Lesson 2: Budgeting and Saving

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| Learning Goals:  |

* Understand the importance of a budget
* Develop an appropriate budget
* Understand the importance of saving and having a plan

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| Topic: Budgeting  |

A budget is a plan of your future income and expenses so that you know how much to spend and save. It can help you identify how you spend your money, help you plan savings, and help you make decisions about your money.

Important terms:

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| Income | Money received during a period of time |
| Expenses | Money spent during a period of time  |
| Fixed expenses | Expenses that occur regularly and don’t change from month to month - for example your rent or mortgage. |
| Variable expenses  | Expenses that occur regularly but can change from month to month - for example the amount you spend on groceries  |
| Discretionary expenses  | the money that you choose to spend - for example on entertainment  |

With a budget you always want to have more money coming in then you are spending.

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| Income - Expenses = if this a positive number you have money left over after covering all of your expenses - this is GOOD! |

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| Income - Expenses = if this is a negative number you cannot cover all your expenses and you are going into debt - this is BAD! |

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| Examples/Warm up |

1) Play the [bean game](http://financeintheclassroom.org/downloads/BeanGameExtension.pdf)!

Round 1 Discussion

Why did you choose the items you did? In what ways were you influenced by your values? Your goals? Your previous experiences?

Round 2 Discussion

What kinds of items did you choose to give up? Why?

*2) Farah spends the following in a month - She spends $300 on groceries, $100 on clothes, $900 on rent, $150 on utilities (water, hydro, electricity), $120 on entertainment, $60 on her cell phone and $300 on transportation (insurance, gas, and car repairs). She makes $2000 a month from her full time job and does some extra jobs on Saturdays which makes her $100 a month.*

1. Put Farah’s expenses and incomes into the chart below and calculate the totals.

**Income**

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| Full time job | $2000 |
| Part time Saturday job | $100 |
| Total Income | $2100 |

**Expenses**

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| Rent | $900 |
| Utilities  | $150 |
| Cell phone  | $60 |
| Transportation  | $300 |
| Groceries  | $300 |
| Entertainment  | $120 |
| Clothes  | $100 |
| Total Expenses | $1930 |

*b) Does Farah have enough money each month to cover her expenses? How much money is left over or how much is she in debt*?

Income - Expenses = $2100 - $1930 = $70. Farah has enough money to cover her expenses. She has $70 left over.

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| Practice Questions:  |

1. Stephanie makes $3000 a month. Every month she spends $1500 on rent, $400 on transportation (insurance, gas, repairs), $200 on clothes, $250 on entertainment, $30 on her nails, $300 on groceries, $400 on utilities, $60 on a gym membership, $100 on her cell phone, $140 on cable and internet. She also makes $200 in interest from investments.

a) Put Steph’s expenses and incomes into the chart below and calculate the totals.

**Income**

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**Expenses**

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b) Does Steph have enough money each month to cover her expenses? How much money is left over or how much is she in debt?

c) Which of her expenses are generally fixed expenses? (List two)

d) Which of her expenses are generally variable expenses? (List two)

e) Which of her expenses are discretionary expenses? (List one)

f) Steph is not saving anything. What are some things she can change in her budget to be able to start saving for the future? (List two)

2) Fill in the following budget for yourself. List all the income you make in a month and all the expenses. Calculate the totals.

**Income**

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**Expenses**

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1. Do you have enough money to cover your expenses?
2. If you aren’t saving, what can you change to be able to start saving every month? (List two)
3. Do you have more wants or needs in your budget?
4. Why is important to start saving money? Think about your future goals (List two)

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| Assessment: Budgeting and Saving |

1. Every month Mike spends $350 on groceries, $1200 on rent, $200 on transportation (go + ttc), $50 on his cell phone, $200 on utilities, $50 on internet, $100 on clothes, $90 on a gym membership, $20 on haircuts, $300 on entertainment and $100 to pay back his student loans and he saves $150. He currently makes $4000 at his job.

a) Put Mike’s expenses and incomes into the chart below and figure out the totals.

**Income**

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**Expenses**

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b) Does Mike have enough money each month to cover his expenses?

c) If Mike had left over money, what could he do with it? (List two)

d) Is his rent a fixed or variable expense? Why?

e) Is his entertainment money a want or need? Why?

f) Are his groceries a fixed or variable expense? Why?

g) If Mike is planning to use his savings to fund a trip that will cost him $2000, how long will it take him to save?

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| Topic: Saving |

Saving money isn’t something students often think about. However, it is important to plan for the future and make sure your finances will help you achieve your goals.

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| Examples/Warm up |

We often spend money without thinking of how much little things can add up.

a) Read each of the “What if…” scenarios below and calculate the amount saved or spent.

b) Write the amount in the middle of the column

c) In the right column, list at least one consequence of the behavior

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| “What if...” | How much did you save or spend? | Possible Outcome |
| You buy a coffee every morning before school … | In a year you would have spent$279 150 x 186 school days = $279  | You could buy a coffee machine for way cheaper and save that money for other things. |
| You buy a pack of cigarettes every week for a year…  |   |   |
| You save $20 every month from your allowance for two years…  |   |   |
| You get charged a late fee of $3 per month for 6 months for not returning your library book…  |   |   |

Complete the [savings workbook](http://moneytalks4teens.ucanr.edu/newsltr_savings.pdf).

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| Assessment: Strand 1 Lesson 2 |

After going through the workbook, write down 3 saving strategies that will think will work for you. Saving is something that gets easier with time. You have to make realistic goals to save and stick with them. The earlier you start in life, the more money you can save.

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| My Easy Way to Save | Amount I Will Be Able to Save Money | What I’ll Do With My Money |
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