BUDGETING BASICS

RECOMMENDED GRADE LEVELS	AVERAGE TIME TO COMPLETE	ARIZONA STANDARDS
9-12	**Anticipatory Set & Facilitation**: 50 minutes **Conclusion/Assessment Options**: 10 minutes	• HS.E1.1 Evaluate how and why people make choices to improve their economic well-being. • HS.E1.2 Analyze the factors that influence how and why people make budgeting and saving choices.

LESSON PLAN OBJECTIVES
Upon completion of this lesson, students will be able to: ▪ identify and explain the meaning of key budgeting terms such as disposable income, family budget, variable expense, fixed expense, balanced budget, and net worth ▪ identify the elements of a typical monthly family budget including income, expenses, and savings ▪ apply the concepts of costs and benefits to the budget-making process

MATERIALS		
MATERIALS PROVIDED IN THIS LESSON PLAN	MATERIALS SPECIFIC TO THIS LESSON PLAN BUT AVAILABLE AS A SEPARATE DOWNLOAD	MATERIALS TO ACQUIRE SEPARATELY DEPENDING ON OPTIONS TAUGHT
▪ Budgeting Vocabulary Worksheet, one per student ▪ Budgeting Exercise 1: John and Marcia: Monthly Spending Plan, one copy per student	▪ None	▪ None

Resources

External Resources

External resources referenced in this lesson plan:

- https://econedlink.org/resources/budgeting-video-and-quiz/
- https://econedlink.org/resources/budget-odyssey-classifying-expenses/

Lesson Facilitation

Prepare *Visual indicators to help prepare the lesson*	**Instruct** *Instructions to conduct the lesson facilitation*	**Customize** *Potential modifications to lesson facilitation*

Vocabulary Activity

Budgeting Vocabulary Worksheet

Approximate time: 15 minutes
Materials to prepare:

- Budgeting Vocabulary Worksheet, one per student

This worksheet is designed to introduce budgeting vocabulary to the students.

1. Each student will receive a copy of the worksheet.
2. Give the students about 10 minutes to complete it.
3. Review the answers with the students when time is up.

Anticipatory Set

Budgeting Video

Approximate time: 10 minutes

1. Tell students they will view a video about budgeting. As they view the video, they should listen to determine the types of expenses, and savings goals.

2. Show the EconEdlink video at https://econedlink.org/resources/budgeting-video-and-quiz/.

3. After students have viewed the video, engage the students in the Kahoot! Quiz that is linked on the same page as the video.

RECOMMENDED FACILITATION

Approximate time: 25 minutes

Materials to prepare:

- Budgeting Exercise 1: John and Marcia: Monthly Spending Plan, one copy per student

1. Give each student a copy of Budgeting Exercise 1: John and Marcia: Monthly Spending Plan. Ask the students to read the background information about John and Marcia. When they have finished reading, ask the class the following questions:

    a. Who are John and Marcia? (A young, married couple working to support one child.)
    b. What is their lifestyle? (They live in a comfortable apartment, enjoy some small luxuries, and keep up with all their bills.)
    c. What is their immediate financial goal? (To save enough money for a down payment on a second car.)

2. Ask the students to examine the tables in Budgeting Exercise 1 that show Marcia and John's fixed and variable expenses. Ask the students to answer the questions after the budgets. Discuss the answers.
    a. What are some examples of John and Marcia's fixed expenses? (Housing, life and disability insurance, renter's insurance, automobile insurance, student loan, etc.)
    b. What are some examples of John and Marcia's variable expenses? (Meals, utilities, automobile fuel, medical care, child care, clothing, etc.)
    c. John and Marcia have decided to practice the "pay yourself first" approach to saving for a second car. How do they pay themselves first? (They have the amount that they want to save taken out of their pay and automatically deposited into their savings account, as if they were paying off a fixed expense.)
    d. Examine John and Marcia's monthly spending plan. What sacrifices do you think John
    and Marcia should make in their variable expenses to meet their goal? Note: at-home food expenses can't be reduced below $220. (Answers will vary. Accept any reasonable answers.)
    e. What are the benefits and costs of your recommended decisions for John and Marcia? (The benefit is that the combination of choices will allow John and Marcia to save enough for their goals. The cost is giving up some of the things they would like to do and have right now. Students will often want to eliminate entertainment or other fun activities, which is not always realistic.)

CONCLUSION OPTION

Review Questions

Approximate time: 5 minutes

Use the following questions to provide closure to the lesson.

- What is disposable income? (Disposable income is the money that you have left after taxes, Social Security, contributions to retirement accounts, and other required deductions have been taken out of gross pay.)
- What are three parts of a family budget?
- (A family budget should include a listing of income, expenses, and a plan for saving.)
- What are fixed expenses? (Fixed expenses are ones that are relatively constant each month, such as a house payment, rent payment, and car payment. Many experts in personal finance believe savings should be treated as a fixed expense.)
- What are variable expenses? (Variable expenses are ones that are likely to change in the short term. Examples include telephone bills, groceries, medical bills not covered by insurance, entertainment, recreation, and credit card purchases.)
- What is net worth? (Net worth is the current value of assets minus liabilities.)

ASSESSMENT

Budget Odyssey

Approximate time: 5 minutes

- Have students test their budget knowledge. Instruct each student to take out their personal computers or go to a computer lab and link to https://econedlink.org/resources/budget-odyssey-classifying-expenses/
- Then, have students play "Budget Odyssey" individually. When complete, check for understanding by discussing the following questions.
  a. What is income? Provide two examples from the game or your own life. (Income is the amount of money received during a period of time.)
  b. What is a fixed expense? Provide two examples from the game or your own life.
  c. (Fixed expenses do not depend on your consumption of a good or service.)
  d. What is a variable expense? Provide two examples from the game or your own life.
  e. (Variable expenses are an unavoidable periodic cost that does not have a constant value.)
  f. Why is it important to establish a balanced budget? (So you can keep track of your income and expenses and be financially responsible.)

Vocabulary

	TERM	DEFINITION
1	Budget	A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.
2	Income	Money received for work performed or from investments; may include salaries, wages, interest, dividends, etc.
3	Fixed Expenses	Expenditures that are the same from week to week or month to month, such as mortgage or rent payments and car payments.
4	Variable Expenses	Expenditures that change from week to week or month to month for food, clothing, recreation, and entertainment, for example.
5	Savings Plan	A plan for setting aside money for future use.
6	Surplus	The situation that results when the quantity exceeds the demand.

Budgeting Vocabulary Worksheet

	Total Points Earned
26	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Understanding budgeting is a crucial life skill. It involves planning how to allocate your money effectively, ensuring that your expenses don't exceed your income. Learning the vocabulary associated with budgeting helps you to manage your finances better.

Fill in the Blank

Fill in the blank with the correct words.

1. A ______________ is a plan for managing your money during a specific period.
2. ____________________ is the money you earn or receive regularly.
3. ______________________ are costs that occur regularly, such as rent and utilities.
4. A _____________________ is a set amount of money saved for emergencies.
5. ____________________ refers to the amount of money left after all expenses are paid.

Word bank:

savings budget income expenses surplus

Multiple Choice Questions: Choose the correct answer from the choices for each question.

1. What is the term for money set aside for unexpected financial situations?

    A) Income

    B) Budget

    C) Emergency Fund

    D) Surplus

2. Which of the following is a regular expense?

    A) Lottery ticket

    B) Rent

    C) Gift

    D) Vacation

3. When your expenses exceed your income, you have a:

    A) Surplus

    B) Deficit

    C) Savings

    D) Balance

4. ___________ is the total amount of money you have before any deductions.

    A) Net Income

    B) Gross Income

    C) Budget

    D) Expense

5. What do you call a forecast of future income and expenses?

    A) Savings Plan

    B) Investment

    C) Financial Statement

    D) Budget

Open Ended Questions: Answer the following questions in complete sentences:

1. Why is it important to have a budget?

2. How can having a surplus be beneficial?

3. Describe a situation where an emergency fund would be necessary.

Answer Key:

Fill in the Blank:

1. budget
2. income
3. expenses
4. savings
5. surplus

Multiple Choice Questions:

1. C) Emergency Fund
2. B) Rent
3. B) Deficit
4. B) Gross Income
5. D) Budget

Open Ended Questions:

1. **Example Response**: It is important to have a budget to ensure that you do not spend more money than you earn, helping you to save and manage your finances effectively.
2. **Example Response**: Having a surplus can be beneficial because it allows you to save extra money, which can be used for future expenses or investments.
3. **Example Response**: An emergency fund would be necessary if you unexpectedly lose your job or face sudden medical expenses, providing financial security during tough times.

Budgeting Exercise 1- John and Marcia: Monthly Spending Plan

	Total Points Earned
25	Total Points Possible
	Percentage

Name ______________________

Date ______________________

Class ______________________

John and Marcia are a young married couple. They have a two-year-old child named Ashley and a goldfish named Shark. John manages a local shoe store. Marcia recently graduated from college and is a manager-trainee at a local bank. Their combined monthly income is $5,200. They want to have a successful marriage, and they want to be financially successful.

John and Marcia have enough income to provide an adequate lifestyle. Their apartment is comfort-able but not lavish. They take care of themselves, Ashley, and Shark with sensible diets, exercise, and medical care. They view maintaining health, life, disability, and renter's insurance as essential. They pay for childcare at Terrific Tots Day Care so that both of them can work. They keep up with all their financial commitments, such as making payments on Marcia's college loan. They regard saving for retirement as important. Like other individuals, they are locked into their fixed expenses, but they have more flexibility with the variable expenses.

Marcia and John know that they want a second car. It is difficult to manage their complex schedules work, day care, grocery shopping, and trips to the doctor with only one car. They recently set a goal to save up enough money in one year for the down payment on a second car.

John and Marcia are regular savers. They practice the idea of "paying yourself first." They currently have $175 withheld each month from their paychecks to provide a fund for emergencies. They plan to increase that amount to $400 each month for the next year to enable them to make a $2,700 down payment on the second car.

The table below lists John and Marcia's "before" and "after" fixed expenses. The only item that has changed in the After column is "Savings withheld." Go to the table of John and Marcia's variable expenses. Determine where John and Marcia can draw the additional $225 for savings from their variable expenses. Complete the table and answer the questions at the end of this exercise.

Monthly Budget	Before	After
Total Income (both spouses work)	**$5,200**	**$5,200**
Fixed Expenses		
Housing	$750	$750
Life and disability insurance	$325	$325
Renter's insurance	$15	$15
Automobile insurance	$80	$80
Student loan	$100	$100
Savings withheld	$175	$400
Federal and State taxes	$630	$630
Social Security	$400	$400
Pension fund withheld	$80	$80
Total Fixed Expenses	**$2,555**	**$2,780**

Variable Expenses	Before	After
Meals (at home)	$300	
Meals (away from home)	$250	
Utilities	$315	
Automobile fuel, maintenance	$290	
Medical care	$230	
Childcare	$205	
Clothing	$195	
Gifts and contributions	$60	
Magazines and newspapers	$10	
Home furnishings and appliances	$200	
Personal Care	$50	
Entertainment	$260	
Vacation	$120	
Credit Card	$100	
Miscellaneous/personal	$60	
Total Variable Expenses	**$2,645**	
Total expenses	**$5,200**	**$5,200**

Questions

a. What are some examples of John and Marcia's fixed expenses?

b. What are some examples of John and Marcia's variable expenses?

c. John and Marcia have decided to practice the "pay yourself first" approach to saving for a second car. How do they pay themselves first?

d. Examine John and Marcia's monthly spending plan. What sacrifices do you think John and Marcia should make in their variable expenses to meet their goal? Note: At-home food expenses can't be reduced below $220.

e. What are the benefits and costs of your recommended decisions for John and Marcia?