

Chapter One: Budgeting

Budgeting is a concrete way for students to apply the process of setting and reaching goals.

OBJECTIVES:

Students will learn:

- What a budget is
- How to make a budget
- The difference between wants and needs
- What a SMART goal is
- How SMART goals can help you stick with a budget

EALR's

Reading

- 1.1 use word recognition and word meaning skills to read and comprehend text
- 1.2 build vocabulary through reading
- 1.3 read fluently, adjusting reading for purpose and material
- 2.1 comprehend important ideas and details
- 2.2 expand comprehension by analyzing, interpreting, and synthesizing information and ideas
- 3.1 read to learn new information
- 3.2 read to perform a task
- 4.3 develop interests and share reading experiences

Writing

- 1.1 develop concept and design
- 1.2 use style appropriate to the audience and purpose
- 2.2 write for different purposes

Communication

- 1.1 focus attention
- 1.2 listen and observe to gain and interpret information
- 1.3 check for understanding by asking questions and paraphrasing
- 2.1 communicate clearly to a range of audiences for different purposes
- 3.1 use language to interact effectively and responsibly with others
- 3.3 see agreement and solutions through discussions

Mathematics

- 1.1 understand and apply concepts and procedures from number sense
- 2.3 construct solutions
- 3.1 analyze information
- 3.2 predict and make inferences
- 4.1 gather information
- 4.2 organize and interpret information
- 4.3 represent and share information

Economics

- 1.1 comprehend key economic concepts and economic systems
- 1.3 understand the monetary system of the U.S. and how individuals' economic choices involve cost and consequences.

Chapter Overview: Budgeting

These activities are included in Chapter One. They can be adapted as you see fit into individual, small group or whole class activities (the recommended grouping is in parentheses):

- What's in a Budget (**groups**, discuss as a class)
- Developing Your Budget (**individual**)
- Joel's Budget (**group** or **individual**)
- Hector's Budget (**group** or **individual**)
- Your Own Budget (**individual**)
- Dream Big...Budget SMART (**group**)
- A Personal Budget (**individual, partner**)
- Financial Records (**individual**)
- Assessment (**individual**)

CHAPTER ONE TERMS:

Students should add these terms to their "Visual Dictionary" (see introduction) as they arise:

Budget
Income
Expenses
Fixed expenses
Variable expenses
Wants
Needs

Pre-Assessment: What's in a Budget

Objective:

Students define what budgeting is and make connections to ways they've seen budgets used in real-life situations.

In cooperative groups, students define "budgeting" and discuss ways in which they already utilize budgeting practices.

Students can use the **What's in a Budget?** Student Handout. Alternatively, you can have them record their responses to the questions on large sheets of paper which can later be taped to the board. This may help students see the similarities in their responses which will reinforce the major concepts of budgeting.

First, students will spend some time listing what they already know about budgets and giving examples of where they've seen budgets used.

Then students will write a one- or two-sentence definition of what a budget is. You can ask them to pretend they are presenting this definition to a group of younger or less experienced students. They should try to clearly and specifically define the important elements of budgeting as they see them.

Next, students will give examples of times they have used budgets in the past and talk about what they find helpful/challenging about budgeting.

Last, students will present their findings to the class. Students may come up with the key ideas or words: **plan, goal, spending wisely, rules or guidelines**. You can record these key concepts on the board, or circle, star, or highlight these ideas as they arise.

Also, address the difficulties students may have around budgeting. Some might say that it's hard to stick to a long-term plan—like college savings or a car—when presented with more immediate gratification, like new CDs every week or trips to the mall. Others may have had more success with budgeting. Either way, have students discuss the challenges of putting off immediate wants for long-term rewards. This discussion will set the stage for a more in-depth look at prioritizing in the future.

Discussion Guide:

What was challenging about making your budget?

What was challenging about sticking to your budget?

How did having a budget help you?

What advice can you give to other students about staying within a budget?

Student Activity

What's In A Budget?

Name: _____ Date: _____

In your group, answer the following questions, and then share them with your class.

1. What's a budget? List all the ways in which you've heard the word used.

2. Look at all the responses your group gave. Now, try to come up with a single sentence that defines the word "budget."

3. When have you used budgeting in the past? List all group responses.

4. How can budgeting help you?

5. What's challenging about budgeting?

Budgeting Activities

Objective:

The story of Joel and Hector provides an opportunity to compare two students and their budgeting practices. Students will see which strategies are more effective for successful budgeting.

Students can do the activities together or individually, depending upon the needs of your class. However, one important thing to keep in mind is that budgets require flexibility and creative thinking. Alternative solutions and creative problem-solving can be encouraged when students work in groups or share their answers in a large group discussion.

Two key terms are introduced and self-defined by students: needs and wants. After discussion, you can give this standard definition:

Needs are things you need to survive. Wants are things that increase your enjoyment or the quality of life.

Discussion Guide:

How did you (your group) decide where Joel's money should go?

How can Joel stay "in the black" (end the month with a positive balance) without having to give up all the things he enjoys?

How does it help to have monetary goals when making a budget?

You (your group) came up with one way for Joel to save for his MP3 player. Other students' solutions differed from yours. Are all these ways possible or valid? How can we evaluate which plan would work best for Joel?

How well did Hector do in sticking to his budget?

How was Hector able to succeed in keeping within his budget?

Did anything unexpected come up for Hector? How was he able to handle it?

Developing Your Budget

Name: _____ Date: _____

"Dude," said Joel to Hector after school. "Let's go get a burger after practice."

"Sounds good," said Hector. Inside, he groaned. Would he be Joel's personal ATM yet again, or would this afternoon be different?

The line at the Tas-T-Burger was long, and Hector's stomach rumbled. Joel was first at the counter.

"I'll have the number four dinner special. And triple-size it, please. And throw in an extra order of fries."

"Ten fifty-four," said the cashier.

Joel slapped his pocket, and turned to Hector. "Dude," he said. "Can you spot me? I'm short on cash."

"Come on, man," said Hector. "You're always short on cash. What are you gonna do if I'm not around?" He handed Joel some money.

"I dunno," said Joel, picking up his tray. "Learn to budget, I guess."

"Fantastic," said Hector, stepping up to the counter. "You're officially cut off."

A budget is a spending plan based on your estimated income and expenses.

Budgeting is a learned skill that takes discipline and practice, but many people find it to be worth their while. It may seem restrictive when you start, but focusing on long-term goals can help you make short-term sacrifices. For example, if you really want a car, you might forgo daily trips to the espresso stand and put the money into savings instead. You'll miss the lattes at first, but just imagine driving around in your new (or used) car, and you may find the sacrifice worth while.

List some goals you've achieved (they may or not be related to finances):

What steps did you take to achieve these goals?

How did you feel when you reached these goals?

Chapter Four: Managing Your Money

Objectives:

What students will learn:

- What to look for in a checking account
- “Too Good to Be True” deals
- How to compare car loans
- Credit card basics
- How to build a credit history
- The benefits and costs of credit
- Safe debt load and the 20-10 Rule
- To protect themselves from identity theft

EALR's

Reading

- 1.1 use word recognition and word meaning skills to read and comprehend text
- 1.2 build vocabulary through reading
- 1.3 read fluently, adjusting reading for purpose and material
- 2.1 comprehend important ideas and details
- 2.2 expand comprehension by analyzing, interpreting, and synthesizing information and ideas
- 3.1 read to learn new information
- 3.2 read to perform a task
- 4.3 develop interests and share reading experiences

Writing

- 1.1 develop concept and design
- 1.2 use style appropriate to the audience and purpose
- 1.3 apply writing conventions
- 2.2 write for different purposes

Communication

- 1.1 focus attention
- 1.2 listen and observe to gain and interpret information
- 1.3 check for understanding by asking questions and paraphrasing
- 2.1 communicate clearly to a range of audiences for different purposes
- 3.1 use language to interact effectively and responsibly with others
- 3.3 see agreement and solutions through discussions
- 4.4 analyze mass communication

Mathematics

- 1.1 understand and apply concepts and procedures from number sense
- 1.2 understand and apply concepts and procedures from measurement
- 2.3 construct solutions
- 3.1 analyze information
- 3.2 predict and make inferences
- 3.3 draw conclusions and verify results
- 4.1 gather information
- 4.2 organize and interpret information
- 4.3 represent and share information

Civics

- 2.1 understand and explain the organization or U.S. government
- 2.2 understand the function and effect of law

Economics

- 1.1 comprehend key economic concepts and economic systems

Chapter Overview

1.3 understand the monetary system of the U.S. and how individual's economic choices involve cost and consequences.

These activities are included in Chapter Four. They can be adapted as you see fit into individual, small group or whole class activities (the recommended grouping is in parentheses):

- Pre-assessment: List-Group-Label (**small group**, share with **whole class**)
- Being a Smart Consumer (**individual**)
- Check Out Checking Accounts (**small group** or **individual**)
- Shop Til You Drop (**individual**)
- The Cost of Convenience (**individual** or **partner**)
- Choices, Choices (**individual** or **partner**)
- Credit Card Basics (**individual**)
- Credit Interviews (**individual**)
- Credit Analogies (**individual** or **partner**)
- A Safe Debt Load and the 20-10 Rule (**individual**)
- Identity Theft Crimestoppers (**small group**)
- Assessment (**individual**)

Chapter Four Terms:

Students should add these terms to their "Visual Dictionary" (see introduction) as they arise:

APR

Three C's of credit: Character, Capital, Capacity

Safe debt load

Pre-Assessment: List-Group-Label

20-10 Rule

Objective:

To encourage students to think about money management strategies they already use; to assess what students need to learn about money management.

Assess what students already know about money management by doing a LIST-GROUP-LABEL activity as presented in unit 3.

This activity can be done as a whole class or in a small group.

Ask, “What does managing your money mean to you?” Students should write down everything they know about money management—any words that come to mind, positive or negative. They should also try to generate some examples of money management strategies.

Once they have this list, students should try to group terms into categories that make sense to them, then assign a label to each category. They may come up with labels like, “Budgeting,” “Staying out of debt,” “Saving,” etc.

Display the students’ lists around the classroom and ask what similarities and differences they see about money management.

Discussion Guide:

- What kinds of things do people do to manage their money?
- Is debt always a bad thing?
- What are some consequences of not managing your money?
- Have you ever made a money management mistake? What was it, and how did you

Being A Smart Consumer

correct it? _____

Name: _____

Date: _____

Joel, Maya, Hector and Yuki were on their way to the movies.

"Hold on!" said Joel as Hector drove past the bank. "I gotta go by the ATM. I don't have cash."

"What a shock," said Maya.

Hector pulled over. "Hey, it's better than lending him the money again."

Joel leaped out. He was back in a minute.

"Let's go!" he said. "I'm loaded."

"How much did you get?" demanded Yuki. "Enough for popcorn, too?"

"Don't worry about me," said Joel. "I got twenty bucks of my very own to cover me tonight. And then, if we go for pizza after, we can stop at that ATM in the theater for more."

"I hate that ATM," said Maya. "It charges a \$2.50 fee for every withdrawal. And was that your bank we just

stopped at?"

"No," said Joel.

"Then you probably just paid at least another \$1.50 to get your 20," said Maya. "You're giving away a nice little gift to two different banks. Why didn't you get more money when we stopped?"

"I'm trying not to overspend," said Joel with dignity.

Yuki slapped her forehead. "What would you call paying a four dollar fee to use your own money?"

"All right, fine," said Joel. "I've got this credit card my dad gave me for emergencies. Do you think this constitutes an emergency? A sudden, uncontrollable desire for anchovy and olives at 11 p.m.?"

Yuki and Maya both groaned.

Hector pulled into the movie parking lot. "Give him a break," he said to Maya and Yuki. "At least you're not buying his ticket."

Joel smirked at them as he leaped out of the car. "Baby steps, girls," he said. "Baby

steps."

What fees do you pay regularly?

What could Joel do differently to manage his

Know Your Financial Institution

money better?

Like any other service you might use, seeking financial services can cost you money. When you are looking for a checking or savings account, make sure you read up on withdrawal fees for using the ATM, overdraft fees, minimum balance requirements, or other fees you may incur. Often, an institution such as credit unions, will not charge you to use one of their ATMs. However, when you visit the ATM of another institution, you may be charged a fee.

If the fee for using an ATM is \$1.50, and you withdraw money twice a week, the charges will add up to \$156 a year. Think what that \$156 could be earning if you invested it at a 5% interest rate. If you invested that \$156 every year at a 5% interest rate, at the end of 5 years, you'd have \$819.

Call a local bank or credit union and investigate their checking account options. Pay close attention to the following features:

Fees and charges:

The monthly fees, per-check charge, printing of checks, balance inquiry fees ATM fees, bounced check charge, availability of check card, and fees for falling below a necessary balance.

Interest:

The rate earned, how rates are calculated.

Special features:

How soon you can draw against a deposit, direct deposit, automatic payment, overdraft protection, online banking, discount and free features.

Location:

The number of branches, hours of operation and availability of ATMs. This impacts the fees you will pay; typically a bank will not charge a withdrawal fee from an ATM from its own members. If your institution doesn't have a lot of branches, you may be stuck with other ATM...and their fees.

Debit card:

A bankcard that is linked to your checking account. This allows funds to be withdrawn at the ATM or retail stores that accept Visa without writing a check. Payment is completed by signing a sales draft or by entering a PIN (personal identification number). A debit card allows you to pay for purchases directly via your checking account. Debit cards offer lots of flexibility. You need to be careful, however, that you have the money to cover your purchases. A debit card is not a

Check Out Checking Accounts

credit card. Write down when you use it.

Objective:

To help students become smarter consumers by comparing the services and fees available at different financial institutions.

Ask students to compare checking accounts and services at different financial institutions. You can do this by assigning students to call different banks or credit unions, then comparing them in small groups. Within the group, the students can then write a summary of what they learned about the different accounts available.

Alternatively, you can have each student call several different banks or credit unions and compare their own findings.

Check Out Checking Accounts

Name: _____

Date: _____

Choosing a Checking Account

For most people, the checking account is the “workhorse” of their money management system. If you don’t have a checking account now, you will probably have one as soon as you leave high school. This is the account that allows you to write checks, use a debit card, make ATM withdrawals, and generally manages the money you spend on a day-to-day basis.

Call a financial institution in your area and find out what options and fees their checking accounts offer. Compare your findings to your classmates’ to get an idea of the range of checking accounts available to you.

Name of Financial Inst. _____

Number of branches _____

Branch nearest you _____

Branch nearest school/job _____

Number of ATMs _____

Hours open _____

Are your funds insured? _____

Type of account _____

Fees _____

Minimum daily balance _____

Average daily balance of _____

Maintenance charges (withdrawals, etc.) _____

Interest _____

Interest Rate you earn _____

How is it calculated? _____

Charges _____

Checks _____

Printing checks _____

Bouncing checks _____

Stopping checks _____

Withdrawal at _____

Teller window _____

Bank-owned ATMs _____

Regional network ATMs _____

National network ATMs _____

International ATMs _____

Balancing Your Checkbook & Squaring Up

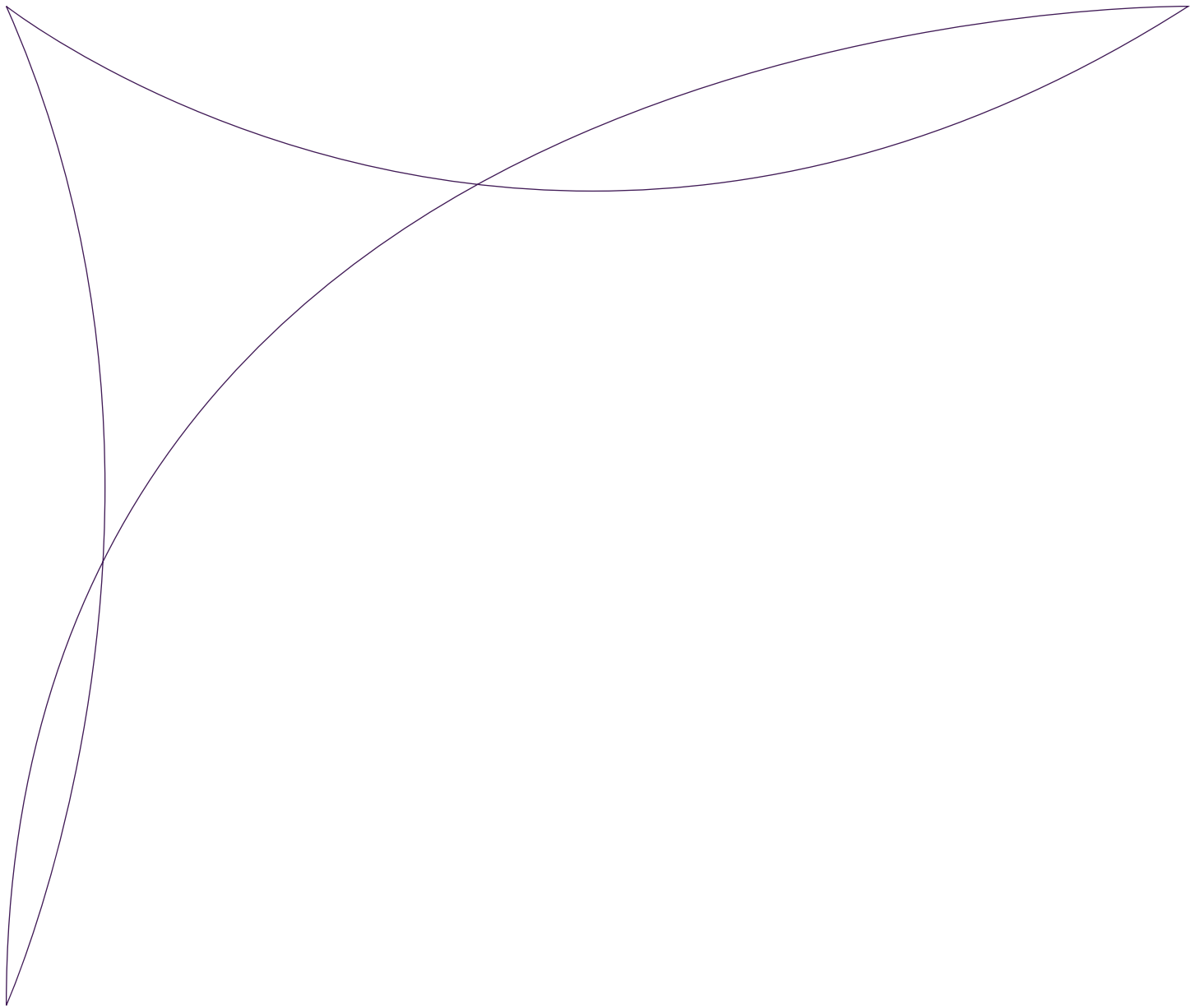
Objective:

To give students practice filling out a check register, sample checks and deposit slips.

Among the first banking skills students will need include balancing their checkbooks and keeping track of their bank balances.

Ask students to use the sample checks and deposit slips (appendix) to make the payments required in "Balancing Your Checkbook." They should record all the listed transactions in the check register (appendix).

Use the completed check register to do the "Squaring Up" checking account reconciliation activity.



Balancing Your Checkbook

Anyone who has a back yard knows that regular maintenance comes with the territory. The same is true for checking accounts.

Part of managing your checking account is reconciling what your financial institution tells you you've spent each month with your own records, usually your check register. This is called balancing your checkbook.

The purpose of balancing your checkbook is to make sure you and the bank or credit union agree on how much you've spent and what you still have in your account. That way, you can avoid having a check returned for insufficient funds (NSF)...more commonly known as an NSF check.

Financial institutions and merchants both charge fees on returned checks. These fees can range from \$15 to \$50, or even higher, depending on the merchant. For this reason, you should keep track of your spending and make sure you always know how much money you have in your account.

There are several different ways to balance your checkbook. Many financial institutions have websites where you can check your account balance and see a record of recent transactions. Sometimes these services are also available by calling a phone number given to you by your financial institution.

Each month, financial institutions are required to send you an account statement, or record of your transactions. Use your check register—where you've kept your own personal spending record—to compare your records with the bank or credit union's.

