

MANAGING FAMILY INCOME

L.No	Title of Lesson	SKILLS	Activity
16	Managing Family Income	SelfAwareness, Empathy, Interpersonal Communication, Effective Communication, Critical Thinking, Creative Thinking, Problem Solving, Decision Making, Coping with Stress & Emotion	Significance of 'family income' and importance of Budget

Summary

Money is required to fulfill the basic needs as well as comforts and luxuries of a human being. The money earned to meet these needs is called **Income**.

Family Income is the income from all sources like salary of family members, rents, and interest received from banks and savings from using skill of family members. This family income has to be divided and spent on various heads of expenditure of the family like food, clothing, housing etc. Some amount needs to be kept aside as savings to meet future needs. **Money is a limited resource** and therefore needs to be managed carefully. A part of the income which comes into a family can be saved for future use.

Saving is the money set aside by the family for use in times of need. **Expenditure** is the money we spend on items and services which fulfill our needs e.g. money spent on food and transport. A **spending plan** or a **budget** is made to plan the proper utilization of money. It is basically an account of all the income and expenditure of the family, with a view to balance the two. A spending plan has to be made individually by each family because the income and expense of every family is different from the other. To ensure that expenses are made according to the spending plan, a record of expenditure needs to be maintained.

Principal Points

Characteristics of a good budget

A good budget:

- takes into account accurate estimates of income and expenditure, so that it is workable;
- is able to anticipate future needs e.g. high expenses during festival months and
- is flexible so that unforeseen expenses can be taken care of.

Build Your Understanding

Remember, you have to make your own spending plan. You cannot use the plan your friend uses for his/her family. This is because, the amount a family spends on different items depends upon the following factors:

- Income
- Size of the family
- Age of the family members
- Place of residence
- Skills of the family members
- Savings - the family wants to make

Keep these points in mind and then, compare your pattern of expenditure with that of your friend to understand the difference.

What's Important to Know?

- **What is a spending plan?**

A spending plan:

- is a planned approach to spend money;
- is a list of requirements of all the family members, with the money allocated for each item to fulfill these needs;
- is based on the total income of the family. It helps the family to live within their income and also save money for future needs and emergencies.
- **When a spending plan is made?**
 - Income is more than expenditure (savings made for future needs).
 - Hence a spending plan enables -
Income = expenditure + saving (ideal for the family)
- **When a spending plan is not made?**
 - Income is equal to expenditure (future needs cannot be looked into)
 - Income is less than expenditure (family may need to borrow)

Extend Your Horizon

Give some practical tips to your friend to reduce expenses on food.

Evaluate Yourself

1. Mukesh's children are reaching their adolescence. According to you, what are the expenses which are likely to increase in the family?
2. Anita has opened a restaurant. How can she use her cooking skills to:
 - a) Increase her income
 - b) Increase her savings

Did You Know?

How to make a spending plan?

Use the following steps to make your spending plan:

1. **Consider all the income and facilities** for the period for which you are making the spending plan.
2. **Find out total income by adding:**
 - a) all the income of family members, rent if any, etc. and
 - b) facilities available to the family eg. personal allowance, travel allowance.
3. **List all the requirements of the family** in terms of:
 - a) Commodities - food, clothes
 - b) Services - electricity, water
4. **Prioritize these needs.** These decisions will be based on your total income and your goals in life.
5. **Allocate funds** keeping in mind the total income. List all the items of expenditure and allot money to each of them. Keep some amount of the total money as savings. It is advisable to save about 10% of the monthly income.
6. **Balance the spending plan.** The main aim in this is to make the expenditure less than the income. This can be achieved in two ways:-
 - a. Try to increase income - by making maximum use of the resources available to you.
 - b. Cut down the expenditure - by using public transport, doing your household work yourself etc.

Maximize your marks

When making a spending plan:

- survey market rates so that you make correct estimates and compare prices;
- talk to all family members to determine their needs and
- read the characteristics of budget in detail for best results