Lesson One
Allowances and Spending Plans

Practical Money Skills
**overview**

Children in grades three through six are capable of managing small amounts of money. They can divide their money into several categories, including "spend," "save," and "give." At the same time, they can spend their money and keep a record of what was spent.

This lesson provides an introduction to allowances for third through sixth graders. Allowances are the first step to understanding written spending plans or budgets. With guidance managing allowances in childhood, children can become financially responsible adults. Adults with effective budget skills create healthier family relationships and contribute to building a stronger economy.

Teachers and parents can encourage children to keep track of the money that they spend for their needs and wants.

**goals**

Provide practice developing effective spending plans and following where money goes.

**lesson objectives**

- Recognize how to divide an allowance into a spending plan.
- Learn how to balance income and expenses.
- Gain confidence in preparing spending plans.

**student activities**

1-1 Allowance Allocation Game
   Related Worksheet: allowance allocation
   - Play a simulation game to help students practice making choices about where to place allowance money.

1-2 Reading
   - Read about allowances and spending money to help students learn more.

1-3 Spending Diary
   Related Worksheet: spending diary
   - Use a diary technique to help students track how they spend their money.

1-4 Make A Spending Plan
   Related Worksheet: spending plans
   - Assist students in making a sample spending plan during math time.

1-5 Lesson One Quiz
allowances and spending plans

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

- Give each student a set of expenditure cards and 15 beans (or similar small objects).
- Explain that the beans represent their allowance (income).
- Ask the students to allocate their allowance to the expenditure categories on the cards by placing beans on squares.
- There are more squares than beans, so students must make choices of where to spend their allowance.
- Each card offers different amounts of spending choices. This helps students consider alternatives within each spending category.
- Discuss the choices they made.
- Optional: After students have allocated their allowance, take away four beans.
- This represents loss of income.
- It forces students to further refine their spending choices.

reading
Reading skills can be practiced throughout this activity while students are learning about allowances and spending plans.

- Provide books that focus on allowances and spending for the students to read.
- Borrow books from the school or public library.
- Here are some recommended titles:
allowances and spending plans  

reading (continued)


- *Boys at Work*, by Gary Soto, New York: Yearling, 1995. Companion to *The Pool Party*. When 10-year-old Rudy breaks an older boy's Discman at a baseball game, he and his friend Alex come up with a variety of ways to make money to pay for a new one.

- *Budgeting*, by Christina J. Moose, Vero Beach, FL: Rourke Publications, 1997. Explains the concept of a budget and how individuals, groups, and even governments need to plan to make the best use of their money.

- *The Bunnysitters*, by Kate Banks, New York: Random House, 1991. Hoping to make enough money so they can finish building a derby car, two boys offer to take care of a neighbor's rabbit.

- *Do the Bright Thing*, by Bill Myers, Wheaton, IL: Tyndale House, 1990. Eleven-year-old Nicholas and his best friend McGee, a cartoon character that has come to life, learn about the process and pay-off of making a spending diary.

spending diary

This activity helps students track how they spend their money.

- Ask students to keep a spending diary for one week.
- Give each student a diary form.
- After one week, use class time to look at expenses.
- Group similar expenses together.
- Decide on names for expense categories (for example: food, transportation, clothes, entertainment).
spending plans
Students focus on their own spending patterns and integrate them into a written plan.

- Use the information from the spending diary in Activity 1-2.
- Have each student total the amount spent in each category.
- Ask students to compare their income (allowance) to outgo (expenses).
- Subtract outgo from income.
- Is the answer positive or negative?
- What adjustments need to be made to keep the net 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 expense plans.
- Discuss making changes in allowances as needs change.
- Give each student a spending plan form to put a personal spending plan in writing.
- Ask students to keep track of their spending for a month.
- Encourage them to continue working with a spending plan.
- Remind students that no two spending plans are exactly the same.

lesson one quiz
lesson 1 quiz: spending plans

circle the correct answer for each question.

1. Spending plans are plans for how to spend your allowance.
   True *
   False

2. A written spending plan is the best way to manage an allowance.
   True *
   False

3. Spending plans should be discussed with parents.
   True *
   False

4. Everyone has the same spending plan.
   True
   False *

5. My spending plan must remain the same for an entire year.
   True
   False *

6. Giving to a church or charity can be part of my spending plan.
   True *
   False

7. Changes can be made in my written spending plan:
   a. Only once a week
   b. Only once a month
   c. Only every six months
   d. As my needs change *

8. Saving provides money for:
   a. Emergency expenses
   b. Unplanned expenses next year
   c. Expenses in five years
   d. All of the above *

9. You can collect information that will help you create a spending plan by:
   a. Keeping a diary of expenses *
   b. Asking a friend to make it for you
   c. Deciding what to purchase when you go to the store
   d. Checking how much money is in your pocket

10. Which of the following is NOT a spending plan category:
    a. Transportation
    b. Entertainment
    c. Candy bars *
    d. Clothing