



Lesson Three

Budgeting Your Money

budgeting your money websites



websites for budgeting your money

The following websites can provide students and others with current information, assistance, and data related to this lesson. Web addresses ending in “com” are commercial; “.org” are nonprofit; and “.gov” are government.

Board of Governors of the Federal Reserve System	federalreserve.gov
CNN Financial News	cnn.com/business
Federal Reserve Bank – New York	ny.frb.org
Fool.com: Finance and Folly	fool.com
Gazillionaire	gazillionaire.com/gaz.html
Investing	bloomberg.com
Jump\$tart	jumpstart.org
Kiplinger's Personal Finance Magazine	kiplinger.com
MarketWatch	marketwatch.com
Money Management for Kids	cashuniversity.com
National Consumers League	nclnet.com
YoungBiz	youngbiz.com

budgeting your money lesson outline

overview

“I’m all out of money, and I won’t get paid again until the end of next week!” This is a common dilemma faced by high school students who lack the skills necessary to balance their expenses with their income. Most teens could not tell you how their money is spent. All they know is that their cash is gone too soon.

Lesson 3 is designed to help students understand that money is a limited resource that must be budgeted. The lesson begins with an explanation of budgeting terms and reasons why it is important to budget our money. The lesson then moves to an introduction of various categories of spending where students are asked to record and examine their personal spending habits. Lastly, the lesson provides students with the practical skills they need to create and maintain a monthly personal budget.

Suggested teaching strategies, teaching notes, activities, slides, and short quizzes are linked to student objectives. Additional ideas to help students generalize budgeting concepts to real-life situations are included at the end of the lesson.

student performance goal:

- The student will achieve an increased understanding of why and how to set up and maintain a personal budget.

lesson objectives: the student will...

- 3-1** use budget terms to identify reasons for maintaining a budget.
- 3-2** identify and examine expense categories and spending choices.
- 3-3** keep financial information records to construct a personal spending diary.
- 3-4** create and balance a monthly budget.

budgeting your money teaching notes

3-1 The student will use budget terms to identify reasons for maintaining a budget.

why do you need a budget?

- Define budgeting terms included on slide 3-1a.
- Have students identify their current sources of income. What sources of income do they expect to have in the near future?
- Discuss the purchase choices on slide 3-1b as a class and ask students which items they think are the most important. Do spending choices change according to different situations? Why do students consider selected items important?
- Ask students if they have ever spent all of their allowance or income early in the week and did not have enough left for other expenses later in the week (examples of overspending). Have the students share their personal situations with the class or in small groups and then discuss possible choices of action.
- As a class, brainstorm reasons why budgeting is so important.
- Stress the importance of planning and then following a plan. Discuss possible consequences of poor planning or not staying with the plan.



slide 3-1a, 3-1b



discussion

budgeting vocabulary (slide 3-1a)

- **Income** — money that you earn (“Money In”)
 - Allowance
 - Salary/Wages
 - Interest
 - Profits
- **Expenses** — money that you spend or give away (“Money Out”)
 - Buying the things we need (shoes, clothing)
 - Buying the things we want (computer game, movie tickets)
 - Giving to others (gifts, charities, donations, church, etc.)
- **Savings** — money that you put away or put in the bank to use later; a plan for buying future wants or needs



slide 3-1a

budgeting your money teaching notes

- Overspending — using more money than you have available
- Budget — a plan for spending and saving
- Choose a budgeting period
- Estimate income
- Estimate expenses
- Balance expenses and income

wants, needs, and deciding what's important

The decisions we make about how to spend our money vary from one person to the next. Our only needs are those things absolutely necessary for our survival: water, food, clothing, and shelter. The majority of our purchases are wants. We need basic food to keep us alive; we want a hot fudge sundae. We need basic clothing to protect and warm our bodies; we want designer jeans. People often have different ideas about which purchases are the most important to their well-being. A budget helps us prioritize our wants.

Reasons to budget:

- Helps put you in control.
- Helps you create a visual spending picture.
- Helps you determine how much money you have to spend.
- Helps you decide how you want to spend your money.
- Helps you prevent impulse spending (the decision-making strategy of spontaneity).
- Helps you decide what you can and cannot afford.
- Helps you to keep track of how you spend your money.
- Helps you create a savings plan.
- Helps you stay out of financial trouble.



slide 3-1b

lesson 3 quiz: budgeting vocabulary



quiz 3-1

budgeting your money teaching notes

3-2 The student will identify and examine expense categories and spending choices.

what are some spending choices?

- Ask students to identify the things that they spend money on. List them on the board or slide. Then, have students break into small groups to categorize each expense using the form on activity 3-2a.
- Draw students' attention to the expense category, Savings. Stress to students that they should pay themselves first, by designating 10% of their income to savings. Students can save 10%, give 10% to community-based organizations as a donation, and still have 80% left!
- Simulate making purchases within spending categories with an Income Budgeting Game to help students practice making choices about where to place money from their allowance or paycheck. (activity 3-2b, 3 pgs.)



student activity 3-2a



student activity 3-2b

income budgeting game (activity 3-2b-d)

This activity helps students learn that money is a limited resource.

- Print out the three pages of expense cards for each student. Ask students to arrange them on their desks so they are able to see all six cards. Give each student 15 Unifix cubes (or other appropriate manipulatives).
- Explain that the cubes represent money from their allowance or income.
- Students allot their “money” to each of the six expense categories (video games, school lunches, sports equipment, movies, donations, and clothes). They place the appropriate number of cubes on the squares next to their choice, one cube per square.
- There are more squares than cubes, so students must decide how to spend their money. They may make changes and adjustments in their “spending” as they go.
- Each card offers different amounts of spending choices. Just like in life, some options “cost” more than others. This helps students consider alternatives within each spending category.



student activity 3-2b

budgeting your money teaching notes

- Discuss with individual students the choices that they made. How did “paying” more in one spending category affect their options in other categories? Were they satisfied with the spending decisions that they made?

Optional: After students have allocated their allowances, take away four cubes. This represents loss of income. It forces students to refine their spending choices.

lesson 3 quiz: spending categories



quiz 3-2

budgeting your money teaching notes

3-3 The student will keep financial records to construct a personal spending diary.

how do you spend your money?

- Explain to students how a practice of keeping expenditure records in writing helps them know where their money goes. Discuss how written records can help them adjust their spending habits and their spending plans.
- Discuss reasons why it is important to keep receipts from purchases they make (e.g. as proof of purchase if they need to return an item, to know how much they spent later, as a historical record of their expenditures).
- Discuss how to organize receipts and keep expenditure pages. List possible places to keep them (e.g. a set of envelopes, file folders, a shoe box).
- Have students track their expenses for 1-2 weeks using the Spending Diary form (activity 3-3a). Ask students to collect and bring in receipts for as many of their purchases as possible. Use as many Spending Diary forms as needed for students to list all their purchases.
- Have students categorize their expenses using the Expense Category worksheet (activity 3-3b). Have them total their expenses in each category.
- Transfer the totals onto the Spending Summary chart (activity 3-3c). This is a summary of their spending habits. Ask students if they are surprised by their findings.
- Ask students what patterns they can see in their spending habits. Are there changes that they would like to make in their spending habits?
- Discuss topics such as how to avoid impulse buys, how to decide what to purchase, and the factors that influence purchasing decisions.



discussion



student activity 3-3a



student activity 3-3b



student activity 3-3c

possible expense categories:

- Automobile
- Clothing
- Computer
- Donations/Gifts

budgeting your money teaching notes

- Entertainment
- Food
- Household/Rent
- Personal Care
- Recreation
- Savings
- School
- Transportation

budgeting your money teaching notes

3-4 The student will create and balance a monthly budget.

how can you budget your income and expenses?

- Give students practice setting up a monthly budget using information from a case application (activity 3-4a).
- Help students see that even with a budget, actual expenses and income often differ from our planned expenses and income (activity 3-4b). Transfer the new information onto the budget form. Students calculate the differences and answer questions to re-work a budget.
- Outline steps for balancing income and expenses.
- Have students set up their own personal budget. Students focus on their own spending patterns using information from their Spending Summary and integrate it onto a budget form (activity 3-4b). Remind students that no two budgets are exactly the same because people have individual wants, needs, and financial goals.
- Ask students to try to stick to their budget for one month. Have them track their income and expenses. After the month has passed, have them note their actual earnings and spending figures on their budget form. Compare the amounts.
- Discuss what it was like to stick to a budget. Was the budget realistic? Where did they overspend? In which areas did they spend less than they had planned? What would they change about their budgets? Were they able to allocate some money to savings?



discussion



student activity 3-4a



student activity 3-4b



student activity 3-4c

setting up and maintaining a budget

1. Estimate your income.
2. Estimate your expenses to include:
 - **Fixed monthly expenses** – do not change
 - **Flexible monthly expenses** – may vary month to month
 - **Extras** (entertainment, recreation, etc.)
3. Cope with change.
 - Plan for changing conditions that increase or decrease your expenses.

budgeting your money teaching notes

4. Keep savings in mind.
 - Set money aside to help meet financial goals.
5. Balance your budget.
 - Each month, compare your income to your expenses.
 - Rework your budget, until your income is greater than your expenses.

balancing income and expenses

- Have each student total the amount spent in each category.
- Ask students to compare their income and expenses.
- Subtract outgo from income.
- Is the answer positive or negative?
- What adjustments need to be made to keep the balance positive?
- Discuss decreasing expenses or increasing income.
- Now ask students to put 10 percent of their income into a savings category and 10 percent into donations.
- Students will need to reallocate their expenses.
- Discuss making changes in budgets as needs change.



student activity 3-4c

tips for maintaining a budget

1. Become a good consumer.
 - Learn how to get the most for your money.
2. Exercise self-control.
 - Try to limit unnecessary spending.
3. Develop a good record-keeping system.
 - Keep track of your expenses.
4. Evaluate your budget regularly.

lesson 3 quiz: spending categories



quiz 3-4

budgeting your money

additional activities for practice and generalization of concepts related to budgeting

- Invite a financial adviser or money management counselor to class to demonstrate budgeting techniques.
- Use index cards to write various hypothetical financial case studies. Students draw a card and develop a budget based on the information. Compare the budgets.
- Collect catalogs from various kinds of stores for your classroom. Include high-interest merchandise, such as clothing, electronics, or sporting goods. Give students a budget for each category that the store represents. Students can “buy” from the catalogs but must stay within their budgets.
- Ask students to talk with parents about their own family’s budget. With their parents’ help, have students develop a list of expense categories and unexpected events that have impacted their families.
- Show students how to use budgeting software, such as Quicken.



lesson 3 quiz: budgeting vocabulary

choose the correct answer.

1. d Which of these is not a source of income?
 - a. Allowance
 - b. Salary
 - c. Interest
 - d. Savings

2. a Which of these are not expenses?
 - a. Wages
 - b. Gifts
 - c. Things we need
 - d. Things we want

3. d What can help you buy your future wants and needs?
 - a. Impulse buying
 - b. Expenses
 - c. Overspending
 - d. Savings

4. b A budget helps you to
 - a. buy everything you want.
 - b. balance your income with your expenses.
 - c. overspend.
 - d. earn more money.

5. c Which of these is not a reason to budget?
 - a. To put you in control of your money.
 - b. To determine how much money you have to spend.
 - c. To increase your income.
 - d. To decrease your impulse spending.



lesson 3 quiz: spending categories

put a check mark beside the five spending categories in this list.

_____ Salary

_____ Movie tickets

 x Transportation

 x Entertainment

_____ Candy bars

 x Clothing

_____ Wages

 x Automobile

_____ Soda

_____ Expenses

_____ Allowance

 x Personal Care

_____ Pencils

_____ Jeans

name: _____

date: _____



kelly's budget

Income	Budget	Actual	Difference
Job #1	\$600	\$600	\$0
Job #2	\$800	\$845	\$45
Other	\$	\$	\$
Total Monthly Income	\$1400	\$1445	\$45

Expenses	Budget	Actual	Difference
Fixed Expenses			
Rent	\$200	\$225	\$25
Car insurance	\$220	\$295	\$75
Car payment	\$175	\$175	\$0

Flexible Expenses			
Savings	\$100	\$0	\$100
Food	\$150	\$190	\$40
Utilities	\$	\$	\$

Transportation			
Bus fare	\$	\$	\$
Gas and oil	\$40	\$60	\$20
Parking, tolls, tickets	\$0	\$34 + \$230	\$264
Repairs	\$0	\$220	\$220

Other			
Medical expenses	\$	\$	\$
Clothing	\$50	\$80	\$30
Entertainment	\$60	\$70	\$
Household items	\$	\$	\$
Personal items and gifts	\$30	\$60 + \$36	\$96
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Total Monthly Income	\$1,025	\$1,675	\$550



reworking a budget



directions

Kelly had some surprises this month! Write her actual income and expenses in the "actual" column of her budget form. Compare her planned income and expenses to her actual income and expenses. Then answer the questions below.

Kelly's Actual Monthly Income:

Kelly made \$45 in overtime pay this month from the record store.

Kelly's Actual Monthly Expenses:

Fixed Expenses:

- Rent went up to \$225, starting this month
- Her monthly car payment was \$175
- Her monthly car insurance payment went up to \$295

Flexible Expenses:

- \$190 for food (she had a pizza party)
- \$60 for gas and oil (her car needed an oil change)
- \$34 for parking and bridge tolls
- \$220 for car repairs
- \$80 for a new pair of running shoes
- \$70 for entertainment
- \$60 for personal items
- \$36 for a birthday present for her mother

Unexpected events:

Kelly got two speeding tickets in one week. The total cost of both tickets is \$230.

Questions:

1. What is the difference between Kelly's planned expenses and her actual expenses?

\$550

2. In what categories did she spend more than anticipated?

Fixed expenses: Rent, car insurance. Flexible expenses: Food, gas and oil, transportation (other), clothing, entertainment and personal items

3. In what categories did she spend less than she planned?

Savings

4. How much did she spend for the use of her car this month?

\$580

5. How much money did she have at the end of the month to put into savings?

None. She overspent by \$230 this month.



lesson 3 quiz

choose the correct answer.

1. a A budget can be made by:
 - a. keeping a diary of your expenses.
 - b. copying your friend's budget.
 - c. deciding what to buy when you go to the store.
 - d. checking how much money is in your pocket.

2. c Which one of these is a responsible spending practice?
 - a. Spending more money than I have planned.
 - b. Buying an item that I like, even if I do not need it.
 - c. Buying an item that is included in my budget.
 - d. Always shopping at the most expensive stores.

3. c Which one of these is not part of a personal budget?
 - a. Savings
 - b. Giving to a church or charity
 - c. Overspending
 - d. Income

4. b An example of a fixed expense is:
 - a. clothing.
 - b. car insurance.
 - c. food.
 - d. educational expenses.

5. d An example of a flexible expense is:
 - a. rent
 - b. car payment
 - c. home insurance
 - d. entertainment