

Chapter 5, Active Learning Exercise 2
Low-Income Budgeting: Research and Role Play

Cost of Living Worksheet

Name: _____

COMPLETE THIS FORM BEFORE CLASS.

This exercise is about living in your city on a low income. To do the exercise in class, you will need to have some knowledge of the daily costs of living. This first part involves doing some informal research to find the information you will need. Use your own knowledge and experience, ask friends and family about their costs, skim newspaper ads for housing costs, skim fliers from grocery stores, look at your utility bills, and so on. Your task is to fill in the costs listed below as best you can. If it is not complete, you will not be permitted to join a small group for the discussion at the next class meeting.

COSTS OF LIVING

1. Housing

What are the price ranges locally for rented accommodations (per month)? Is heat included?

Studio/efficiency apartment?

One-bedroom apartment?

Two-bedroom apartment?

Three-bedroom apartment?

2. Utilities

Estimate average monthly charges for a one-bedroom apartment.

Phone:

Power:

Heat:

Cable:

Other:

3. Food

Estimate the costs to feed an adult (like yourself) for a month. Estimate the monthly costs to feed a child under 6 years of age and a teenager.

Adult:

Child:

Teen:

4. Household supplies

What do you estimate the average adult spends per month on household supplies?

Cleaning supplies:

Laundry supplies:

Other:

5. Personal care

What do you estimate each person spends per month, on average, for items related to grooming and hygiene—for example, soap, toothpaste, and haircuts?

Adult:

Child:

Teen:

6. Clothing

Averaging over a 12-month period, what do you estimate an adult spends per month on clothing and footwear? What would it cost per month to adequately clothe a child under 6? A teenager?

Adult (working):

Adult (unemployed/student):

Child:

Teen:

7. Transportation

Assuming people need to get around the city, what would the average monthly costs be?

Mass transit:

Adult (working):

Adult (unemployed/student):

Child:

Teen:

Car costs per month (including gas, repairs, insurance, parking, and so on):

Other transportation:

8. Other daily living costs

What other monthly costs do you think are reasonable? Consider recreation, entertainment, reading material, meals out, presents, postage, "indulgences," and so on.

Item	Monthly Cost

Group Discussion Instructions

Group member names:

Your task as a group is to work out a monthly budget.

Step 1. Your income and household situation are outlined below. Try to work out the costs to live reasonably for a month. Your income will probably be the same next month, so simply putting off costs until later won't help. If your group is uncertain about any costs, estimate, guess, or ask for help.

Step 2. Have someone record your final budget for the group on the form provided below. Make note of any reasoning that clarifies decisions around your budget.

Step 3. Discuss what might be missing for someone living for some time on the budget you create. Discuss what this household could do to improve its economic situation. Discuss what social, economic, or political changes might improve the situation of this household. Summarize your discussions where indicated below.

Group Scenarios

YOUR INSTRUCTOR WILL ASSIGN A SCENARIO TO YOUR GROUP.

Scenario A. You are a 22-year-old man living in a bachelor apartment, on welfare. Your total income is \$500 per month. Of that, \$325 is your shelter allowance, to cover housing and utilities. Should your shelter costs amount to less than \$325 per month, the amount paid to you is reduced accordingly. The remaining \$175 per month is your support allowance to cover all other costs. You can use it however you wish.

Scenario B. You are a 28-year-old woman working in the city. You live in a three- bedroom apartment that you share with your three cats and two roommates. You do clerical work for a small office, earning \$1540 per month. After taxes you take home \$1275 per month. You also work nights singing back-up and playing keyboards in a band. You've been in a number of bands over the past 10 years; the last one collapsed when the drummer was jailed for a cocaine deal. But the current band is really hot, and an agent is even talking recording contracts! Meantime, you rehearse two or three nights a week and perform in the local club circuit a couple of nights each weekend. The pay barely covers equipment rental, rental of rehearsal space, travel costs, and union dues. The rest, divided by five band members, covers your cigarettes and a few beers

at each club. In the long run, the band doesn't bring in any extra income, at least not yet. But some day ...

Scenario C. You are a 23-year-old married woman who stays home with Tim (4 years old) and Sally (6 months old). Your husband is 24 and works full-time as a stock clerk at a large drugstore. He earns \$14 per hour, so his gross monthly pay is \$2240. After taxes his monthly take-home pay is \$1900. The government pays you a monthly Family Bonus of \$103 per child because you are considered a low-income household. You live in a small three-bedroom apartment. The family dog, Spot, is a medium-sized terrier.

Scenario D. You are a single mother on welfare. Your daughter is 5 years old, and you are 29. You live in a small two-bedroom apartment. Welfare will pay you up to \$520 per month for housing and utilities. If you find a place cheaper than that, the amount you are paid per month is reduced accordingly. Welfare also pays you \$359 per month for all other expenses. You may use it as you wish. The government pays low-income households a Family Bonus of \$103 per month. So the total you are eligible for is \$982 per month.

Scenario E. You are a married couple living in a one-bedroom apartment. Both of you are 26 years old. Neither of you has been able to find a job in the city that lasted more than a matter of weeks. You are now on welfare. You are eligible for \$520 per month for housing and utilities. If your housing costs are less than that, you are paid accordingly less by welfare. In addition you are paid \$291 per month for all other expenses. You may use it as you wish. Both of you are looking for work, but so far have not been successful—possibly because neither of you has completed high school.

Monthly Budget Form

Budget Item	Amount	Comments
Housing		
Utilities		
Food		
Household supplies		
Personal care		
Clothing		
Transportation		

Recreation and leisure		
Meals out		
Other daily living expense		
Total costs		

Total monthly income:

Total costs:

Difference:

Possible unexpected costs:

Other budget revisions:

Revised total monthly income:

Revised total costs:

Revised difference:

Discussion Questions

1. Comparing how you personally live with how this household would live on the budget you have created, what sorts of things (if any) might you miss?

2. What could this household do to improve its economic situation?

3. What other social, economic, or political changes might improve the situation of this household?