

# Incremental Budget Example

**Your incremental budget should reference % points of where the inflation occurred.**

A Developer has a budget for the year 2021 and is working on the 2022 budget. Due to inflation, certain costs have risen and now need to be accounted for in the 2022 budget.

The developer's research shows a 10% inflation level in costs of living but a 30% increase in the cost of lumber. View the formulas to see how the new budget should be calculated.

Housing Development Cost	2021 Budget	2022 Budget
Land	\$300,000	\$300,000
Lumbar	\$200,000	<b>\$260,000</b> calculated by $\{(\$200,000 \times 30\%) + \$200,000$ (previous budget )}
Contractors	\$175,000	<b>\$192,500</b> calculated by $(\$175,000 \times 10\%$ estimated inflation) + Previous budget of \$175k
Legal	\$100,000	\$100,000
Salaries ( 4 employees at \$50k)	\$200,000	<b>\$220,000</b> calculated by $(\$200,000 \times 10\%) +$ the previous budget of \$200,000
<b>Total Budget</b>	<b>\$975,000</b>	<b>\$1,072,500</b>