

BUDGET EXERCISE



25 YEARS

ABOUT THIS EXERCISE

Too many families and individuals in our community are struggling with housing insecurity and poverty, or are experiencing the crisis of homelessness.

Poverty is increasing everywhere, and it's growing fastest in the suburbs. Fourteen percent (14%) of people in our service area live in poverty, earning scarcely enough to cover housing and other basic needs. The poverty level for a family of four is an annual income of \$26,200 or less.

Last year 1,951 families turned to Interfaith Outreach for help. One out of every seven was experiencing homelessness. Almost half had children; almost half were staying temporarily with family and friends. Nineteen percent (19%) were living in domestic abuse shelters, while others were sleeping in motels, their cars or outdoors.

Each of those 1,951 families were housing "cost-burdened," meaning they spent 30% or more of their household income on housing; for many, that percentage was as high as 65%. Minnesota is experiencing an ongoing affordable housing crisis, with an ever-widening gap between rising rents (+13%) and falling incomes (-5%).

BUDGETING ACTIVITY

This activity will help you better understand what too many families in our community face on a daily basis. Follow the Poverty Simulation Scenario below, or if in a group setting, pass out the other Simulation Scenarios that follow. Use the budget planner at the end to try to "make your budget work." We have provided average housing and child care costs for Hennepin County. Talk to adults about the cost of other monthly expenses. Or, estimate other typical household expenses and the wages needed to support those at <https://livingwage.mit.edu/states/27>.

As you try to imagine the experience of a typical family that works with Interfaith Outreach, you will be challenged to make decisions about living expenses like housing, transportation, child care and food. As you work on your budget, keep in mind that the issues your simulation family faces are real issues for people affected by poverty right in our community. Think about how hard it can be to make it through the month.

After you complete the worksheet, reflect on what insights you gained:

- What did you learn when you did this budget?
- Do you have a better understanding of the challenges our families face?
- Anything surprising?

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MARK AND ALICE'S FAMILY

Interfaith Outreach Poverty Simulation Scenario—Mark And Alice's family

Imagine you are a family of four. Mark and Alice are the parents, Sarah is 9 years old and in the 4th grade, and Bryan is 3.

Mark works full-time as a warehouse worker and makes \$12/hour (\$2,080 gross/month). Alice works part-time in the school cafeteria where Sarah goes to school. Alice makes \$10/hour (\$866 gross/month). Neither of your jobs are located on a bus line or in walking distance from your home.

Your family's combined total income after taxes each month is \$2,550, which is about \$30,600 per year. The poverty level in Minnesota for a family of four is \$26,200, which means your family makes too much to qualify for public assistance.

Your challenge is to make a monthly budget with limited income to meet your family's regular expenses like housing, transportation, child care and household/food needs — and not to run out of money.

Other considerations our client families think about as they create their budgets include:

- What size apartment can we afford?
- Is the location of our apartment safe?
- Will family members share a room with a sibling, sleep on a couch or have their own room?
- Are there restrictions on how many people can live in an apartment?
- Do we own a pet? If so, will the apartment let us keep that pet?
- Are we able to have a car or do we ride the bus?
- If we are able to own a car, will we be able to afford unexpected repairs?
- If we need to depend on public transportation, how far are we from a bus line, and how much time does it add to get us to work or school?
- What if a parent gets sick and can't work, or loses their job?

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BUDGET WORKSHEET

Average Rent in
Hennepin County:
\$2,686 – 4 Bedroom
\$1,624 – 3 Bedroom
\$1,329 – 2 Bedroom

Average Child Care in
Hennepin County:
\$308/week

Rent	\$ _____
Utilities (phone, water, gas/electric)	\$ _____
Transportation (car loan, car repair, gas, bus cards)	\$ _____
Child Care Expenses	\$ _____
Food	\$ _____
Clothing	\$ _____
Household	\$ _____
Medical/Dental (insurance, doctor visits, medication)	\$ _____
Other (birthday, movie, school, sports)	\$ _____
Loans	\$ _____
Outstanding Credit Payments	\$ _____
TOTAL EXPENSES:	\$ _____
Monthly Income:	\$ _____
<i>-minus-</i>	
Total Expenses	\$ _____
<i>-equals-</i>	
Money left over or short	\$ _____



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OTHER SCENARIOS

1. You are a family of six: a mother, father and four kids— three boys (ages 11, 8 and 6) and one daughter (6 months old). Mom stays at home caring for the newborn. Dad works 12-hour shifts as a janitor at a local hospital, where he earns \$17/hour (about \$2,947 gross/month). During the school year, the children receive their breakfast and lunches at school. However, it is summer, and they are home for all of their meals. Your family's total income after taxes each month is \$2,400, which is about \$28,800 per year. The poverty level in Minnesota for a family of four is \$26,200, which means your family makes too much to qualify for public assistance.

2. You are a family of four: a mother with three kids (two daughters, ages 17 and 15, and a son, age 13), plus two of her sister's children (boys, ages 10 and 12). The mom's sister just isn't around, but it isn't her kids' fault, and the mom is happy to be able to give them a home. This week is your son's 14th birthday. You are divorced and receive child support (sometimes). You work in a factory and receive a good salary with some benefits, earning \$20/hour (about \$3,466 gross/month). After taxes, your monthly income is \$2,783, which is about \$33,400/year.

3. You are a family of five: a mother, father, two children and a grandmother. The children—twin daughters (age 4) and a son (18 months old)—are all at home during the day. Dad is on disability for a work-related injury and is also home. He takes care of the kids with grandma's help. Mom is a nursing assistant and is going to school part-time, when she can, to get her RN degree. She works 12-hour shifts three days a week at the hospital, earning \$18/hour (about \$2,808 gross/month). After taxes, your family's monthly income is \$2,300/month, which is about \$27,600/year. Grandma receives social security money and helps when she can, but her money often goes to provide for her medicine and doctor visits.

4. You are a family of five: a mother, father, daughter (age 4) and twin boys (age 2). The children go to daycare year-round, where breakfast and lunch are provided. Mom is a personal care assistant, earning \$13/hour, and Dad owns his own garage where he is an auto mechanic. Business is slow, but he also has to pay his two other employees and so takes a big pay cut to be able to take care of them. Currently, your family income after taxes is \$3,040 /month, or \$36,500 annually.