



LESSON THREE

**Budgeting:
Planning for the Future**

TEACHERS

Introduction

A financial plan or budget is a tool for tracking the money we receive and the money we spend. Planned spending helps keep us focused on our goals while monitoring where our money goes. It helps prevent us from impulse buying that can wreck financial goals and dreams. While some may believe that a budgets restrict what we do, it actually does the opposite; it helps ensure that we have money available to meet our wants and needs. For example, if we know we want to buy a basketball for \$10, it keeps us from spending that \$10 on something else. By following our budget, we can give up things that are less important to get the things that are more important to us.

Purpose

This lesson will help students learn how to track their income and expenses, allowing them to reach their financial goals.

Students will make choices about purchasing goods and services on a limited income.

Tool Kit

Use the newspaper to locate pictures and ads of

Definition of the Week

Budget: A financial plan of what we earn (income) and what we spend (expenses).

items students would need to live independently, such as housing, utilities, credit card payments, insurance, savings, transportation, food eaten at home, eating out, furniture, recreation, entertainment, etc. Label each picture with a realistic price if one is not given. Randomly assemble the pictures and ads into sets. Include several potential impulse purchases in each set.

Procedure

1. Explain how this lesson help them learn the importance of making planned purchases rather than impulse buying.
2. Give students the following scenario: They have been hired to work at a local fast food restaurant for 40 hours a week at \$6 per hour. Because they must deduct various state and federal taxes are deducted from their gross income, they have a net monthly income of \$752. They will use this income to pay their monthly bills, including rent, food, clothing, transportation, entertainment and other expenses.)
3. Put students in small groups and hand out sets of pictures and ads. Have groups look through the sets to become familiar with them. Tell students these are goods and services available for them to purchase with their income.
4. Have students write \$752 at the top of a sheet of paper, as their monthly income. As they make a purchase, they should write it down and subtract the price from the total, keeping a declining tally of available funds. Once an item is "purchased," they cannot delete it or change the quantity.
5. After students have spent their income, ask them if they could actually live alone on what they bought. Encourage them to evaluate their choices, identifying impulse purchases versus those that would be "regular" or planned.

*Coming next week:
Budgeting: Adjusting Your Actions*

PARENT OPTION

Discuss the differences and similarities between your family's spending patterns and those of the family in this activity. Encourage your child to think of ways your family could reduce spending or add to its income and increase your family's monthly savings. Explain to your child that all families have different incomes and different expenses, but all families make choices about what to spend. Have your child write a story about his or her spending habits, identifying ways to reduce impulse purchases.

An American Family's Annual Budget

This is the budget for a family that earns \$28,540. Add up the expenses below, and subtract them from the income. What's left over that the family can save?

Total income	\$28,540
Housing	\$8,078
Food and drink	\$4,017
Clothing	\$1,489
Transportation	\$5,093
Medical costs	\$1,298
Social Security tax and savings	\$1,935
Other	\$3,982

Total expenses

Income minus expenses

This is the amount the family can save.

Source: Bureau of Labor Statistics (1988 figures)

My Weekly Income:

Weekly allowance	_____
School lunch money	_____
Earnings from Job #1	_____
Earnings from Job #2	_____
Gifts	_____
Other	_____
Total Income=	_____

My Weekly Expenses:

School lunch	_____
Transportation	_____
School trips	_____
Snacks	_____
Toys, games, books	_____
Clothes	_____
Gifts for others	_____
Other	_____
Total Expenses=	_____

Subtract your expenses from your income:

Total Income	_____
Total Expenses	_____
Amount I can Save	= _____

Save that extra money for the things you really want. If there is no extra money, start a plan to spend less and add to your savings.

How I can spend less and save more:

Newspapers for this educational program provided by:

