

Monthly Budget Opportunity Cost Analyzer

Allocate discretionary income and analyze opportunity costs for each decision

Scenario: You have a part-time job earning \$1,200/month

Your required expenses total \$330/month, leaving you with \$870 in discretionary income. Allocate this money across your goals while analyzing the opportunity cost of each decision.

Monthly Income

\$1,200

Required Expenses

\$330

Discretionary Income

\$870

Your Goals

- Save for a car (\$8,000 needed, you have \$2,000 saved)
- Build emergency fund (\$1,500 target)
- Save for college or training
- Enjoy social activities with friends
- Buy clothes and entertainment

Budget Allocation Table

| Category | Monthly Amount | Annual Total | Opportunity Cost (What You're Giving Up) |
|--------------------------|----------------|--------------|--|
| Emergency Fund | \$ 150 | \$1,800 | What could this money do instead? |
| Car Savings | \$ 300 | \$3,600 | What could this money do instead? |
| College/Training Savings | \$ 100 | \$1,200 | What could this money do instead? |

| Category | Monthly Amount | Annual Total | Opportunity Cost (What You're Giving Up) |
|----------------------|----------------|-----------------|--|
| Entertainment/Social | \$ 200 | \$2,400 | What could this money do instead? |
| Clothing/Shopping | \$ 120 | \$1,440 | What could this money do instead? |
| TOTAL | \$870 | \$10,440 | |

Remaining to Allocate

\$0 - Fully allocated!

Analysis Questions

1. If you allocate \$300/month to car savings:

Months until you can buy car (\$6,000 more needed):

20 months

At 5% APY savings interest earned:

\$150

What if you delayed the car purchase by 6 months and invested that money instead?

Your analysis...

2. If you allocate \$200/month to entertainment:

Annual total:

\$2,400

If invested at 8% for 5 years:

\$14,695

Is the enjoyment today worth more than this future value? (There's no right answer - depends on your values)

Your analysis...

3. Emergency Fund Priority:

At \$150/month, reach \$1,500 goal in:

10 months

Opportunity cost: During this time, you're not maximizing car savings or investments

Benefit: Financial security and avoiding high-interest debt in emergencies

Is it worth it?

Your analysis...

The 50/30/20 Rule Application

50% to Needs (Required Expenses): \$330 (28% of \$1,200)

30% to Wants: 30% of \$1,200 = \$360

20% to Savings/Debt: 20% of \$1,200 = \$240

Does your allocation follow this guideline? If not, why did you choose differently?

Your analysis...

Reflection

Did thinking about opportunity costs change how you allocated money?

Your reflection...

What surprised you about the trade-offs?

Your reflection...

How might you adjust your real budget based on this analysis?

Your reflection...

PFL Academy - L-49: Scarcity, Opportunity Cost, and Incentives | Activity 2