

3. Budgeting Basics

Material needed from FLB: None

Material needed from Local Site: Computer, Projector, Pencil and Paper.

National K-12 Standards Covered:

Investing

- *Standard 2. Evaluate investment alternatives.*

Risk Management and Insurance

- *Standard 1. Identify common types of risks and basic risk management methods.*
- *Standard 3. Justify reasons to use health, disability, long-term care and life insurance.*

Financial Decision Making

- *Standard 1. Recognize the responsibilities associated with personal financial decisions.*
- *Standard 2. Use reliable resources when making financial decisions.*
- *Standard 8. Use a personal financial plan*

Lesson Guideline:

Watch video: No one is ever too old for school house rock

<https://youtu.be/1MeZvhQyTe4>

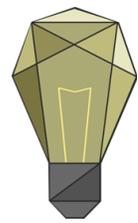
Reflective Questions:

- Where do we budget some of our money
- What kinds of things would you save for?
- What would your parents save for?

1. Ask students how much money a middle school or elementary student needs to "live" each month. Record responses on the board. Ask students to identify how they spend money (answers may include clothing, entertainment, savings, etc.). Finally, ask students how they obtain the money they spend. Answers may include allowance from parents, chores, jobs, gifts, etc.

2. Write the following sample student monthly expense and income information on the board (examples can be modified as appropriate for your class):

- Entertainment \$15



- (one \$10 movie/month plus \$5 popcorn)
- Monthly Allowance \$40
- Music/Game Downloads \$20
- (16/month @ \$1.25)
- Pay from walking neighbor's dog \$10
- (four ten-minute walks per month)
- Snacks \$10

3. Ask if this student has enough money to meet the monthly expenses. (Yes.) Ask how this can be determined. (Identify and group together income items and expense items, calculate totals, and compare the totals.) Indicate that the student has income of \$50 per month and expenses of \$45. Indicate that the difference of \$5 can be categorized as "savings."

4. Next rewrite the income and expense items in the form of a monthly budget:

Income: 50\$

- Allowance 40\$
- Dog Walking 10\$

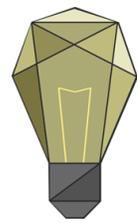
Expenses: 45\$

- Entertainment \$15
- Music \$20
- Snacks \$10

Total Income - \$50

Total Expenses - \$45

- 5. Ask students how to show the \$5 difference between income and expenses. (Show as "savings")
- 6. Indicate that this is called a budget. Ask students why it might be useful to keep a budget. (Answers might include: keeping track of expenses, making sure expenses don't exceed income, helping set financial goals, etc.) To demonstrate, ask the class how this student could increase monthly savings for a large purchase in the future. Answers will vary but should include increasing income and/or cutting expenses.



- 7. Ask the class whether or not the dog walking income is money the student can count on. (No, the family might go on vacation, decide to walk the dog themselves, etc.) Then ask what would happen if the family paying for the dog walking moved away and there was now no dog walking income? (Answers might include: find another family that wants its dog walked, cut expenses, etc.) What would happen if a second family wanted its dog walked and dog walking pay increased to \$20? (Answers might include that the student could spend and/or save more.)

Grocery Budget Game

Grocery shopping on a budget can be a challenge and expensive when trying to purchase everyone's favorite foods. Those favorite foods can cost more than the family realizes. The Grocery Budget game is a unique and fun way to teach players the art of grocery shopping on a budget. Each player gets a scenario that defines the family size and the amount of money available for grocery shopping. The players visit a local grocery store and write down the items they want to buy and the prices. The players switch scenarios and play again. The player that gets all the items within the allotted budget wins the game. Players learn the art of adjusting their spending and watching for sales.

Scenarios -

1. Family 1 - Meet the Millers - Size: 4 kids + mom/dad. They have a budget of \$250 to spend at the grocery store.
2. Family 2 - Meet the Smiths - Size: 1 kid + mom/dad. They have a budget of \$110 to spend at the grocery store.
3. Family 3 - Meet the Johnsons - Size: 3 kids + mom. They have a budget of \$350 to spend at the grocery store.