# A Budgetary Exercise

## Imagine you have $2000 each month to cover your living expenses. Items like rent, insurance and utilities are fixed every month and total $1200. Items like food, clothing, and entertainment can fluctuate depending upon your tastes and desires, but the bare minimum amount of food + clothing + entertainment (FCE) will cost you $200 each month. If you have paid all of your bills and there are additional dollars in your budget, you can save this money in the bank and earn some interest income. The interest rate fluctuates from month to month.

The table below allows you to make some spending and saving choices over the next six months. You will see your income and fixed expenses are already completed for you. You must consider how much money you wish to spend on FCE (minimum of $200) and how much you wish to save.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Month | Interest Rate on Savings at  the bank | Income = | Fixed expenses + | Variable expenses (FCE) + | Savings |
| January | 10% | $2000 = | $1200 |  |  |
| February | 6% | $2000 = | $1200 |  |  |
| March | 2% | $2000 = | $1200 |  |  |
| April | 20% | $2000 = | $1200 |  |  |
| May | 15% | $2000 = | $1200 |  |  |
| June | 0.5% | $2000 = | $1200 |  |  |

Now that you have completed the table, create a graph that puts the interest rate on the vertical axis and the amount of money you would spend on FCE on the horizontal axis. Plot the six points and describe any trends you might see. What do you suppose explains why the graph turned out the way it did?

