

BUDGETING 101		Student/Class Goal Students complain about never having enough money. Budgeting is about choices – choosing how to make money and choosing how to spend money wisely.
Outcome <i>(lesson objective)</i> Students identify sources of income, distinguish between fixed and flexible expenses, distinguish between needs and wants, and develop a personal budget.		Time Frame 2-3 hours - up to 1 week outside class
Standard <i>Use Math to Solve Problems and Communicate</i>		NRS EFL 2-4 but all would profit
COPS Understand, interpret, and work with pictures, numbers, and symbolic information.	Activity Addresses Components of Performance Choose to work with financial values that reflect income and expenses.	
Apply knowledge of mathematical concepts and procedures to figure out how to answer a question, solve a problem, make a prediction, or carry out a task that has a mathematical dimension.	Students will be working with various concepts of money and decimal-related addition and subtraction activities.	
Define and select data to be used in solving the problem.	Make decisions concerning fixed and flexible expenses, needs and wants from individual financial records.	
Determine the degree of precision required by the situation.	Rounding may be necessary when determining amounts for their budgets.	
Solve problem using appropriate quantitative procedures and verify that the results are reasonable.	Students can use a calculator to solve and check their calculations.	
Communicate results using a variety of mathematical representations, including graphs, chart, tables, and algebraic models.	Using a budgeting tool of choice, students will develop and keep a budget for their individual expenses.	
Materials Betty's Financial Scenario Daily Spending Diary Income and Expenses Worksheet Monthly Payment Schedule Handout Monthly Payment Calendar Handout Budgeting Learning Objects		
Learner Prior Knowledge Did students know that from 1992-2000, disposable personal income rose 47%, but personal spending increased 61%? How many of you have a budget? How has it worked for you? A good way to start taking control of your financial situation is to develop a savings and spending plan or budget. Vocabulary Review: budget, income, expenses, fixed, variable, needs and wants, consumer, money, spending, saving, gross, net		
Instructional Activities Step 1 - Step 1 – List the benefits of budgeting on an overhead or chart paper <ul style="list-style-type: none"> • Reduces money-related anxiety • Gives you control of your financial situation • Helps you build assets and improve the quality of life Knowing your income and expenses will help you take control of your financial situation Step 2 - <i>Do you know where your money goes each month? How often have you taken \$20 out of the ATM and at the end of the day, not known where it all went?</i> If you want to be in control of your money, it is critical you understand where your money goes. One way to do this is to keep a <i>Daily Spending Diary</i> to record everything you spend. Write down how much money you have already spent today. Continue keeping records for the next 7 (or possibly 30) days to document your expenses. Step 3 – Turn to the <i>Income and Expenses Worksheet</i> to see a picture of your income and expenses each month. What are some income sources you would want to include? (wages, public assistance, child support, alimony, interest, dividends, social security)		

Model completing this worksheet together using the amounts from *Betty's Financial Scenario*.

√ Monthly net or take-home pay \$1000

What is the difference between gross (total income without deductions) and net (gross minus Social Security, other taxes and health insurance) income? Students can keep definitions in a vocabulary journal.

√ Receiving \$300 child support payments

√ Total income column \$1300 per month

Next list monthly expenses in the right column. **Fixed** expenses are items you have little control over and must pay each month. (rent/mortgage, property taxes/insurance, trash collection) Expenses paid yearly can be divided by 12 to get a monthly amount.

√ \$500 each month for rent (utilities included)

Some **control** before initial agreement (car payment, car insurance, other loans, health insurance, day care)

√ \$50 for two credit card bills

√ \$250 for child care

Flexible expenses (savings – pay yourself first, gas/oil, electricity, water, telephone, food, transportation/gas, car maintenance, education, personal expenses, other. Think of needs versus wants and how to control these expenses. *What are some ways to control the costs of these expenses?*

Ask students to rank the budget items in order of importance and then determine whether each item is a “want” or “need”. Have students figure out what percentage of the total income each item represents and determine whether there is a relationship between the importance of an item and the percentage of the budget it represents.

√ \$25 for telephone bill

√ \$250 month on food – from spending diary

√ \$50 for transportation

√ \$50 personal expenses – from spending diary

√ \$1200 total expenses

Guide a brief discussion. *What difficulty, if any, did they have? How might they modify the worksheet to make it more useful for their personal situation?*

Students should use own information to complete the *Income and Expenses* worksheet.

Step 4 - There are many budgeting tools to help you keep a record of your income and bill payments. To successfully use these tools, you must keep accurate records. Record these recordkeeping tips on an overhead or chart paper:

- Keep records in a safe place
- Organize your files so it is easier to find information
- Keep tax records for at least 3 years
- Send your bill payments before they are due

As a group, working with the amounts from *Betty's Financial Scenario*, complete the *Monthly Payment Schedule*. Also, look back at the *Income and Expenses* Worksheet completed earlier for any financial information needed to finish this tool.

Transfer income sources and date the income is expected. Transfer your expenses, the date due and amount due into the appropriate columns

The *Monthly Payment Calendar* is another way to help you keep a record of your bill payments and due dates. Transfer the same income and expenses onto the calendar. People like to use different colors for income and expenses.

There are several additional types of budgeting tools you can use at home. You should use the one you are most comfortable with.

1. Expense Envelope System – Make an envelope for each expense category (rent, utilities, food, etc.). Label the envelope with the expense, amount and date due. When you receive income, divide it into amount to cover your expenses. Pay bills right away, so you won't be tempted to spend the money for something else.

2. Budget Box System – Use a small box with dividers for each day of the month, like a filing system. When you receive a bill, check the due date and place it behind the card that represents that date. As you receive income, pay the bills that are due.
3. Computer System – Create your own spreadsheet or purchase a personal finance program. This is relatively easy and once you set up the system, updating information can be done quickly.

Step 5 - If your budget shows you have more expenses than income, there are ways to get out of trouble. What payments do you think you should make first if you don't have enough money to pay all of your bills? If you can pay your monthly household expenses, but are having trouble paying all your loans, consider talking to your creditor or a debt consolidation company.

Step 6 - Select the budgeting tool you feel most comfortable with, transfer the information from your personal *Income and Expenses* Worksheet.

Assessment/Evidence *(based on outcome)*

Class participation
Appropriateness of their personal budget

Teacher Reflection/Lesson Evaluation

Not yet completed.

Next Steps

Follow up with the lesson on *Cutting Expenses* if folks need help with trimming costs from their budgets. Creating a spreadsheet might also be a practical tool for students to develop individually or as a class. Budgeting Learning Objects will give students additional practice with their personal spending plan.

Technology Integration

Disposable Personal Income <http://research.stlouisfed.org/fred2/series/DSPI/>
Personal Income http://www.bls.gov/emp/ep_table_404.htm
Income and Poverty Data http://lwd.dol.state.nj.us/labor/lpa/industry/incpov/incpoverty_index.html

Purposeful/Transparent

Students are concerned about how they spend their money and want to make wise decisions. Teacher models completing the tools together and then students apply the information to their own situations.

Contextual

Students are using actual budgeting techniques to improve their financial situations. Additional budgeting resources and copies are available for students to set up their own budgeting system.

Building Expertise

This will allow students to actually document where their money goes and make adjustments in their spending patterns over time in order to improve their financial savings.

Betty's Financial Scenario

Betty works for Hometown Company and takes home \$1000 each month. Her gross pay is \$1300, but she has to pay Social Security, taxes and health insurance from that amount. Betty receives \$300 each month for child support from her ex-husband. Since the divorce, Betty has found a nice apartment for \$500, where she can catch the bus and buy a bus pass for \$50 each month. Her utilities are included in the rent, but Betty has purchased a phone plan that meets her needs for \$25. Betty's daughter goes to her neighbor's while she is at work; they have agreed that \$250 will cover those expenses for Savannah. After monitoring her expenses for a month, Betty found that she should budget \$250 for groceries and eating out and allows \$50 for personal expenses such as clothing and an occasional splurge. Betty has learned to pay herself first, so she has opened a savings account and deposits \$25 each month. She is also paying off two credit card debts and pays the minimum balance of \$25 for each card. How's she doing?

Daily Spending Diary

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

Income and Expenses

My Income

Wages	\$	<u>1,000</u>
Public Assistance	\$	<u> </u>
Child support/Alimony	\$	<u>300</u>
Interest/Dividends	\$	<u> </u>
Social Security	\$	<u> </u>
Other	\$	<u> </u>

My Expenses

Fixed Expenses

Rent/Mortgage	\$	<u>500</u>
Property Taxes/Insurance	\$	<u> </u>
Trash Collections	\$	<u> </u>
Car Insurance	\$	<u> </u>
Other Loan Payments	\$	<u>50</u>
Health Insurance	\$	<u> </u>
Day care/Elder care	\$	<u>250</u>

Flexible Expenses

Savings	\$	<u>25</u>
Gas/Oil	\$	<u> </u>
Electricity	\$	<u> </u>
Water	\$	<u> </u>
Telephone	\$	<u>25</u>
Food	\$	<u>250</u>
Transportation/Gas	\$	<u>50</u>
Car Maintenance	\$	<u> </u>
Education	\$	<u> </u>
Personal Expenses	\$	<u>50</u>
Other	\$	<u> </u>

Total Income \$ 1300

Total Expenses \$ 1200

*Remember to plan for income and expenses that do not occur on a monthly basis.

Income and Expenses

My Income

Wages \$ _____
Public Assistance \$ _____
Child support/Alimony \$ _____
Interest/Dividends \$ _____
Social Security \$ _____
Other \$ _____

Total Income \$ _____

My Expenses

Fixed Expenses

Rent/Mortgage \$ _____
Property Taxes/Insurance \$ _____
Trash Collections \$ _____
Car Insurance \$ _____
Other Loan Payments \$ _____
Health Insurance \$ _____
Day care/Elder care \$ _____

Flexible Expenses

Savings \$ _____
Gas/Oil \$ _____
Electricity \$ _____
Water \$ _____
Telephone \$ _____
Food \$ _____
Transportation/Gas \$ _____
Car Maintenance \$ _____
Education \$ _____
Personal Expenses \$ _____
Other \$ _____

Total Expenses \$ _____

*Remember to plan for income and expenses that do not occur on a monthly basis.

Monthly Payment Schedule

Income	Bills	Pay or Due Date	Amount Due	Paid
Wages		April 2	\$1000	
Child Support		April 5	\$300	
	Savings	April 2	\$25	
	Rent	April 6	\$500	
	Telephone bill	April 16	\$25	
	Credit card payments	April 20	\$50	
	Food	April 20	\$250	
	Transportation	April 23	\$50	
	Personal expenses	April 27	\$50	
	Child care	April 28	\$250	

Monthly Payment Calendar

April						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 \$1000 paycheck \$25 savings	3	4	5 \$300 child support	6 \$500 rent	7
8	9	10	11	12	13	14
15	16 \$25 phone bill	17	18	19	20 \$250 food \$50 credit card	21
22	23 \$50 bus	24	25	26	27 \$50 personal	28 \$250 child care
29	30					

Monthly Payment Calendar

- \$ Transfer your income sources and amounts from the *Income and Expenses* worksheet to the income column on the *Monthly Payment Schedule* worksheet.
- \$ Transfer your expenses to the dates they are due on the *Monthly Payment Schedule* worksheet.
- \$ Use different colored ink for income and expenses.
- \$ Check off each bill as it is paid.

April						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					



<http://www.wisconline.org>

Calculating Monthly Expenses

Author: Michele Williams

School: Fox Valley Technical College **Date:** 4/25/2002

Description: Students learn to establish a budget by determining their earnings, expenses, and goals. The budget is shown as a pie chart.

http://www.wisc-online.com/objects/index_tj.asp?objID=ABM3902

Monthly Expenses Worksheet

Author: Kristin Biekkola

School: Fox Valley Technical College **Date:** 4/16/2002

Description: Students are provided with a Monthly Expenses Worksheet to help them understand the basics of budgeting, income, and spending.

http://www.wisc-online.com/objects/index_tj.asp?objID=ABM3202a

Needs vs. Wants

Author: Kristin Biekkola

School: Fox Valley Technical College **Date:** 4/8/2002

Description: The student reads information about the concept of needs and wants related to building a personal budget. In an interactive activity, the student identifies general purchases as "needs" or "wants" and lists the needs and wants in his/her own life.

http://www.wisc-online.com/objects/index_tj.asp?objID=ABM3302

Personal Savings/Spending Plan for Adults-Actual

Author: Kristin Biekkola

School: Fox Valley Technical College **Date:** 4/16/2002

Description: Students are provided with review information and exercises from the planning part of the "Personal Savings/Spending Plan for Adults" learning object. This activity provides students with a printout of their actual spending for their personal needs and wants.

http://www.wisc-online.com/objects/index_tj.asp?objID=ABM3202b

Budgeting Learning Objects