

 **BUILDING BLOCKS STUDENT WORKSHEET**

Differentiating fixed and variable expenses

Understanding different kinds of expenses can help you when budgeting your money. The two main categories of expenses are fixed and variable.

Fixed expenses generally cost the same amount every month (like rent or a car payment), while variable expenses change from month to month (like groceries or medical bills).

Instructions

1. Read the scenarios below and write down whether each describes a fixed expense or variable expense. Include a reason for your answer.
2. Reflect on fixed and variable expenses.

Scenarios: Real-life expenses

1. Ryan has been very sick, so he's had a lot of medical bills the past few months. He's not used to paying so much for medical expenses.

What type of expense is Ryan dealing with?

How did you arrive at this answer?

2. Laticia moved into her own apartment last year, and she loves living on her own. She sees it as a priority to pay her rent on time every month.

What type of expense is Laticia dealing with?

How did you arrive at this answer?

3. Miranda uses a credit card to make routine purchases. In the past, she could pay her total credit card bill every month. However, recently she's been spending a lot more on clothes and eating out, so she's started carrying a balance on her card.

What type of expense is Miranda dealing with?

How did you arrive at this answer?

4. Mateo owns a clothing store. It's getting close to the holiday season, and he's hired a few temporary workers to cover the longer hours. Mateo needs to budget his money to pay these additional wages.

What type of expense is Mateo dealing with?

How did you arrive at this answer?

5. Thomas is excited about the new truck he purchased. Now, he needs to add the monthly truck payment to his budget as a new expense.

What type of expense is Thomas dealing with?

How did you arrive at this answer?

Reflection question

It's helpful to think about what is important to you when considering what fixed expenses you'd be comfortable with.

Consider these examples:

- Would you rather get a nicer car and have a car payment each month, or get an older car that you can save up for and purchase without a loan?

- How important is it to have cable or satellite television? Can you get by without it? Or, if you do get it, do you need so many channels?

Now, take some time to reflect on your own future and record how you may approach fixed and variable expenses when creating your own budget.