

MAKING A BUDGET



AGENDA

- Starter
- Shopping Spree
- Where the Money Goes
- My Budget
- Conclusion
- Student Assessment

Objectives

Students will recognize the need to keep a budget.

Students will learn what a budget is and identify the items commonly included in a budget.

Students will create their own budgets.

Materials Needed

- Copies of the “Shopping Spree” activity sheet, cut up so that each student has one list (Part I)
- One copy of the “My Budget” activity sheet for each student (Part III)

Starter (2 minutes)

Ask students how difficult they think it would be to save for a large expense, such as a car, a house, or college tuition. After several of them respond, share the story of Steve and Annette Economides, who through wise money management and budgeting have managed to pay cash for their home and several cars, take family vacations without building debt, feed a family of seven for only \$350 a month, and put their children through college without any school loans—all on an average income of only \$35,000 a year! Tell students that, in this lesson, they will learn how to create and live within their budget.

Part I Shopping Spree (20 minutes)

Purpose: Students recognize the need to keep a budget.

1. Students prepare for a shopping spree.

Ask for five volunteers. Tell them that they each own a business. Assign each volunteer one of the following businesses:

- Bank: Your goal is to try to get people to save money. When they come to the bank, they can save either \$75, \$100, or \$250.
- Clothing Store: Your goal is to sell clothing. A shirt costs \$60, and a full outfit is \$120 (a discount price).
- Electronics Store: Your goal is to sell wireless headphones for \$200. This is a super deal on the best headphones in the store.
- Shoe Store: Your goal is to sell athletic shoes for \$95 or dress shoes for \$70.
- Supermarket: Your goal is to have each shopper buy \$150 worth of food. They may split the cost into two installments of \$75 each.

Assign each business a location within the classroom. Make sure that the instructions are clear to each of the business owners. Distribute the cards cut from the “Shopping Spree” activity sheet to the other students. Read the following directions to the class:

You are all shoppers and have \$500 to spend at (name the stores). As you go from store to store, write down the amount of your transaction on your card so you can keep track of how much money you’ve spent. Have the store owner initial the transaction. Be sure to think about how much money you have and what is most important to you. When I say freeze, you must stop where you are, and we’ll see how everyone is doing.

2. Students participate in a shopping spree.

Tell students to begin. Circulate the room and make sure that each student has at least one item on their card before you say "freeze." Say, "Now it's time to pay your bills. Everyone's had a few unexpected medical expenses, so everyone must subtract \$100 under 'Miscellaneous.'"

Point out to students that if they went to the bank and opened a savings account, they can use that money to help pay their bills. Have students total their expenses. Tell students that if they went over their \$500 budget, they must sit down. Tell the students who are still standing that they can continue to shop.

After a few more minutes, say "freeze." Say, "Your refrigerator broke, and your food spoiled. You need to replace the food. It costs you \$75 at the supermarket." Tell students that if this puts them over the limit, then they must sit down. If they have money in the bank, they can subtract \$75 and continue to play.

Determine whether or not to keep playing based on the number of students still standing. The following are suggestions for additional "freezes": (a) taxes are due, (b) your car broke down, and (c) you have a job interview and need an appropriate outfit.

3. Students discuss the implications of the shopping spree.

After everyone has had enough time to play, ask students, "Who put money in the bank? Did it come in handy?" Then ask the seated students how they spent so much money that they had to sit down. Lead them to identify the pressure of the salespeople or the appeal of various items. Explain that they don't have an unlimited supply of money in real life, so it is important to spend money wisely and to keep track of what is spent. Explain that a budget is useful in accomplishing that goal.

Part II Where the Money Goes (10 minutes)

Purpose: Students learn what a budget is and what is included in a budget.

1. Students discuss what a budget is.

Ask students how they can keep track of what they spend. Ask if anyone looked at their card to see how much money they had before they went to the next store. Tell students that keeping track of their balance allowed them to budget their money.

Explain to students that a budget is a written plan that describes how they want to spend and save their money. It helps them set priorities, prepare for unexpected expenses, and keep track of how much money they have.

2. Students learn what items to include in a budget.

Have students describe how they spend their money. Write student responses on the board. (Students may respond: clothes, snacks, subscriptions, books, movies, makeup, gifts, and savings.)

Remind students to also consider expenses that don't occur frequently, such as holiday or birthday presents for family, special events or trips, etc.

3. Students estimate the cost of items in a budget and learn that budgets reflect personal priorities.

Ask the class to estimate costs for each item listed in the previous section and write the amounts alongside the items.

Point out to students that when trying to determine the costs of specific items, they didn't always suggest the same amounts. Explain to students that different people have different budgets because they have different priorities. For example, students who have jobs may be able to afford going to the movies every week. Those who have jobs might also have additional costs for getting to work, such as public transportation or car expenses. Those students who are not working right now might have to put their money toward the basics.

Explain to students that in the next activity they will consider their priorities, and decide what they would like to buy or how much they want to save. This will allow them to make their own budgets.

Part III My Budget (15 minutes)

Purpose: Students make their own budget.

1. Students complete the “My Budget” activity sheet.

Distribute copies of the “My Budget” activity sheet to each student. Explain to students that the activity sheet is their practice budget.

Give students the following instructions:

- In the top area, you're told what your income is, how much money you are putting into savings, and how much you spend on food each week.
- Go through the activity sheet and, in the left column, write down the items that you need or on which you want to spend money. Think about the items that you identified in the previous activity.

Remind students that most successful investors say that the first bill paid each month should be to their own savings account. Tell them to keep in mind that people who spend all of their income on expensive items are not rich if they have no money in the bank to support their lifestyle.

2. Students calculate their weekly and monthly expenses.

After students have listed their weekly expenses in the column on the left side of the sheet, have them write the weekly amount of each item in the center column, which is labeled “Cost.” Then have students multiply those amounts by 4 to find the amount to write in the column on the right, which is labeled “Monthly Expenses.”

Point out to students that not every expense will occur weekly. For example, they might go to the movies only once a month. For these expenses, they should write the monthly expense in the column on the right and calculate how much they’ll spend on those items each week. For example, if they go to one movie a month, the cost per month is about \$16. That means that the cost per week is \$16 divided by 4, so the weekly expense would be about \$4. The \$4 should be written in the column on the left, which is labeled “Cost.”

As students are completing the activity sheet, move around the room and assist them with their calculations as necessary.

3. Students calculate their total weekly and monthly expenses.

Once students have finished completing the monthly column, tell them to add everything in the center “Cost” column and write the total at the bottom to see how much they’re spending each week. Next, instruct them to add everything in the “Monthly Expenses” column and write that total at the bottom to see how much they’re spending each month. Remind students to include the money they have to spend on food.

4. Students see if their budget is balanced.

Instruct students to subtract their total expenses from their total income. Explain that if the remainder is greater than zero, their budget is balanced and they have money that they can save. Explain to students that if the remainder is less than zero, their budget is not balanced because they have more expenses than they have income and savings.

Ask students to suggest ways to correct an unbalanced budget. Lead them to recognize that there are two solutions: increase income or decrease spending.

5. Students learn that their budget is a guide.

Point out to students that a budget is a guideline but that there will always be unexpected events that will impact their budgets. Ask students what can be done to help keep their budgets balanced.

Explain to students that while there are several ways that they can deal with changes to their budget, the one thing they should never do is ignore the need for one and hope that financial problems will go away. They won’t, and students will find that their financial problems worsen as long as they ignore the situation.

Conclusion *(2 minutes)*

Conclude by asking students to comment on why a budget would be a helpful tool for them. Elicit from students the following **key points** that were taught in this lesson:

- A budget is a useful device to plan saving and spending money wisely.
- People have different budgets because of different priorities.
- A balanced budget allows people to save money.
- If a budget is not balanced, people should find ways to increase their income or cut back on spending.

Student Assessment

1. List three ways in which making a budget can help you manage your money.
2. How can you complete your personal budgets for the week and month as thoroughly as possible?

LESSON EXTENSIONS

Using Quotations

“Budgeting only has one rule: do not go over budget.”

Ask student volunteers what this quote means to them, and discuss ways they can remain within their budget.

Addressing Multiple Learning Styles

Explain to students that the only effective way to save money is to make saving their first expense.

Brainstorm with students how they can figure what amount to put into savings every week and where they will put it.

Writing in Your Journal

Have students think of something they want that will require them to save (e.g., a vacation, a special item of clothing, a gift for someone important to them, tickets to a show, etc.).

Have students create a budget that allows them to save for the item. Have them keep a daily list of expenditures and savings as they work toward their goal.

Using Technology

Demonstrate to students how a spreadsheet works. You can use Excel, Google Sheets, or another free spreadsheet program online. Show students how expenditures are divided into categories and how amounts spent and earned are plotted. This can be done manually in a ledger as well.

Invite students to set up their own spreadsheets.

Homework

Tell students there are many tools—such as smartphone apps—that can help them track their budget. Have each student identify a specific resource they will use and be ready to share it with the class.

Additional Resources

Have students read *The Pocket Idiot's Guide to Living on a Budget, Second Edition* by Peter J. Sander and Jennifer Basye Gander.

Have students create posters showing their favorite tips from the book. Display the posters around the classroom.

SHOPPING SPREE

	\$500.00
Bank	\$ _____
Clothing	\$ _____
Electronics	\$ _____
Shoe Store	\$ _____
Supermarket	\$ _____
Miscellaneous	\$ _____
Total Spent	\$ _____
Total Saved	\$ _____

	\$500.00
Bank	\$ _____
Clothing	\$ _____
Electronics	\$ _____
Shoe Store	\$ _____
Supermarket	\$ _____
Miscellaneous	\$ _____
Total Spent	\$ _____
Total Saved	\$ _____

	\$500.00
Bank	\$ _____
Clothing	\$ _____
Electronics	\$ _____
Shoe Store	\$ _____
Supermarket	\$ _____
Miscellaneous	\$ _____
Total Spent	\$ _____
Total Saved	\$ _____

	\$500.00
Bank	\$ _____
Clothing	\$ _____
Electronics	\$ _____
Shoe Store	\$ _____
Supermarket	\$ _____
Miscellaneous	\$ _____
Total Spent	\$ _____
Total Saved	\$ _____

MY BUDGET

	Per Week		Per Month
Income	\$ <u>150.00</u>	× 4	\$ <u>600.00</u>
Savings	\$ <u>30.00</u>	× 4	\$ <u>120.00</u>
Food	\$ <u>50.00</u>	× 4	\$ <u>200.00</u>

	Per Week		Per Month
Income	\$ _____	× 4	\$ _____
WEEKLY WANTS/NEEDS	COST		MONTHLY EXPENSES
Savings	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
_____	\$ _____	× 4	\$ _____
Total Income	\$ _____		\$ _____
-Total Spent	-\$ _____		-\$ _____
	= \$ _____		= \$ _____
	(This must be larger than zero)		(This must be larger than zero)