

# [Personal plan finance and accounting](https://assignbuster.com/personal-plan-finance-and-accounting/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

It is important for people to plan out their future by making budgets. I am estimating that my salary once I graduate will be equal to the average salary of an American worker. The average salary in the United States in 2010 was $41, 673 (Ssa). Based on that salary I created a monthly budget for the following year. The monthly budget for 2012 is illustrated below: Jan Feb March April May June July Aug Sept. Oct Nov Dec. Income 3473 3473 3473 3473 3473 3473 3473 3473 3473 3473 3473 3473 Expenses Taxes 695 695 695 695 695 695 695 695 695 695 695 695 Rent 900 900 900 900 900 900 900 900 900 900 900 900 Utilities 300 300 300 300 300 300 300 300 300 300 300 300 Food 200 200 200 200 200 200 200 200 200 200 200 200 Car loan 300 300 300 300 300 300 300 300 300 300 300 300 Student loan 200 200 200 200 200 200 200 200 200 200 200 200 Gasoline 250 250 250 250 250 250 250 250 250 250 250 250 Medical plan 200 200 200 200 200 200 200 200 200 200 200 200 Misc. 50 50 50 50 50 50 50 50 50 50 50 50 Entertainment 100 100 100 100 100 100 100 100 100 100 100 100 Total Expenses 3195 3195 3195 3195 3195 3195 3195 3195 3195 3195 3195 3195 Savings 278 556 835 1113 1391 1669 1947 2226 2504 2782 3060 3338 Based on this monthly budget I will save a total of $278 per month. At the end of the year I will have $3, 338 in savings. The highest expense in my budget is the rent. I may be able to lower the monthly rent expense by renting a room in my apartment or house. My budget is composed of both variable and fixed expenses. Some of the variable expenses categories in my budget include food, gasoline, and entertainment expenses. Three fixed expenses are rent, student loans, and medical plan. During the second year my monthly budget will look the same with the exception that I am assuming my salary will increase by a rate of 5%, thus the total savings at the end of each month will vary. My monthly budget for the second year is illustrated below. Jan Feb March April May June July Aug Sept. Oct Nov Dec. Income 3646 3646 3646 3646 3646 3646 3646 3646 3646 3646 3646 3646 Expenses Taxes 729 729 729 729 729 729 729 729 729 729 729 695 Rent 900 900 900 900 900 900 900 900 900 900 900 900 Utilities 300 300 300 300 300 300 300 300 300 300 300 300 Food 200 200 200 200 200 200 200 200 200 200 200 200 Car loan 300 300 300 300 300 300 300 300 300 300 300 300 Student loan 200 200 200 200 200 200 200 200 200 200 200 200 Gasoline 250 250 250 250 250 250 250 250 250 250 250 250 Medical plan 200 200 200 200 200 200 200 200 200 200 200 200 Misc. 50 50 50 50 50 50 50 50 50 50 50 50 Entertainment 100 100 100 100 100 100 100 100 100 100 100 100 Total Expenses 3229 3229 3229 3229 3229 3229 3229 3229 3229 3229 3229 3229 Savings 417 834 1251 1668 2086 2503 2920 3337 3754 4171 4588 5005 My combined savings during 2012 and 2013 will be $8, 343. It is important for workers to set goals in the mid term which is the period five to ten years from now. I will assume that my income will increase by 5% yearly. My expected annual salary from 2016 to 2021 is illustrated in the table below 2016 2017 2018 2019 2020 2021 50654 53186 55846 58638 61570 64649 I have lots of financial plans for the future. Some of the major purchases that I plan on investing include the purchase of a home. I will probably purchase a home that costs approximately $250, 000. I will finance the purchase of a home by taking out a 30 year mortgage. To make this purchase I need to save $25, 000 as a down payment for the house. Based on the fact that I could save $8, 300 within two years I am estimating that I will have the down payment money on year 6. The financing of a home would require a loan of $225, 000. A $225, 000 mortgage paying an interest rate of 6% would have a monthly payment of $1, 349 (Bankrate). After I purchase the home I plan on starting a retirement investment plan. I am not a risk averse person, thus I like taking risk. I will invest $100 every month in the stock market. Common stocks are the most risky of the major types of investment instruments (Besley & Brigham). I expect to earn a return on investment of 8% on my portfolio of stocks. In order to protect myself against injury I will purchase a life insurance policy of $500, 000. Work Cited Page Bankrate. com. 2011. “ Loan Calculator and Amortization.” 23 November 2011. Besley, S., Brigham, E. Essential of Managerial Finance (12th ed.). Forth Worth: The Dryden Press. 2000. Ssa. gov. 19 October 2011. “ National Average Wage Index.” 23 November 2011. http://www. ssa. gov/oact/cola/AWI. html