

Personal plan finance and accounting

Finance



**ASSIGN
BUSTER**

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
Income	3473	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	695
Rent	900	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	300
Food	200	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	300
Student loan	200	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	250
Medical plan	200	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	50
Entertainment	100	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	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

<https://assignbuster.com/personal-plan-finance-and-accounting/>

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	3646
Expenses Taxes	729	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	900
Utilities	300	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	200
Car loan	300	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	200
Gasoline	250	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	200
Misc.	50	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	100
Total Expenses	3229	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	5422

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
Income	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

<https://assignbuster.com/personal-plan-finance-and-accounting/>

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>