

It's Your Paycheck!

Lesson 4:

Your Budget Plan

Standards and Benchmarks (see page 4.14)

Lesson Description

Students work in pairs to participate in a “Track Star” game that illustrates positive and negative spending behaviors. Each pair analyzes the game results, identifies effective and ineffective budgeting behaviors, and generates a list of budgeting principles.

Grade Level

6-12

Concepts

Budget
Expenses
Fixed expenses
Income
Periodic expenses
Variable expenses

Compelling Question

How can a budget help people meet financial goals?

Objectives

Students will be able to

- define budget, expenses, fixed expenses, income, periodic expenses, and variable expenses;
 - give examples of effective and ineffective budgeting behavior;
 - give examples of fixed, variable, and periodic expenses; and
 - explain why some emergency savings is important when implementing good budgeting.
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Time Required

45 minutes

Materials

- PowerPoint slide deck for "It's Your Paycheck! Lesson 4: Your Budget Plan"
 - Handout 4.1, one copy cut into strips
 - Handouts 4.2 (copied on 11" x 17" paper if desired), 4.3 (copied on colored paper if desired), and 4.4, one copy of each for each pair of students
 - Handouts 4.5 and 4.6, one copy of each for each student
 - Handout 4.6 Answer Key, one copy for the teacher
 - Scissors for each student
 - One calculator for each student
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Procedure

1. Distribute a definition strip from *Handout 4.1: Definitions* to three students and instruct them to wait until called on to read the definition.
 2. Display Slide 1 and ask students to write down three words or phrases that come to mind when they think about the term **budget**. Ask students to share answers. (*Answers will vary but may include spending, saving, money, spending plan, or credit.*)
 3. Explain that budget may be used as a noun or a verb. Call on the student who has the definition of budget from Handout 4.1 to read the definition aloud to the class. Display Slide 2 so that students can read the definition.
 4. Display Slide 3 and ask students what the term **income** means. (*Answers will vary but may include the money one makes, money received, or job pay.*) Call on the student who has the definition of income from Handout 4.1 to read the definition aloud to the class. Display Slide 4 so that students can read the definition.
 5. Display Slide 5 and ask students what the term **expenses** means. (*Answers may vary but may include spending money, payments, or costs.*) Call on the student who has the definition of expenses from Handout 4.1 to read the definition aloud to the class. Display Slide 6 so that students can read the definition.
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6. Tell students that they are going to work in pairs to play a board game called Track Star. The objective of the game is to see which of the two players can finish running the track first. Players advance by moving their game piece based on the information on game cards.
7. Divide the class into student pairs. Distribute *Handout 4.2: Track Star Game Board* to each pair of students. Tell students that the two competitors in the game are "Jet Stream" and "Whoosh." Each pair is to decide who will be Jet Stream and who will be Whoosh.
8. Distribute to each pair of students two pair of scissors, one copy of *Handout 4.3: Jet Stream's Game Cards*, and one copy of *Handout 4.4: Whoosh's Game Cards*. Tell the students to cut out their character cards and game pieces and then shuffle the cards, being careful not to mix up the individual character's cards, and place them face down on the appropriate spaces on the game board.
9. Display Slides 7-8 and explain the directions for playing the game.
10. Tell students to raise their hands when they finish the game. At that time, give each student a copy of *Handout 4.5: Savvy Spending and Saving Principles*. Tell students to develop answers as a pair but both students should record their answers.
11. Allow time for students to complete the handout, then display Slide 9 and discuss the following:
 - Which expenses did both Whoosh and Jet Stream have in the game? (*A friend's birthday gift, a flat tire repair, and the increased price of movie tickets*)
 - What do these expenses have in common? (*Answers will vary but may include the following: They are all unexpected expenses. A flat tire repair and the increased price of movie tickets are things over which they have no control. The movie tickets and the birthday gift are optional expenses, but fixing the flat tire is not an optional expense.*)
12. Display Slide 10 and explain that expenses are often categorized as fixed, variable, or periodic. **Fixed expenses** are expenses that occur each month in a regular amount, such as rent or a car payment. **Variable expenses** are expenses that change from one period to the next, such as food and gasoline. **Periodic expenses** are expenses that occur several times a year, such as car insurance.
13. Display Slide 11 and ask students for some examples of variable and periodic expenses mentioned in the game. (*Variable expenses: movie theater snacks, shirt at a concert, and miscellaneous cash expenses; periodic expenses: friend's birthday gift, flat tire repair, Monster Music purchase, and Instruments, Inc. guitar purchase*)

14. Point out that there were no references to fixed expenses in the game. Display Slide 12 and ask the students for some examples of fixed expenses that Whoosh and Jet Stream or other teens might have. *(Answers will vary but may include rent or a car payment.)*
15. Display Slide 13 and call on students for answers; record responses on the board so that all students will see them. See Slide 14 for suggested answers.
16. Discuss the following:
 - What is a budget? *(An itemized summary of probable income and expenses for a given period; a plan for managing income, spending, and saving)*
 - Based on the list of successful spending and saving principles, what advice would you give Whoosh? *(Answers will vary but may include the following: Keep track of your expenses, keep receipts, track the money in your bank account, pay bills on time, and save for unexpected and periodic expenses.)*
17. Display Slide 15. Point out that the advice for Whoosh is really to have a budget because a budget helps people keep track of their income and expenses.
18. Explain that one of the successful saving principles that students identified was to save for unexpected expenses. Unexpected expenses include emergencies. Discuss the following:
 - What emergency expense occurred in the game? *(A flat tire)*
 - What are other examples of emergency expenses? *(Another type of car repair, an appliance repair or replacement, a medical expense)*
 - Why does a good budget include some emergency savings? *(You are better prepared for the unexpected, so you don't have to use a credit card or borrow money in an emergency.)*
 - How can a budget help people meet their financial goals? *(Answers will vary but may include that it helps them plan, encourages them to control spending, or encourages them to save.)*
 - Point out that a budget can help people meet their financial goals because it helps them control spending and encourages them to contribute regularly to savings. These habits help people grow savings they can use to meet future goals.

Closure

19. Display Slides 16-22 and review the key points of this lesson by discussing the following:
 - What is budgeting? *(Budgeting is managing one's income and expenses by creating a plan.)*
 - What is income? *(Income is the payment people receive for providing resources in the marketplace. When people work, they provide human resources [labor] and in exchange they receive*

income in the form of wages or salaries. People also earn income in the forms of rent, profit, and interest.)

- What are expenses? (*Expenses are costs incurred for goods and services.*)
- What are fixed expenses? (*Fixed expenses are expenses that occur each month in a regular amount.*)
- What are some examples of fixed expenses? (*Rent, a mortgage payment, and a car payment*)
- What are variable expenses? (*Variable expenses are expenses that change from one period to the next.*)
- What are some examples of variable expenses? (*Food, entertainment, gasoline, clothing, and dining out*)
- What are periodic expenses? (*Periodic expenses are expenses that occur several times a year.*)
- What are some examples of periodic expenses? (*Gifts for birthdays or other special occasions, health insurance, and car insurance*)
- Why do you think the game board included the following spaces? "Buy friend birthday gift. Move back 1 space." "Flat tire repair. Move back 1 space." "Movie tickets increase in price. Move back 1 space." (*Even savvy spenders/savers like Jet Stream have unexpected and periodic expenses for which they should be prepared if possible.*)
- What are some important principles to keep in mind if you want to be a savvy spender/saver? (*Answers will vary but should include the following: Save before spending. Have an emergency fund. Make informed choices. Plan for periodic expenses. Create a budget and be sure that your expenses don't exceed your income.*)
- Why is emergency savings an important part of a budget? (*Emergency savings helps people be prepared for unexpected events in life so that they don't have to use credit cards or borrow money.*)
- How can a budget help people meet financial goals? (*A budget helps people control spending and increase savings. Growing savings allows people to meet their financial goals.*)

Assessment

20. Distribute *Handout 4.6: Maria's Story—Assessment* and have students follow the directions to create a budget. (Budgets may vary, but expenses should not exceed income.) See *Handout 4.6: Maria's Story—Assessment Answer Key* for other suggested answers.
21. Optional: Have students exchange their completed Handout 4.6 with another student and instruct them to check each other's budget for Maria, making sure the math is correct and expenses do not exceed income.

Handout 4.1: Definitions

Budget (noun)

An itemized summary of probable income and expenses for a given period; a plan for managing income, spending, and saving during a given period.

Budget (verb)

To plan or manage income and expenses.

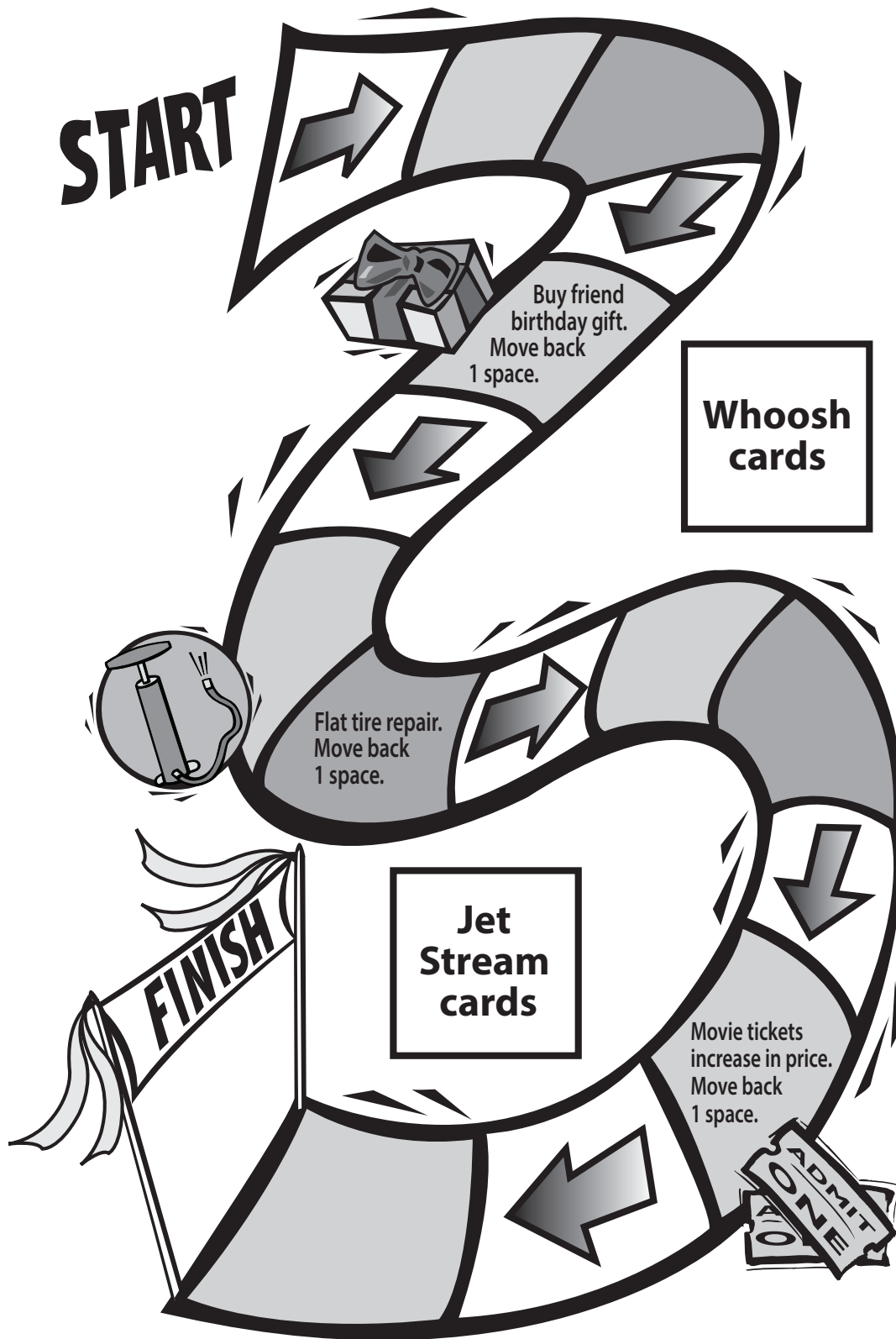
Income

The payment people receive for providing resources in the marketplace. When people work, they provide human resources (labor) and in exchange they receive income in the form of wages or salaries. People also earn income in the forms of rent, profit, and interest.


Expenses

Costs incurred for goods and services.


Handout 4.2: Track Star Game Board



Handout 4.3: Jet Stream's Game Cards

	<p>★ You established a savings account and put 10% of your paycheck into that account before spending on other things. Move forward 3 spaces.</p>	<p>★ You put 5% of your paycheck in a fund for unexpected expenses. Move forward 1 space.</p>
<p>★ You elected to receive your paycheck by direct deposit. Move forward 1 space.</p>	<p>★ You waited until you received your first paycheck before you spent your earnings. Move forward 2 spaces.</p>	<p>★ When your expenses were greater than your income, you reworked your budget so that your income was equal to or greater than your expenses. Move forward 3 spaces.</p>
<p>★ You started keeping track of your miscellaneous cash expenditures so that you'd know where your money is going. Move forward 2 spaces.</p>	<p>★ At the end of the month, you compared your actual spending with your budget and noted categories where you overspent. Move forward 2 spaces.</p>	<p>★ Based on your monthly income, you created a budget. Move forward 2 spaces.</p>
<p>★ You received a bill from Monster Music and paid it by the due date. Move forward 2 spaces.</p>	<p>★ You withdrew \$20 cash from an ATM, kept the receipt, and recorded the withdrawal. Move forward 2 spaces.</p>	<p>★ You received your monthly bank statement and balanced your checkbook. Move forward 3 spaces.</p>

Handout 4.4: Whoosh's Game Cards

	 <p>You established a savings account and put 10% of your paycheck into that account before spending on other things. Move forward 3 spaces.</p>	 <p>You did not put money from your paycheck in a fund for unexpected expenses. Move back 1 space.</p>
 <p>You threw away your receipt after withdrawing cash from your ATM and forgot to record it. Move back 2 spaces.</p>	 <p>You made a budget based on your gross pay rather than your net pay. Move forward 2 spaces for creating a budget but move back 1 space for basing it on gross pay rather than net pay.</p>	 <p>You didn't double-check your math when you created a budget and do not have an accurate amount for your monthly expenses. Move back 2 spaces.</p>
 <p>You notice you always run out of cash but have no idea where you spend it—you do not keep track of your miscellaneous cash transactions. Move back 2 spaces.</p>	 <p>To stay within your entertainment budget, you didn't purchase any candy or soft drinks while at the movie theatre. Move forward 2 spaces.</p>	 <p>You purchased a shirt at a concert without having any money in your budget for this. Move back 1 space.</p>
 <p>You received a bill from Instruments Inc. for a guitar you purchased and mailed the payment on the due date. Move back 2 spaces because your payment will be late.</p>	 <p>You got \$20 cash from the ATM, kept the receipt, and recorded the withdrawal. Move forward 2 spaces.</p>	 <p>You received your monthly bank statement but never got around to balancing your account. Move back 3 spaces.</p>

Handout 4.6: Maria's Story—Assessment (page 1 of 2)

Maria is one of your best friends. She keeps complaining that she runs out of money each month before she gets paid and that she isn't able to save any money. She's asked you to help her make a budget based on her income from two part-time jobs. She handed you a crumpled paper with the following record of her expenditures for last month. Before you help her make a budget, help her balance her monthly transactions by filling in the last column of the table below. To obtain the balance, add income and subtract expenditures and withdrawals.

Date	Transaction	Expenditure	Income or Withdrawal	Balance
2/1	Paycheck—direct deposit		\$210.20	
2/1	ATM cash & fee		-\$21.50	
2/1	Movie and soft drink	\$9.50		
2/3	Gasoline	\$35.50		
2/5	Music downloads	\$17.80		
2/10	Old Army clothes	\$43.47		
2/12	ATM cash		-\$40.00	
2/15	Jewelry at Clara's	\$14.99		
2/16	Paycheck—direct deposit		\$200.25	
2/25	Quarterly car insurance payment to parents	\$125.50		
2/29	Monthly car payment to parents	\$95.00		

Handout 4.6: Maria's Story—Assessment (page 2 of 2)

Using the information on the previous page, help Maria make a budget so that her expenditures do not exceed her monthly income of \$410.45 and she can begin to save some money. Be sure to allocate at least \$50 per month for gasoline because Maria has to use her car to get to work. Categorize her expenses appropriately. Use the form below. If your first budget attempt goes over her income, use the second column.

	1st Budget attempt	2nd Budget attempt
Income		
Earnings		
Other (gifts, etc.)		
Total income		
Fixed expenses		
Variable expenses		
Periodic expenses		
Emergency savings		
Total expenses		
Total income less expenses		

On the back of this page, write a note to Maria explaining what a budget is and what fixed, variable, and periodic expenses are. Explain ways in which Maria might reduce her current expenditures to meet her budget and begin to save. Explain why having an emergency fund is important. Identify at least three savvy spending and saving principles that might help Maria and explain why they would help her.

Handout 4.6: Maria's Story—Assessment Answer Key**Maria's Monthly Transactions**

Date	Transaction	Expenditure	Income or Withdrawal	Balance
2/1	Paycheck—direct deposit		\$210.20	\$210.20
2/1	ATM cash & fee		-\$21.50	\$188.70
2/1	Movie and soft drink	\$9.50		\$179.20
2/3	Gasoline	\$35.50		\$143.70
2/5	Music downloads	\$17.80		\$125.90
2/10	Old Army clothes	\$43.47		\$82.43
2/12	ATM cash		-\$40.00	\$42.43
2/15	Jewelry at Clara's	\$14.99		\$27.44
2/16	Paycheck—direct deposit		\$200.25	\$227.69
2/25	Quarterly car insurance payment to parents	\$125.50		\$102.19
2/29	Monthly car payment to parents	\$95.00		\$7.19

NOTE: No answer key is provided for page 2 of the assessment as budgets will vary.

Standards and Benchmarks

National Standards for Personal Financial Education

Standard II. Spending

- **Benchmarks: Grade 4**
 1. People differ in their preferences, priorities, and resources available for consuming goods and services.
 2. Money can be spent to increase one's own or another individual's personal satisfaction or to share the cost of goods and services.
 3. When people make a decision to use money for a particular purpose, they incur an opportunity cost in that they cannot use the money for another purpose.
 4. Purchasing decisions have costs and benefits that can be different for different people.
- **Benchmarks: Grade 8**
 1. Creating a budget can help people make informed choices about spending, saving, and managing money in order to achieve financial goals.
 2. Making an informed purchase decision requires a consumer to critically evaluate price, product claims, and quality information from a variety of sources.
- **Benchmarks: Grade 12**
 1. A budget helps people achieve their financial goals by allocating income to necessary and desired spending, saving, and philanthropy.

Voluntary National Content Standards in Economics

Standard 13: Income

Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce.

- **Benchmarks: Grade 8**
 2. To earn income, people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial ability.