} = 0,64 \text{ Euro}$, you would expect to pay $64 \text{ Euro} + 12,80 \text{ Euro} = 76,80 \text{ Euro}$ for the product and shipping.

BUT: Keep in mind that these are not all costs that have to be considered when shopping internationally. Dependent on the type of transaction for the payment, other charges can apply (e.g. from your bank's side).

If you use a foreign shopping page (e.g. Amazon in another country), you will be clear about your costs at the end of the purchase process.



PRICE PER QUANTITY RATIOS

How to convert price quantity ratios:

If you get given a price per quantity, such as **4,20 Euro per 200** grams, and another item costs **5,00 Euro per 250** grams, you may want to break it down to the price per 100 grams to compare the two prices.

$$\begin{aligned}\text{Case 1) } & 4,20 / 200 = 0,021 \\ & 0,021 * 100 = 2,1\end{aligned}$$

$$\begin{aligned}\text{Case 2) } & 5,00 / 250 = 0,02 \\ & 0,02 * 100 = 2,0\end{aligned}$$



2,1 Euro per 100 grams



2,0 Euro per 100 grams

BIBLIOGRAPHY

- <http://www.kinderrecht-ratgeber.de/kinderrecht/rechtsgeschaefte/internet.html>



TABLE OF TOPICS

- (1) Budget structure and composition (face to face)
- (2) Budget component: shopping (face to face)
- (3) Budget component: housing (face to face)**
- (4) Budget component: education (face to face)



MOST COMMON TYPES OF HOUSING

Options:

- Renting an apartment
- Renting a shared apartment
- Renting a house
- Buying an apartment
- Buying a house



Co-funded by the
Erasmus+ Programme
of the European Union



REGIONAL RENT INDEX (1)

Definition: Regional rent index

A measure of the level of rents for dwellings in a geographic area over time. (Source: www.ft.com/lexicon)

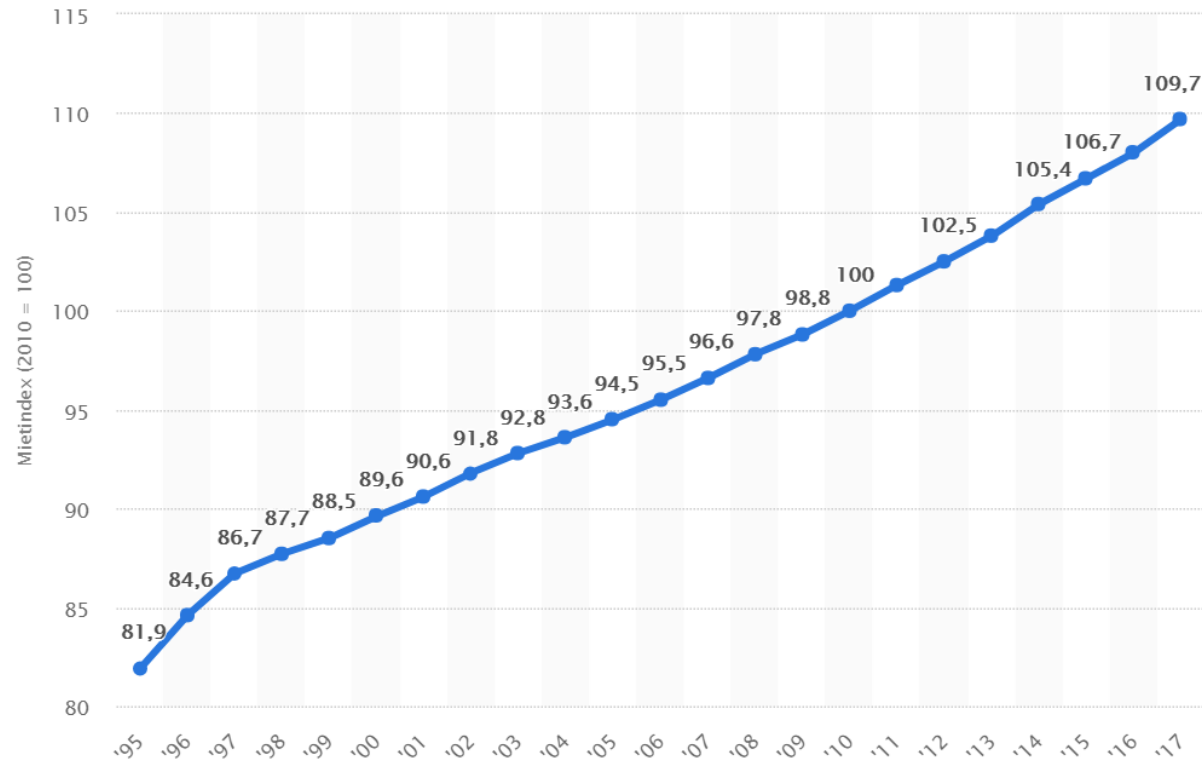
Note:

- A rental index focuses on properties on the market. It usually does not consider existing tenancies, which may differ due to rent-adjustment lags, long versus short-term tenancies and rent regulations.
- Rent measures used in consumer price indices are further influenced by the existence of 'affordable', below-market rent properties and social housing, particularly in Europe.
- Comparisons of rents and house price indices may easily lead to wrong conclusions, because house prices refer to recently traded properties; whereas rent indices may refer to a mishmash of market, regulated and social rents.



REGIONAL RENT INDEX (2)

Rental index for Germany, 1995-2017, (2010= Index 100)



Source: Statista, 2018.



Co-funded by the
Erasmus+ Programme
of the European Union



REALESTATE RELATED COMPARISONS

Other rent comparison and indices related to housing are available on real estate websites such as:

- www.immowelt.de
- www.immobilienscout24.de

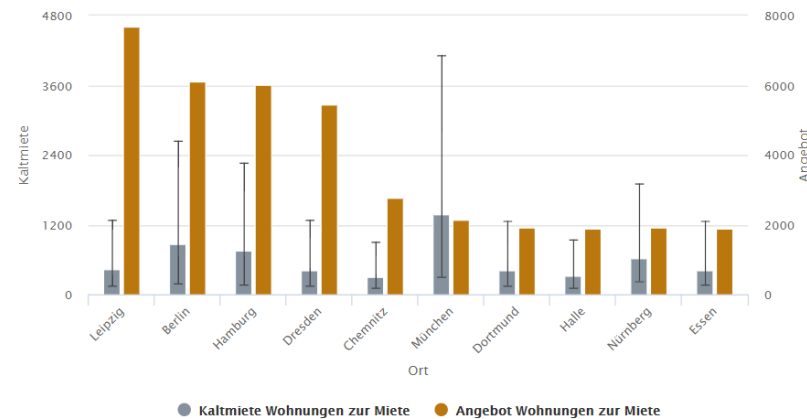
But also at local real estate agencies. Often they have offers in their windows to look at.

Sie sind hier: Immobilien > Markt & Preise > Deutschland > Mietspiegel > Kaltmiete und Angebot/Ort in in Deutschland

Wohnung mieten ▼ in Deutschland ▼ vor 3 Monaten vor 1 Monat **aktuell**

Mietpreis ▼ Wohnfläche ▼ Zimmer ▼ Baujahr ▼ weitere Kriterien ▼

Kaltmiete und Angebot/Ort in in Deutschland



Zeige mir folgende Werte an

Kaltmiete, Angebot ▼

unterteilt in

Ort ▼

Ermitteln Sie den Wert Ihrer Immobilie schnell und sofort online.

> Zur Immobilienbewertung



Co-funded by the
Erasmus+ Programme
of the European Union



WHAT TO CONSIDER WHEN RENTING

- 
1. Price
 2. Quality
 3. Landlord
 4. Roommates
 5. Neighbours
 6. Neighbourhood
 7. Lease agreement
 8. Pet policy
 9. Utility costs
 10. Amenities



Co-funded by the
Erasmus+ Programme
of the European Union



BUDEGT COMPONENT DEPOSIT

What is a deposit?

A deposit is a sum of money which you pay when you start renting something. The money is returned to you if you do not damage what you have rented.



BUDGET COMPONENT RENT

Method of payment for rent:

- Dependent on who you have a contract with, you will either pay rent directly to the landlord or a real-estate agency.
- In most cases, rent is paid by a monthly bank transfer in Europe. This is fast and free. You can automatize this with direct debit to not risk that you forget.
- Few landlords prefer cash. Make sure to get a receipt in that case!



BUDGET COMPONENT MAINTANCE

Saving for home maintainance (this is usually responsibility of the owner of the place):

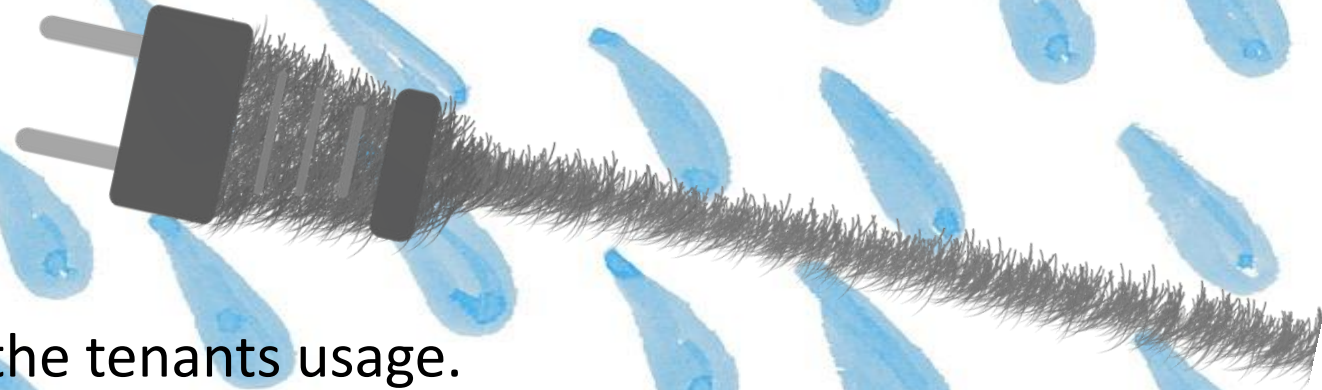
- When buying a home, the rule of thumb says to budget **one percent per year of the purchase** price of the home. This does not mean that you will spend this amount each year. Some years it will be more and some less.
- Another rule of thumb says to budget **1€ per square foot per year**.
- Other factors to consider: Age, Weather, Condition, Location, etc.



BUDGET COMPONENT UTILITIES

Utility bills include:

- Electricity
- Gas
- Water




This bills are being paid according to the tenants usage.

→ Very rarely, the utility bills are included in the rent.



RESPONSIBILITIES OF TENANTS

- Paying rent on time 
- Any damage to the property needs to be reported to the landlord immediately
- Pay for self-induced damage (also through over-usage) to the property
- Ventilate the apartment by opening the windows
- Heat the apartment during the period October 1 to April 30 (in Germany) to avoid mould or frost
- Be respectful of the property and other tenants.
- Avoid sanitary hazards
- Avoid safety hazards
- Follow building and housing codes



BIBLIOGRAPHY

- www.ft.com/lexicon
- www.statista.com
- www.immowelt.de
- www.immobilienscout24.de
- <https://www.moving.com/tips/10-important-things-to-consider-when-renting>
- <https://www.immonet.de/service/pflichten-vermieter.html>
- <https://www.collinsdictionary.com/dictionary/english/deposit>



TABLE OF TOPICS

- (1) Budget structure and composition (face to face)
- (2) Budget component: shopping (face to face)
- (3) Budget component: housing (face to face)
- (4) Budget component: education (face to face)**



BUDGET COMPONENT: EDUCATION

What to consider when budgeting for an education:

A LONG-TERM DECISION!

- Look at options for your education path
- Look at different types of education institutions
- Be aware of tuition fees
- Consider costs of living
- Apply for assistance
- What will your expected future income be after your chosen education.

Costs of and available support for an education differ by country!



EXPENSES AND FEES

Expenses and fees during your education, a course or for a license:

- Tuition fees
- Costs of living (food, housing, transportation, cinema, etc.)
- Fees for a test/ exams
- Costs that can follow (e.g. in case of a driver's license)



TUITION FEES (1)



Tuition fees:

Austria: No tuition fees for European students. Low tuition fee (ca. 1,500€ per year) for international students.

Germany: No tuition fees for European or international students. Small administrative fee (which usually includes a public transport ticket).



TUITION FEES (2)



Poland: No tuition fees for European students. Low tuition fee (ca. 1,500€ per year) for international students.

France: No tuition fees for European or international students. Small administrative fee.

Bulgaria: Tuitions fees are usually around 4000€ (but vary between 3000€ and 8000€).



COSTS OF LIVING

Keep in mind that not only the tuition fees are relevant for the overall costs of an education.

Living expenses in the country are also very relevant! Take a look at the consumer price index (CPI) to get a general idea.

The **CPI** gives an indication of the prices in a country by taking into account prices of a basket of consumer goods and services (such as food, housing, transportation, clothing, medical care, recreation, education, services, etc.).



FINANCING OPTIONS (1)



Options to cover the costs:

1) WORKING WHILE STUDYING IN ORDER TO FINANCE YOUR EDUCATION.

- In this case, you will need to consider different rules according to the country and university you choose.
- Some scholarships require you to remain in a limited number of working hours per week.
- **If you live in an EU country for more than 6 months (183 days) a year, you will be considered tax-resident in that country.** This also means that income from your country of origin may be taxed in the country you are tax-resident. You will need to check your individual case!



FINANCING OPTIONS (2)



2A) INFORMATION ON COSTS AND SUPPORT THROUGH GOVERNMENTS BY COUNTRY:

- Germany: www.daad.de
- Austria: <https://www.help.gv.at/Portal.Node>
- Poland: <http://www.go-poland.pl/tuition-fees>
- France: <https://www.campusfrance.org/en>
- Bulgaria:



FINANCING OPTIONS (3)



2B) INFORMATION ON COSTS AND SUPPORT THROUGH OTHER SCHOLARSHIPS:

- The European Union's **Erasmus+** program is a funding scheme to support activities in the fields of Education, Training, Youth and Sport.
→ You can find information on <https://eacea.ec.europa.eu>
- There are other website that focus on more international studies.
→ You can find information on <https://www.scholarshipportal.com/>
- More specifically, you can search for your area of interest and the country to find more detailed information.



FINANCIAL BENEFITS AND COSTS

Financial benefits and possible costs of education or license

- Apprenticeship
- University degree



Financial benefits are your future income.

- Driver's license



There may be financial benefits, but there are definitely costs too (e.g. buying a car, petrol, insurance).

BIBLIOGRAPHY

- <https://www.study.eu/article/study-in-europe-for-free-or-low-tuition-fees>
- <https://www.study.eu/article/study-in-europe-for-free-or-low-tuition-fees>
- <https://www.interhecs.com/tuition-fees-bulgaria/>
- <https://www.investopedia.com/terms/c/consumerpriceindex.asp>
- <https://europa.eu/youreurope/citizens/education>
- www.daad.de
- <https://www.help.gv.at/Portal.Node/hlpd/public/content/148/Seite.1480000.html>
- <http://www.go-poland.pl/tuition-fees>
- <https://www.campusfrance.org/en/bursaries-foreign-students>
- https://eacea.ec.europa.eu/erasmus-plus_en
- <https://www.scholarshipportal.com/>

