

NAME: _____

DATE: _____

Sinking Fund Savings (1/3)

How do you eat an elephant? One bite at a time.

After you have fully funded your emergency fund, you can start saving for other items. Throughout the year you'll usually have a few big expenses, such as an upcoming vacation, team or club dues, music or athletic equipment, and prom. These things can be budget busters if you don't plan ahead. Use this form to break down those upcoming expenses into bite-sized chunks for your monthly budget.

Sinking Fund: Planning and saving money over time for a large purchase

ITEM	NEEDED	÷	MONTHS	=	BUDGET
A	B		C		D

Directions

Step 1

The Item column (A) lists common big expenses that you might need to plan for. If you have an upcoming expense that is not listed, fill it in as "Other."

Step 2

For the items that apply to you, write how much money you'll need for that expense in the Needed column (B). Then figure out how many months you have to save up for that item, and write that in the Months column (C). For example, let's say it's January and you want to have \$120 spending money saved for your family vacation in July. You have six months to save.

Step 3

Now, for each item, divide the "Needed" amount by the "Months" you have. Write that in the Budget column (D). So for vacation, \$120 divided by six months is \$20 a month. That's how much you need to save each month to have \$120 in time for vacation. We'll show you how to write savings into your budget in the Budget Builder lesson for Chapter 2. When you're ready, go to foundationsU.com/2 to add your sinking fund savings into your budget.

Using a sinking fund savings approach for large purchases means that, when the time comes, you'll have the cash on hand for large purchases and can avoid going into debt.

Sinking Fund Savings (2/3)

How much cash will you need? How many months do you have? Monthly amount for your student budget

ITEM	NEEDED	÷	MONTHS	=	BUDGET
Homecoming	_____		_____		_____
School Club	_____		_____		_____
Sports Fees	_____		_____		_____
Christmas	_____		_____		_____
Valentine's Day	_____		_____		_____
Spring Break	_____		_____		_____
Anniversary	_____		_____		_____
Prom	_____		_____		_____
Other	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____

① What is the purpose of a sinking fund?

② What might be a consequence of not having a sinking fund for large purchases?
