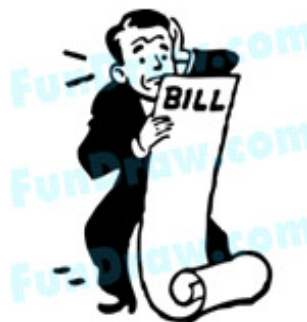




MANAGING FAMILY INCOME

Food, shelter and clothing are basic needs of a human being. How can we fulfil these basic needs? We have to buy food, clothes and shelter (house). To buy anything, we need money. From where can we get this money?

Your parents work to earn money to run the house and try to fulfil the needs of all the family members. Can your father or mother earn extra money through other sources or can you and your sibling contribute towards the family income? Yes, you can by helping in the household chores like cleaning, mopping, washing dishes or clothes. You can stitch clothes at home or take tuition or repair household gadgets yourself or do typing for others. With this extra money earned or saved members can meet additional needs of the family.



If money is managed carefully, we can achieve our goals as well as save some money. In this lesson our focus will be on the management of family income. Let us see how we can do this.



OBJECTIVES

After reading this lesson you will be able to :

- define family income;
- list sources of family income;
- define expenditure and savings;
- state the purpose of managing family income;
- explain the process of managing family income;
- define and give the importance of a spending plan (budget);

- develop a budget for a family, and
- evaluate the budget of your family and suggest any changes required.

16.1 INCOME AND ITS SOURCES

Whatever is earned in the form of money which comes into the family is called its income. This income may come from various sources.

16.1.1 Sources of Income

Income can be salary from a job, part time classes, rent from a house or shop, interest received from bank or sale of shares and other investments. It may also be earning from the use of your skills or profit from your household produce etc.

When you use your skills like stitching clothes for family members or growing vegetables at home for your consumption or knitting sweaters for family members, you do not get any money in hand but at the same time you save money which you would have given to the tailor for stitching or for buying a sweater or vegetables etc. Such savings add to your 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.

Money can also be saved by using free facilities like medical facilities, free education for children or rent free accommodation. Can you now define family income?



INTEXT QUESTIONS 16.1

- Choose the correct option from the choices given to complete the statement.
 - Income means
 - money
 - house
 - furniture
 - all the above.
 - Family income means
 - income of all related persons living in the household
 - commodities and services produced in the country
 - right to consume goods and services
 - all the above.



Notes



Notes

**ACTIVITY 16.1**

1. Discuss with your parents and list all the sources of your family income.
2. List the skills of all your family members. Give them suggestions as to how they can contribute to family income by making use of their skills. Ask them to make some products for sale.

Plan and organize sale of the products made by the family members. Request your friends and family members to evaluate the total efforts in terms of questions given below and report the findings with suggestions for improvement.

- i) was the venue, date and time for sale appropriate?
- ii) stalls and decorations were alright or not?
- iii) were the products sold too expensive?
- iv) were the products well made?
- v) did a lot of people come to the sale?
- vi) has the profit motivated the family to make more products to sell?

16.2 EXPENDITURE

Whatever money we spend from the income for buying various things to fulfil our needs is called expenditure. Let us make a list of all the items and services on which your family spends income. Your list may include several items and services given in the list below.

food

housing

clothing

education

transport

medical expenses

entertainment

others

let us define expenditure-

Income brings money into a family while expenditure takes money out so that it is not available for anything else.



ACTIVITY 16.2

Make a list of your immediate needs (short term expenditure) and needs which can be fulfilled at a later date (long time expenditure).



Notes

16.3 SAVINGS

A part of the income which comes into a family must also be kept aside for future use. This money which is set aside is called 'saving' and may be used at any time in future for any purpose like family needs or emergencies, children's marriage or higher education, old age security, health emergencies or to buy luxury goods etc.

Saving is the money set aside by the family for use in times of need.

16.4 NEED FOR MANAGING INCOME

To ensure that some money is saved, the expenditure must be less than the income. In order to manage within your income, you need to plan the expenditure. This is known as 'managing income' and means spending wisely so that all your needs are met. For this, you will have to make a 'spending plan'.

A spending plan is a planned approach to spend money. It is based on the total income of a family. It helps the family to live within their income and also save money for future needs and emergencies.

16.5 WHAT IS A SPENDING PLAN OR A BUDGET?

It is actually a list of requirements of all the family members, with the money allocated for each item to fulfil these needs. To be able to do this you must also know the income of a family.

Why make a spending plan?

- If we do not make a spending plan, we are likely to spend more than what we have. So, if our expenditure is greater than our income it may lead us to borrow money to fulfil needs.

Expenditure > Income ————— Borrowing
(> means more than)

- To avoid getting into trouble, make your spending plan and keep your expenditure less than the income, in order to save money.

Expenditure < Income ————— Saving
(< means less than)



Notes

16.6 HOW TO MAKE A SPENDING PLAN?

Use the following steps to make your spending plan :

1. Keep in mind all the income and facilities available to you for the period for which you are making the spending plan.
2. List all the requirements (commodities and services) needed by the family members for that period.
3. Prioritize these needs.
4. Allocate funds keeping in mind the total income. This will help in effective utilization of money and other resources.
5. Balance the spending plan. This will also help to save some money.

Second step is listing all the requirements (main category). All families have their own spending plan according to their needs.

The items of expenditure in your family may be as follows:

Main category	Sub category	Allocation In Rupees
Food	<ul style="list-style-type: none"> • fresh foods • processed foods 	
House	<ul style="list-style-type: none"> • rent • repairing and maintenance 	
Clothes	<ul style="list-style-type: none"> • purchase of garments/fabric • repairs and stitching • dry cleaning and washing 	
Education	<ul style="list-style-type: none"> • books • fees • stationary • occupational expenses 	
Household expenses	<ul style="list-style-type: none"> • fuel • household supplies • paid services(servant) 	
Transport	<ul style="list-style-type: none"> • personal (automobile) • public 	
Public utilities	<ul style="list-style-type: none"> • electricity • telephone Water • postage 	



Notes

Home furnishings		
Medical expenses	<ul style="list-style-type: none"> • adults • children 	
Tax	<ul style="list-style-type: none"> • income • property or home 	
Entertainment	<ul style="list-style-type: none"> • adults • children 	
Personal allowances of family members		
Emergencies		
Savings	<ul style="list-style-type: none"> • saving deposit • insurances • investments 	



INTEXT QUESTIONS 16.2

Fill in the table drawn below by writing the budget head against each expenditure. The first item has been done for you.

	Expenditure	Spending heads
1.	repair of tap	house
2.	buying a pack/strip of Asprin tablets	
3.	going to a friend's house by bus	
4.	eating out	
5.	buying a toothbrush	
6.	buying a water bottle for school	
7.	getting a telephone connection installed at home	
8.	paying electricity bills	

16.7 HOW MUCH TO SPEND ON EACH ITEM?

Each family has its own needs which are different from those of other families. (Even your needs as a student for books, copy, pencil pen, eraser etc. will be different from other students). How much a family spends on the different items depends on many factors.



Notes

Let us now consider these factors-

- i Income- The total family income from all sources will basically help to decide how much can be spent on various items. More the income more will be the money spent for purchasing different items.
- ii Size of family- More the number of family members more will be the expenditure on food and clothing. Hence, the family will be able to spend less on entertainment and luxuries etc.
- iii Age of family members- If there are school going children, expenditure on education, school uniform, stationary etc. will be more.
- iv Place of residence- In big cities like Delhi and Mumbai, cost of living, food, house rent, travel expenses and school fee are higher than in small towns and villages.
- v Skills- If some family members have certain skills like making preserves or doing household repairs like repairing electrical equipments, carpentry etc. then the family will have to spend less on getting the repairs done.
- vi Savings- Keeping in mind the future needs.

- **Prioritise these needs**

You have listed all the needs of your family members. Before making a spending plan it is important to prioritise all the needs. Below is given a prioritized list of needs according to a particular family. You will agree that the needs and priorities of each family are different.

**ACTIVITY 16.3**

- Make a list of your own expenditures for a week and prioritise them.
- Ask your friend also to do the same.
- Analyse and discuss with your friend, the flaws in your priority lists.
- **Allocation of funds**

You have the list of expenditures ready with you and you know how much money is available. Now you allot money to different heads according to your income and see how much you are able to save from your income.

The table below gives you an idea about the percentage of expenditure and the amount of money spent on each item.



Notes

Item of Expenditure	Amount (Rs.)
food (35%)	3500
housing (20%)	2000
clothing (5%)	500
family recreation (5%)	500
household operations (6%)	600
education (5%)	500
transportation (8%)	800
medical expenses (3%)	300
furnishing (3%)	300
saving (10%)	1000
TOTAL	10000

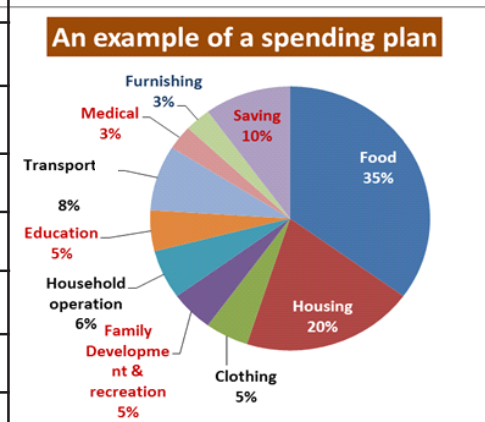


Table 16.1. Expenditure on various items for a family

This table shows the main heads of expenditure. While making your own spending plan you can put down the expenditure on each item separately in detail.

- **Amount to be saved**

Every family, whatever the number or age of its members, must save a part of their monthly income for later needs. The needs can be education or marriage of children, medical expenses, house building, buying a car or a refrigerator depending on the needs of the family, the family will have to shift emphasis from spending to saving. As a guide it is advisable to save about 10% of the monthly income.

- **Balancing the spending plan**

While making your spending plan, you can put down the expenditure on each item according to your requirement. The most important and difficult step in making a spending plan is balancing i.e. making expenditure less than income. With experience we all can master this art.

There are two ways of doing this-



Notes

BALANCING

Two ways to do it



Earn more	Cut down the expenditure
<ul style="list-style-type: none"> • Find other sources of supplementary income according to your capabilities, skills and knowledge like taking tuitions, stitching clothes, making handicraft articles etc. • Increase the income by taking up part-time job, over time, household production like kitchen garden, poultry farming, bee keeping, and making preserved food items. <div data-bbox="516 1060 836 1360" data-label="Image"> </div>	<ul style="list-style-type: none"> • Do not waste food. • Cut down on eating outside. • Check extra expenditure on electricity, water etc. • Ironing and washing at home. • Economic use of stationery i.e. paper, pencils etc. • Use of public transport. • Use of cycle instead of a rickshaw. • Use of public library instead of buying story books. • Looking out for sales/ rebates and places where prices are comparatively lower. • Shop in one trip. • Avoid impulsive buying. • Allocate funds to items which are not necessary, at the end.

These are some of the ways by which you can help supplement family income. Therefore the best budget is where income and expenditure allocation is balanced.

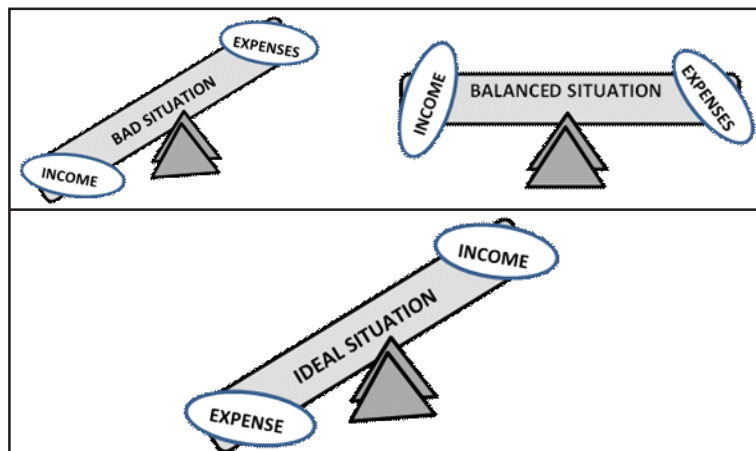


Fig.16.1



Notes

A spending plan

- Discourages ‘impulsive buying’ i.e. keeping away from buying what you really do not need at a particular time.
- Spending plan helps you to meet all the needs of all your family members. For this you make a list, allocate money for each item and then spend according to the spending plan.

Make a spending plan/budget for a family of 5 members i.e. parents, grand mother and two school going children.

Father’s income from job = Rs. 16,000
 Mother’s income from job = Rs. 14, 000
 Interest from bank (from savings) = Rs. 1,000
 Total income = Rs. 31,000 per month

When your spending plan is ready and you have balanced it also. The last step is keeping records of all the expenditure.

Why should you maintain a record of expenditure? Yes, this will help you to-

- know how much you have spent on each item
- know whether you have spent more or less on certain items than the previous month
- control any unnecessary expenditure by not spending money on these items
- plan for future needs
- save money
- check or compare old prices with new prices
- avoid getting cheated

The table below will give you an idea of how to keep a record of expenditure each month.

Table 16.2

Record of expenditure

Month _____ Year _____

S.No.	Items	Week 1	Week 2	Week 3	Week 4	Total
1.	Food cereals pulses					

MODULE - 2

My Family & I



Notes

Managing Family Income

	vegetables fruits milk ghee/oil butter spices egg, meat others					
2.	House rent repair house tax					
3.	Clothes cloth clothes- ready made tailoring charges dhobi ironing shoes/ chappals/ sandals socks, handker- chiefs undergarments school uniforms					
4.	Education school fees books, stationary etc.					
5.	Household bills electricity bill water bill any other					



Notes

6.	Medical expenses doctor's fees medicines					
7.	Transport bus fare metro fare petrol repair/servicing of cycle, car etc.					
8.	savings					
9.	any other item					

16.8 CHARACTERISTICS OF A GOOD BUDGET

- a. **Accurate estimates of income:** Find the exact amount of income that will be available to you for expenditure. (Gross income of the family differs from its take home pay).
- b. **Accurate estimates of expenditure:** The expenditure estimate should be as accurate as possible. Look up the budget of the previous years or the records of past expenditures and savings.
- c. **Reasonably accurate allocation of money:** The resources on expenditures side should be reasonably accurate; the family must be able to determine its present needs and wants and anticipate future changes (e.g. for some families budgeting for October- November will need extra outlay on spending on festivals and other occasions.)
- d. **Flexible:** A budget is made flexible by allowing sufficient margin on certain items. It should allow you to divert some money from one item to another as per your need. For example, some money can be easily diverted from entertainment in case of an unexpected high medical expenditure.



ACTIVITY 16.4

Given below are some of the categories of expenditure. Ask each family member to prioritize them independently and compare the result.



Notes

Items	Ranking by			
	Father	Mother	Yourself	Sister/ Brother
food				
clothing				
education				
entertainment				
payment of bills				
medical expenditure				



INTEXT QUESTIONS 16.3

1. Write T for true and F for false in the space provided before each statement. If false, write the correct answer in the line given below each question.

a. _____ Budget is the process of allocating income among various uses.

b. _____ Family goals affect the budget.

c. _____ A budget forces you to decide what is more important than the other.

d. _____ A budget can't help in achieving long term goals.

e. _____ Budgeting helps in the management of your finance.

f. _____ The main purpose of a budget is to allow you to live within your income.



Notes

g. _____ Income of the family member does not influence the budget.

h. _____ Making a budget helps in saving money.

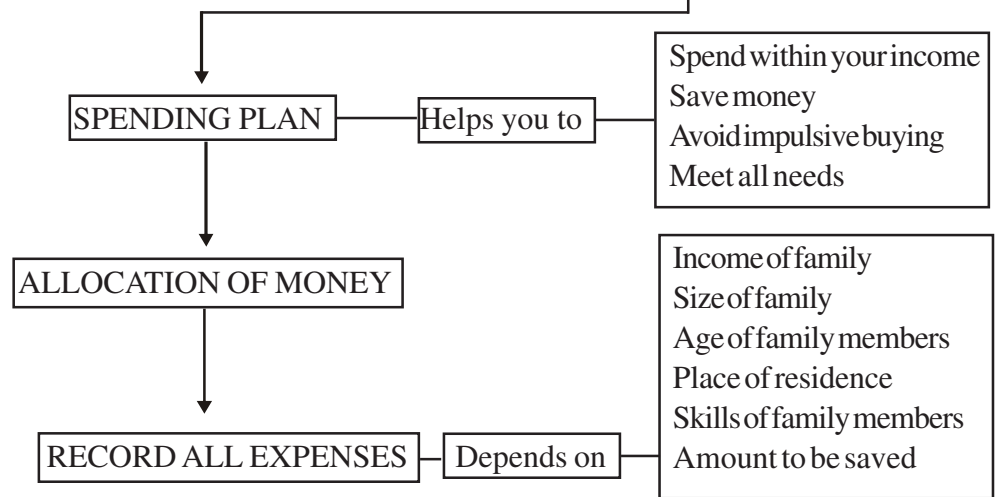
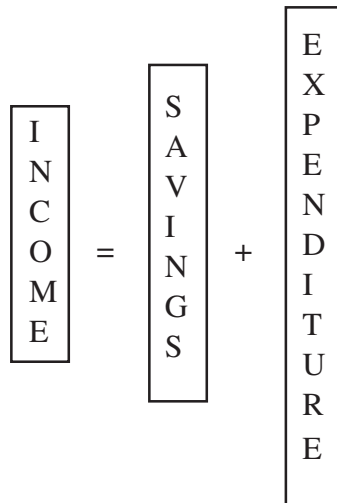
i. _____ Major amount from the income is spent on food.

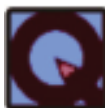
Now you must have understood the importance of managing money as it is an important resource. Your family members work very hard to earn money. It should not be wasted. You must start managing the money you get as pocket money. Also help your parents understand the importance of money management and help them in preparing a budget.



WHAT YOU HAVE LEARNT

- Rent
- Free facilities
- Land
- House
- Bank interest
- Skills





TERMINAL QUESTIONS

1. Define any two of the following:
 - a. Money Income
 - b. Direct and Indirect Income
 - c. Budget
2. Give any five points highlighting the importance of 'Family Spending Plan'.
3. List the characteristics of a good budget.
4. Request your friends to discuss and plan their family's spending plan. If they are not willing to do it
 - Give two reasons to convince them about the importance of a spending plan.
 - Let them develop their spending plans.
 - Give suggestions for improving it by supporting with reasons for each flaw in the plan.
5. Define the term "spending plan" and explain the factors on which the allocation of money on different items is decided.
6. Make a simple spending plan for the following families:
 - a) A family of four consisting of the parents and two children aged 12 and 17 years. They live in a rented house in Delhi. The father gets a salary of Rs 5,000.
 - b) A family of six, grandparents, parents and two school going children 8 years and 12 years old. They live in a village and have a small farm which brings them an income of Rs 3,000. The school in the village does not charge any fees from its students.



ANSWERS TO INTEXT QUESTIONS

16.1

1. a. iv
- b. i

16.2 (i)house (ii) medical expenses (iii)transport (iv)entertainment
(v) household (vi) education (vii)publicutility (viii)publicutility

16.3

- a. True
- b. True
- c. True
- d. False - A budget can help in achieving long term goals
- e. True
- f. True
- g. False - Income of family members influences the budget
- h. True
- a. He was concerned about other people/friends.



Notes