

# 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 (Essential Academic Learning Requirements):**

### **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?

# 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.

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

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

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4. How can budgeting help you?

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5. What's challenging about budgeting?

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## 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):

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What steps did you take to achieve these goals?

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How did you feel when you reached these goals?

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## A Personal Budget

Learning to develop and stick with a budget means understanding how much money you have and how much you spend: your **income** (any money you receive, from a paycheck, gifts, allowance, etc.) and **expenses** (any money you spend or give away). There are two main types of expenses: fixed and variable. **Fixed expenses** are regular expenses that are the same amount of money each time you pay them, like a car payment. **Variable expenses** are flexible, like the amount of money you spend on going out with friends or buying clothing.

*To have a working budget, your total expenses should not exceed your income.* Sounds simple, but some people have trouble living within their income. That's where budgeting problems start.

What are some of your sources of **income**? (Where does your money come from?)

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What are some of your **fixed expenses**? (What do you regularly spend the same amount of money on?)

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What are some of your **variable expenses**? (What expenses do you have that are more flexible?)

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# Joel's Budget

Name: \_\_\_\_\_ Date: \_\_\_\_\_

"So why do you always have to mooch?" Hector asked Joel.  
"You work."

"Well, my Ice Creamery paycheck doesn't make me a millionaire."

"You think I'm loaded from stocking shelves at dad's hardware store?"

"Okay, okay," said Joel. "I got it. You're turning tightwad on me."

"No, man," said Hector. "But I've got priorities. And your dinner isn't always one of them."

"What priorities?"

"Things I want. Basketball camp. A car. College. Stuff like that."

"Don't your parents pay your way?"

"Some. But that's why I'm working weekends now," said Hector. "I've got two brothers in college and a little sister. My folks can't afford everything for all of us."

Joel chewed in silence. Then he spoke. "I guess it's like what Ms. Moruzzi said in class," he said. "Needs and wants."

"Yeah. I want to go to basketball camp. I need to buy my lunch everyday. So I make a plan to pay for lunch, and a plan of how to save for camp."

Joel stuffed the rest of his fries into his mouth. "I need Tas-T-Burgers."

"Then you need to look at how much money you've got and put them in your budget."

"You budget for Tas-T-Burgers?"

"Sure. I know I'm gonna have them, so I plan for them. If I get more than two a week, it comes out of my CD money. Or movies. So one more Tas-T-Burger is one less DVD rental."

Define "needs":

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What are some examples of needs?

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Define "wants":

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What are some examples of wants?

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## Setting Goals; Making Plans:

"It's not hard, once you get the hang of it," Hector said. "What's something you want? Dream big."

Joel didn't hesitate. "An MP3 player. Two hundred dollars at Music City. But I saw one on-line for \$150, including shipping and handling."

Hector flipped over the paper placemat on Joel's tray and grabbed a pencil from his backpack. He wrote: JOEL'S BUDGET at the top, and looked at his friend. "Okay. Let's get down to business."

# Joel's Budget

Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Budget for:** Joel Mitchell

**Income:** (Ice Creamery paycheck, parents): \$285

**Expenses:** January

1. First, label each expense N for need or W for want. Next, think about each expense in terms of its importance. What must Joel absolutely spend money on? Label it number 1. What is least important? Label it number 12. Rank the rest of the items accordingly.

N or W	Rank	
		Pizza Palace: \$40
		Tas-T-Burger: \$40
		Movies: \$32
		School Lunch: \$60
		Savings: \$0
		Gift for Mom's Birthday: \$15
		New Pants: \$50
		New Shoes: \$50
		CD's: \$20
		Student Activity Dues: \$10
		Bus Pass: \$12
		Haircut: \$25

How did you decide what should be considered a need and what should be considered a want?

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## 2. Fill in Joel's Budget Planning Sheet.

Joel has the following sources of income. Write these figures in the appropriate blanks.

**Cash:** \$8

**Estimated income** (Wages/Allowance): \$285.00

Total these two figures. Write your total in the blank for "Total Estimated Cash."

List Joel's expenses on the budget sheet under the appropriate categories.

How did Joel do?

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What was Joel's "Cash on Hand" at the end of the month?

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How did you decide to categorize each of Joel's expenses?

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What problems do you see with Joel's budget?

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What can Joel do differently to save for an MP3 player?

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Rewrite Joel's budget in the second column so that he ends up with \$8.00 cash at the end of the month.

# Joel's Budget Planning Sheet

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Budget for: Joel

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)		
Estimated Income (Salary/Wages) (=)		
<b>Total Estimated Cash</b>		
Estimated Expenses		
Savings		
School Lunch		
Bus Pass		
Entertainment		
Grooming Needs		
Clothing Fund		
School Fee/Expenses		
Miscellaneous Expenses		
<b>Total Estimated Expenses</b>		
Total Estimated Cash (-)		
Total Estimated Expenses (=)		
Cash on Hand		

# Joel's Budget Planning Sheet

Students may come up with alternate categorizations that are equally acceptable, i.e., they may include Joel's restaurant meals under Miscellaneous Expenses instead of Entertainment. These answers are acceptable as long as students provide a clear explanation of their process. Likewise, their revised budgets will vary.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Budget for: Joel

Pay Period: January

	Estimated Budget	Revised Budget
Cash on Hand (+)	\$8.00 (+)	
Estimated Income (Salary/Wages) (=)	\$285.00 (=)	
<b>Total Estimated Cash</b>	\$293.00	
Estimated Expenses		
Savings	\$0.00	
School Lunch	\$60.00	
Bus Pass	\$12.00	
Entertainment	\$132.00	
Grooming Needs	\$25.00	
Clothing Fund	\$100.00	
School Fee/Expenses	\$10.00	
Miscellaneous Expenses	\$15.00	
<b>Total Estimated Expenses</b>	\$354.00	
Total Estimated Cash (-)	\$293.00 (-)	
Total Estimated Expenses (=)	(\$354.00) (=)	
Cash on Hand	(\$61.00)	