Budgeting

Lesson 1: Teacher's Guide | Rookie: Ages 11-14

FINANCIAL FOOTBALL

Every Play Counts in Budgeting

Creating a realistic and specific budget is key to managing your money. This 45-minute module prepares students by helping them build and maintain a budget that aligns with their goals.

Getting Your Class Game-Ready: For many, a budget can feel like a complex game plan with too many moves to master. However, just like a complex play on the field, a budget comes down to a simple and solid plan, backed by plenty of practice. Putting the plan into action, you'll hone your skills with each step you take.

As they work to master each run or pass, players develop their balance. Balance is essential to successfully managing your money. You need to develop and maintain a balance between where your money comes from and where your money goes. You can then compare these and see if they are in sync. If you are spending more money than you are making (through part-time jobs, a stipend or allowance from your parents, etc.), your budget will fall out of balance, making it difficult to save money and reach your financial goals.

Module Level: Rookie, Ages 11-14

Time Outline: 45 minutes total

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

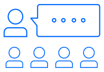
Materials: Facilitators may print and photocopy handouts and quizzes, or direct students to the online resources below.

- **Pre- and Post-Test questions:** Use this short grouping of questions, as a quick formative assessment for the Budgeting module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Budgeting resources:**
  practicalmoneyskills.com/ff01
  practicalmoneyskills.com/ff02
- **Budget Builder: Team Spending Plan**
  Lunch Tracker
  Back-to-School Budget
  Entertainment Planner
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

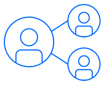
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

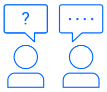
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

– Identify and examine current spending habits
– Identify the various expenses associated with your current lifestyle
– Determine the difference between a "need" and a "want"
– Create a working personal budget that supports your financial goals and evolves with your life
– Understand the relationship between managing income and expense volatility (or fluctuations), a budget, and savings goals

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each budgeting question will get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 7 to 8 of this guide.

What exactly is a budget?

A budget is a financial plan that takes income and expenses into account and provides estimates for how much you make and spend over a given period of time. Although four out of five Americans use a budget to plan their spending, according to a 2015 Bankrate Money Pulse Poll[1], 18% of all Americans keep only a mental budget.

Putting your budget on paper or in a basic spreadsheet is essential if you want a healthy financial future. You can also use mobile apps that support your budget and goals. An accurate monthly budget can help you reach your financial goals, whether you're saving for a car, buying a home, or paying off student loans. By sticking to a budget, you can save thousands of dollars each year and avoid overspending. (practicalmoneyskills.com/ff01)

What should I be tracking in a budget?

Use a budget to track your income and expenses to determine exactly how much money you have coming in and how you're spending it. Take control of your finances by following these five steps to budgeting:

1. Set Guidelines and Financial Goals
   If you choose to spend more for some expenses, remember to reduce other costs accordingly. Set guidelines on how much money should go toward different expenses. For example, if you spend more money on entertainment, you will have less to spend on snacks.

2. Add Up Your Income
   To set a monthly budget, you need to know how much money you're earning. This might include money you've earned providing a service like babysitting or mowing lawns. It could also include selling items you created or getting money from your family.

3. Estimate Expenses
   Think about where you spend your money. Some of these expenses might happen every month, like a cell phone (fixed expense) and others might change from month to month, like food costs (flexible expense). Reevaluate needs and wants when determining monthly fixed and flexible expenses.

Learning Objectives, cont.

4. Find the Difference

   Subtract your expenses from your income to find how much disposable income you have. If it's a negative number, reduce your expenses.

5. Track, Trim, and Target

   After creating your budget, track your actual income and expenses. You may be surprised to see what you spend on average each month. You can make changes to your budget to meet your goals.

How should I categorize wants vs. needs in my spending? Is it wrong to spend money on wants?

It's a balancing act. You need to buy a jacket, but you also want to buy a new phone. How do you choose? Consider your wants and needs. Not sure where an item fits? Ask yourself a few questions. What items do you need and are they necessary for your survival? Would it negatively impact your daily life if you were not able to pay for this item? Next, evaluate your current financial situation and make two lists — one for needs and one for wants. As you make the list, ask yourself the following:

- Which things are most closely aligned to my goals and values?
- What is the opportunity cost of this item, meaning the benefit or value associated with another product, that I must forgo in order to purchase this one?
- How will this benefit me now and in the future?

When your list is complete, reevaluate what qualifies as a need before making any purchases that will impact your budget. Spending money on something you want versus something you need is called discretionary spending. Examples of discretionary spending include: a soda and snack at a convenience store, movie tickets, or a summer vacation.

Wants and discretionary spending aren't bad things. In fact, a want can be an excellent motivator for saving money. However, too much discretionary spending can just as easily be the downfall that prevents monthly saving. By carefully and constantly monitoring discretionary spending habits, you make opportunities to save easier to recognize.

What is the difference between fixed and variable expenses?

As you sort your expenses, you'll find that some expenses, such as cell phone bills or online streaming subscriptions, stay the same from month to month — these are your fixed expenses. Other expenses, such as lunch costs or school supplies, may be lower or higher each month — these are your flexible or variable expenses.

Did You Know?

If you work as a contractor or freelancer, it's important to put money aside regularly from each paycheck for taxes.

What is the difference between gross and net income?

Gross income is the total amount of income an employee earns from a job before taxes are taken out.

Learning Objectives, cont.

Net income is the amount an employee earns once taxes and other costs, such as health insurance, have been deducted from gross pay.

What strategies can I use to budget for specific events (friend's birthday, local music festival, etc.)?

Are you gearing up for a friend's birthday or a local music festival? Budgeting for special events is a great way to focus on saving. Here are a few simple ideas you can use to budget for specific events:

1. **Plan it out.** Before you start shopping, figure out how much you can spend and then set a SMART (Specific, Measurable, Attainable, Relevant, Time-Related) goal. Don't leave anything out — it's better to know ahead of time if your budget will be tight.
2. **Start early and take time to get ready.** The earlier you start, the easier it'll be to avoid last-minute shopping and spending more than you can afford.
3. **Shop around and take advantage of technology.** Play it smart and comparison-shop, check for coupons or deals, and take advantage of free shipping when possible.
4. **Expect the unexpected.** Keep in mind the unknowns, such as needing extra supplies or having the cost of an item or ticket go up. Set aside an extra 10 to 15% of your event budget for surprise costs.
5. **Get creative and learn from experience.** Look for ways to get crafty and cut costs, such as making your own decorations or checking out thrift stores for supplies. Keep track of expenses and write notes for the future about what worked best.

How do I determine my net worth? What is the difference between an asset and a liability?

Creating and sticking to a budget is key to reaching your financial goals. Right now you might want to save up for a new gaming system or to have extra money on a school field trip. In the future you might want a car or a house. Budgets give us the small steps to take to build our net worth.

Did You Know?

You cannot always count on having same-day access to paychecks that were deposited into your accounts.

Net worth is your financial wealth at one point in time. The formula to calculate net worth shows how much a person owns (their assets) minus what they owe to others (liabilities).
Net worth = Assets – Liabilities

An **asset** is something that you own that has positive value. Growing your assets leads to a higher net worth.

Examples of an asset: savings accounts, collectibles like comic books or baseball cards, vehicles like bikes and cars, stocks, and real estate.

A **liability** is something that you owe, something that has negative value. Excessive liabilities can detract from your overall financial picture.
Examples of a liability: cell phone installment payments, auto loan, and unpaid credit card balances.

Generally speaking, the key to greater net worth is maximizing assets while minimizing liabilities regularly.

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Prep: Draw a horizontal line on the board labeled from $0 to $5,000+ in increments of $1,000. Post an example sticky note on the scale, representing how much the average American spends impulsively every year.

Ask: Tell students to: "Write down your initials on your sticky note, walk up to the board and place it on the scale to show how much you think the average American spends impulsively per year."

Share: When everyone is done, reveal the correct answer: $5,400

Optional Pre-Test: Refer students to page 7 of the Student Activities guide. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

Needs vs. Wants

Group Poll: Ask students for their opinions: What is the most common impulse purchase in our group (candy/takeout, clothes/shoes, magazines/books)? Note that, for most Americans, it is food.

Ask: Start a discussion with students about the following questions. Do you think impulse purchases are generally needs or wants? (wants) Some items, like food, are essential for survival, but certain types of food may also be short-term wants. It's important to remember that buying something you want isn't a bad thing. Identifying an item we want, like a new phone, can be a great way to motivate yourself to save. It's all a balancing act. By being thoughtful about how much we are spending on our needs and wants, we are better prepared to meet our goals.

Optional Did-You-Know Fact: Share national statistics on impulse buying; reference the infographic located on page 11 of the Student Activities guide.

- The average person spends $450 a month on impulse purchases
- These unplanned expenses add up to $5,400 a year and a whopping $324,000 over a lifetime

Top 5 Most Common Impulse Purchases

- Food/groceries
- Clothing
- Household supplies
- Takeout food
- Shoes

Module Section Outlines with Facilitator Script, cont.

Share: Equip students to spend wisely. Encourage them to ask themselves: Why do I want it? How would I feel three months after buying it? Will this purchase be more or less valuable in five years? Over time, do I think experiences make me happier, or do possessions? Which things are most important to me?

Finding Balance: Budgeting Basics

Share: Explain to students that the bigger picture of budgeting is monitoring our spending, using strategies to avoid impulse purchases, and maximizing our savings. Identifying their spending habits can help them ensure their actions are leading toward their personal goals.

Examine: Parts of a Budget

- **Income:** Ways we currently earn money and could earn money (chores, selling items, services like babysitting).
- **Expenses:** Look at the common expense categories. Ask students what examples of needs and wants might fit in each.

Share: A budget is a personal plan that should be aligned with your values and will reflect your goals. Everyone's budget will differ slightly and reflect one's personal cash flow.

Drafting a Spending Plan

Activity: Create a Budget Builder Team Spending Plan; have students turn to pages 8 to 10 of their Student Activities guide. With a partner, students will choose one of three scenarios to create a Budget Builder team spending plan.

- Lunch budget
- Back-to-school shopping
- Birthday/party budget

Closing: Group

Group discussion: If your goal is to build savings, how should you budget money to be spent? What items should you most consider avoiding?

Optional Post-Test: Refer students to page 7 of the Student Activities guide. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

[1]2015 Bankrate Money Pulse poll

Lesson 1 Budgeting: Answer Keys

> Budgeting Pre- and Post-Test

> Budget Builder: Team Spending Plan handout

> Impulse Purchase Infographic

Budgeting Pre- and Post-Test

Directions: Have students answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

Answer Key

1. What is the purpose of a personal budget?

(Possible answer: Make a plan to organize and manage your money)

2. A fixed expense is:

a. A concert ticket

b. A movie ticket

c. A bill amount that stays the same every month

d. A credit card bill

3. What is the first step in creating a budget?

a. Figure out how much money your receiving (income) and spending (expenses)

b. Create a list of ways to save money

c. Divide your income by your expenses

d. Open a new checking account

4. Which monthly expense is more of a "want" than a "need"?

a. Cell phone bill

b. Video games

c. Lunch costs

d. School supplies

5. Financial strategies can be used to reduce the impact emotion has on decision-making.

a. True

b. False

Budget Builder: Team Spending Plan

Set Your Sights

Directions: Divide students into small groups and have them turn to pages 8 to 10 in the Student Activities guide. Ask students to select which of the following spending plan options is most interesting to them, and to consider why.

- Lunch budget
- Back-to-school shopping
- Hosting a party

After your students have been divided into small groups, they will work with their team to create a budget for their chosen option.

Lunch Budget

Do you know how much you spend each week and year on lunch? You might be surprised. Record what you spend, adjust your habits, and save money.

Use the Lunch Tracker Financial Calculator

practicalmoneyskills.com/ff09

Do any members of your team buy lunch or bring lunch to school? If so, use the Lunch Tracker financial calculator to determine how much could be saved each month by packing lunch. If not, assume that another friend eats out for lunch three times a week and spends $11 each time. Calculate how much the friend could save by packing a lunch each day.

Answers will vary. Example of cost comparison:
Pack lunch four times a week, $3 per lunch
Eat out three times a week, $11 per lunch
Costs: $45 a week, $195 a month, and $2,340 a year

If you packed lunch every day, it would cost $21 a week, $91 a month, and $1,092 a year

So you would save $1,248 a year by packing lunch

Do any members of your team eat out with friends? How much is spent? Is eating out a source of overspending?

Answers will vary

What are social gathering alternatives that are less costly than eating out? What are strategies to spend less when you do eat out with friends?

Answers will vary; could include sports, hobbies, school and community events.

Choose Your Route, cont.

Back-to-School Shopping

Directions: Ask students to imagine the next school year; tell them to consider all of their expenses before hitting the stores for back-to-school shopping. Direct them to create a budget to save on their school supplies.

Use the Back-to-School Budget Financial Calculator:
practicalmoneyskills.com/ff10

What are your team's top five wants for back-to-school shopping?

Answers will vary; may include clothes, books, pencils, backpack, art materials

The average back-to-school costs can be over $500.[2] What are some strategies for cutting costs?

Answers will vary; may include: Look for deals online, set up a clothing swap, check out thrift stores, reuse school supplies from last year

Estimate the cost of your team's top five needs and top five wants, include individual item costs and total below.

Answers will vary

Hosting a Party

Directions: Tell students to select the type of party they would like to host. Remind them to consider all of the expenses associated with the event and reinforce the importance of sticking to a budget and not overspending.

What kind of event are you holding? (Pi Day party, birthday celebration, graduation party, etc.)

Answers will vary

What will your budget be for the whole event? (Include food, decorations, entertainment, etc.)

Answers will vary; should be reasonable for event type

Calculate the costs and record your total. Did you stay within your budget?

Use the Entertainment Planner Financial Calculator:
practicalmoneyskills.com/ff11

Answers will vary; should be reasonable for event type

How could you rework your budget so you stay within budget?

Answers will vary; may include reducing expenses or eliminating expenses based on personal values and goals

[2]Deloitte 2019 Back-to-School Survey, July 2019

Impulse Buying in the United States

Did you know that the average American impulsively spends over $5,000 a year? These are often small purchases that you might not even remember making. Acknowledging areas of overspending can be an eye-opening experience. Creating a budget and sticking to it can help you save money and reach your short- and long-term financial goals.

These unplanned expenses add up to $5,400 a year and a whopping **$324,000 over a lifetime.**

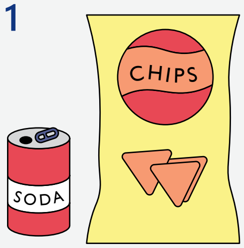
Quick Tips to Reduce Impulse Shopping

- Stick to a shopping list
- Be aware of advertising tactics in the store and online
- Track your spending to keep a clear picture of where your money is going
- Ask yourself: How you will feel about the purchase in a day? In a few months?
- Create a visual of your big financial goals to remind yourself of personal priorities

The 5 Most Common Impulse Buys

The average American spends **$450** a month on impulse buys.

1

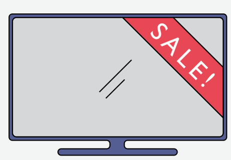


Food/Groceries

2

Clothing

3



Household Supplies

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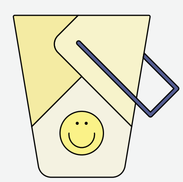
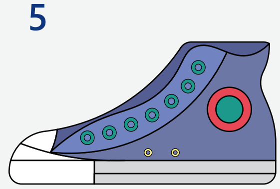


Takeout Food

5



Shoes

Use this template to help build a balanced budget

practicalmoneyskills.com/ff03

Statistics from public news survey of 2,000 Americans in 2018, by Slickdeals.

Glossary of Terms

Have students study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, students will have a better opportunity to answer questions in the game correctly and score.

Assets: Anything of material value owned by an individual or company. This may include your house, car, furniture — anything that's worth money.

Bad debt: Debt taken on for items that a consumer cannot afford and that does not generate opportunities for future income. (See good debt)

Bookkeeping: The recording of financial transactions and exchanges.

Budget: A plan for future spending and saving, weighing estimated income against estimated expenses.

Cash flow: The total amount of money being transferred into or out of a business, account, or an individual's budget.

Cost comparison: Comparing the cost of two or more goods or services in an effort to find the best value.

Cost-benefit analysis: Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

Expenses: The money an individual spends regularly for items or services.

Federal taxable wages: The sum of all earnings by an employee that are eligible for a specific taxation.

Financial advisor: A professional who provides financial services and advice to individuals or businesses.

Financial partnership: A relationship that requires financial interdependence, contribution, and communication.

Financial plan: A strategy for handling one's finances to ensure the greatest future benefit.

Fixed expenses: Personal expenses that are the same each month.

Good debt: The concept that sometimes it is worth taking on certain types of debt in order to generate income in the long run. Some common examples of good or "useful" debt include college education loans and real estate.

Gross income: The total amount of money an individual has earned before voluntary deductions, such as 401(k) contributions, and involuntary deductions like taxes are taken out.

Impulse spending: Spur-of-the-moment, unplanned decision to buy, made just before a purchase.

Income: Payment received for goods or services, including employment.

Income tax: Tax levied by a government directly on personal income.

Liabilities: Everything that you owe, which may include your mortgage, credit card balance, interest, student loans, and loans from family and friends.

Long-term financial goal: A financial goal that will take longer than a year to achieve.

Needs: Items needed in order to live, such as clothing, food, and shelter.

Glossary of Terms, cont.

Net income: The amount an employee earns once taxes and other items are deducted from gross pay.

Net worth: Your financial wealth at one point in time. The formula to calculate net worth is simple:
Net worth = assets – liabilities

Opportunity cost: The benefit or value that one must give up in order to buy or achieve something else.

Purchase price: The price paid for an item or service.

Short-term financial goal: A financial goal that will require less than six months to achieve.

Tuition: Fees paid in exchange for instruction from a school (e.g., primary, high school, college, vocational).

Unexpected expenses: Unplanned for and unforeseen expenses. An emergency fund can help with these expenses.

Variable expenses: Expenses that change in price and frequency each month.