

Setting a Budget

The **BIG** Idea

- How can budgeting now help me make a big purchase later?

AGENDA

Approx. 45 minutes

- I. Warm Up: Imagine This... (5 minutes)
- II. Summer Income, Savings, and Expenses (15 minutes)
- III. Summer Budget: Does it Add Up? (10 minutes)
- IV. Saving for the Unexpected (10 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

STUDENT HANDBOOK PAGES:

- Student Handbook page 132, This Is Your Life
- Student Handbook page 133, Income Worksheet
- Student Handbook page 134, Weekly Expenses Worksheet

FACILITATOR PAGES:

- Facilitator Resource 1, Chance Cards (one card for every two students)
- Facilitator Resource 2, Income Worksheet Answer Key

Calculators (one per student)

Overhead projector

OBJECTIVES

During this lesson, the student(s) will:

- Based on a fictional scenario, determine how to set aside \$1,000 for college expenses in the fall.
- Determine their summer expenses, including what they will need to cover transportation, food, entertainment, and clothing.
- Develop and revise a budget based on their expected incomes and expenses.
- Modify their budgets to handle unexpected expenses.

OVERVIEW

In this lesson, students will begin a unit on Money Matters in which they'll explore important financial tools and concepts, like budgets, deductions, and bank accounts. Throughout this unit, they will be following a fictional scenario in which they are high school seniors who have been accepted to college in the fall, and will be busy with a full-time job over the summer. In this lesson, they're setting a summer budget that will allow them to put aside \$1,000 for college expenses. They'll determine their summer income, learn about the percentage of income that's subtracted for taxes, and understand the difference between their gross and net incomes. Students will determine if their income will cover their summer expenses, such as transportation, food, and entertainment. Finally, they'll be given a "chance card" with an unexpected expense, and consider why it's important to set aside some extra savings when developing a budget.

PREPARATION

- List the day's **BIG IDEA** and activities on the board.
- Write the day's vocabulary words and definitions on the board.
- The following handouts need to be made into overhead transparencies or copied onto chart paper:
 - **Student Handbook page 132, This Is Your Life**
 - **Student Handbook page 133, Income Worksheet**
 - **Student Handbook page 134, Weekly Expenses Worksheet**
- Print out **Facilitator Resource 1, Chance Cards** and cut out the individual cards.
Note: You will need to print this page twice to provide one card for each pair of students.
- For **Activity I, Warm Up: Imagine This...**, write the following three questions on chart paper before you teach this lesson.
 - a. How much will I need to set aside for college each week?
 - b. How will I spend the remaining money?
 - c. How can I plan for unexpected expenses?

VOCABULARY

Budget: A plan that helps people track spending so they can get the things they need and want without running out of money.

Income: The money you have coming in.

Deductions: Money taken out of your income for taxes.

Expenses: What you spend money on.

Gross Income: The money you earn *before* taxes are taken out.

Net Income: Your “take home” pay or paycheck amount; the money you earn *after* taxes are taken out.

IMPLEMENTATION OPTIONS

In **Activity III, Summer Budget: Does It Add Up?**, students may need to see an example of how to make their budget. You may wish to model this for the class in the column marked “1st Try,” making sure to list expenses that total more than \$96.

In **Activity IV, Saving For the Unexpected**, you may change the scenarios to better fit your students’ interests and costs in your area.

ACTIVITY STEPS

I. Warm Up: Imagine This... (5 minutes)

1. **SAY SOMETHING LIKE:** Welcome, everybody. This is the first week of a new unit called “Money Matters.” In this unit, you’re going to learn all about money — how to keep track of what you earn, how to save it, and how to spend it wisely. Throughout the unit, you’re going to take on a new persona. You’re going to imagine you’re not sophomores, but high school seniors. As seniors, you’ll have some important financial decisions and plans to make, which you’ll be doing throughout this unit. For example: How can you plan a budget to save money for the future? How do you keep your money safe and secure? How do you keep track of your money once it’s in the bank? What’s the best way to choose — and use — credit cards? If you decide to use your money for a cell phone plan, how do you review a contract to make sure it’s in your best interest? As you answer these questions, you’ll learn about banks, checking and savings accounts, ATMs and online banking, credit cards, and contracts.
2. [Hand out copies of **Student Handbook page 132, This is Your Life**. Have a volunteer read this aloud to the class. Encourage students to listen closely, as they’ll need this information in the lesson:

You’re a senior in high school. It’s March and you’ve been accepted to college. Your family has agreed to pay for some of the tuition, and you’re working out a good financial aid package, too. However, you realize you’re still going to need about \$1,000 a semester — or \$2,000 total — to cover some important expenses, like books and daily living costs like laundry, school supplies, and an occasional pizza out with friends. You know that if money gets tight, there are plenty of work opportunities on campus, but you really want to have this money saved before you begin school.

Lucky for you, you already have a great after-school job, and your boss has promised you full-time work over the summer. You’ve figured out you can save about \$80 a week in your part-time job until school’s out. By the end of May, you’ll have put \$1,000 aside for your college fund. That means you’ll need to save \$1,000 during June, July, and August to make your goal of \$2,000.]

3. **SAY SOMETHING LIKE:** Any questions so far? OK, now it's time to figure out your budget for the summer. (Display the following three questions on chart paper.)

There are three questions you need to answer:

- How much will I need to set aside for college each week?
- How will I spend the remaining money?
- How can I plan for unexpected expenses?

That's the goal for today's lesson.

II. Summer Income, Savings, and Expenses (15 minutes)

1. **SAY SOMETHING LIKE:** OK, we know we'll have \$1,000 saved from our after-school job, so we need to save \$1,000 to meet our goal of \$2,000 for our college fund. If we're working for 10 weeks over the summer, how much do we need to save each week to save an additional \$1,000? (\$100 a week)

The next step is to figure out a weekly budget to see how we're going to save that money and cover our other summer expenses. What's the next thing we need to determine before we can figure out this budget? (Figure out how much we're going to make each week.) Let's do this together. Please turn to your **Student Handbook page 133, Income Worksheet**.

[Project a transparency of **Student Handbook page 133, Income Worksheet** for the class to see.]

2. [As a class, review the details for the full-time job on the **Income Worksheet**. Then work together to calculate the "Weekly Gross Income."]

SAY SOMETHING LIKE: Now you might be thinking that every week, your paycheck will be \$290. But in reality, your gross weekly income is different from your take-home pay, or your paycheck, because money is deducted, or taken out, of every paycheck you earn. These are called **deductions**. Does anyone know what deductions pay for?

That's right—taxes. The main taxes deducted from your paycheck are federal income tax, state and local income tax, and Social Security tax. Federal, state, and local income taxes pay for things like roads, the military, schools, parks, and police and fire services. Social Security tax helps pay benefits to people who are disabled or retired.

- 3. SAY SOMETHING LIKE:** On this worksheet, we're estimating that about 30% is deducted from your paycheck. However, this amount may vary, depending on different factors like where you live, how much you make, and how many people are financially dependent on you, such as children.
- 4. SAY SOMETHING LIKE:** Let's figure out your actual paycheck if 30% is deducted for taxes. We determined that our **gross weekly income**, or the money you earn before taxes are taken out, is \$290. Your taxes are based on your gross income.
- 5. SAY SOMETHING LIKE:** Now let's figure out your deductions. If 30% is deducted for taxes, you can calculate the deductions by multiplying your gross income by 30% or 0.3. Use your calculators to see what the deductions would be.

[On the transparency, write \$87 next to line B, Deductions.]

Note: If you aren't earning a full-time, year-round salary, you may get some of this money back as a tax refund in the spring by filing an income tax return.

- 6. SAY SOMETHING LIKE:** So how much money will be in your paycheck? Subtract your deductions from the **gross weekly income**. What's left is your **net weekly income**. Use your calculators to see what the net weekly income would be.

[On the transparency, write \$203 next to line C, Net Weekly Income.]

Are you surprised at the difference between your salary and what you actually get to take home?

- 7. SAY SOMETHING LIKE:** Now let's figure out how much of that paycheck we'll have left over after we set some aside for our college fund. Remember, we need to save \$1,000 over 10 weeks. So how much are we setting aside each week for our college fund? (\$100 a week)

[Write this on line D, "Weekly Savings for College Fund."]

- 8. SAY SOMETHING LIKE:** How much is left over for other expenses—or maybe a little extra savings?

[Model how to subtract the Weekly Savings for College Fund (line D) from Net Weekly Income (line C), and write \$103 on line E.]

III. Summer Budget: Does It Add Up? (10 minutes)

1. **SAY SOMETHING LIKE:** Will this be enough to cover our expenses? Let's find out! Now I'd like you to turn to your **Student Handbook page 134, Weekly Expenses Worksheet**. This is where you'll figure out your weekly summer spending. Take a moment to think about how much you'll need to spend each week in each category. Write the amount next to each category in the column "1st Try," then total your weekly spending. Look back at your net weekly income on your **Income Worksheet**. Will you have enough to cover those expenses? (Are your total expenses less than \$103?) If not, try reworking your expenses in the next column under "2nd Try."

IV. Saving for the Unexpected (10 minutes)

1. **SAY SOMETHING LIKE:** If you had money left over, who would spend it on something extra? [Show of hands.] Who would put it into savings? [Show of hands.] Why are savings important? [Allow students to respond. Then explain that savings help cover unexpected expenses, which are bound to happen to you no matter how carefully you budget.]
2. **SAY SOMETHING LIKE:** After all, just like you can't predict what happens in life, you can't predict what expenses might pop up. I'd like each of you to partner with the person sitting next to you. I'm going to hand each pair a "chance card" with one of these unexpected expenses. Don't focus on what expense you were given or its cost. Instead, just think about how you can adjust your budget to cover this expense.
3. [Hand out **Facilitator Resource 1, Chance Cards**, one to each pair.]
4. **SAY SOMETHING LIKE:** If you don't have a little extra savings, how will you handle this expense?
5. [Have partners discuss strategies for covering the extra expense, then share their ideas with the group.]
6. **SAY SOMETHING LIKE:** Suppose you had been setting aside \$15 a week for emergencies. How many weeks would it take to save for this expense? What expenses would you cut from your weekly budget to make this possible?

7. [Have students use the third column on their **Weekly Expenses Worksheet**, “Saving for Emergencies,” to refigure their budgets, allowing \$15 a week for savings.]

V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Who felt like you could handle your expenses, save for your college fund, and put a little extra into savings for the unexpected?

If you felt like you just couldn't cover your expenses in real life, what are some things you could do? (Cut back expenses, get another job — or a better-paying job)

2. **SAY SOMETHING LIKE:** Why is it important to set a budget? Why does it help to set a goal when creating a budget? What if you decided to spend as much money as you wanted in the first part of the summer, then start saving later in the summer?
3. **SAY SOMETHING LIKE:** This was a great start to our “Money Matters” unit. Next week, we're going to talk about what to do with the money you're saving for college. How do you keep it safe and secure over the summer? As you probably guessed, next week is all about choosing a bank account that's right for you.

Chance Cards

<p>Congratulations, graduates! You and a few friends host a graduation cookout. But burgers and soft drinks aren't free.</p> <p>Expense: \$125</p>	<p>Oops, sorry bro. You had a fender bender in your brother's car. You promise to pay for the damage.</p> <p>Expense: \$200</p>
<p>Did someone say THEME PARK? Your friends are going on a daytrip to a theme park on Saturday and you don't want to miss it.</p> <p>Expense: \$50</p>	<p>Who ever heard of lab fees? You just found out your fall semester chemistry class is going to cost a little more.</p> <p>Expense: \$150</p>
<p>Ah...CHOO! Your nose is running, your head is throbbing, and you can't stop sneezing. Take a day off work.</p> <p>Expense: \$40 (deduction of one day's pay)</p>	<p>What are best friends for? You help your friend move to college, which takes a little extra gas money this week.</p> <p>Expense: \$50</p>
<p>A new school, a new you. You get a cool new haircut before summer's out.</p> <p>Expense: \$40</p>	<p>Dorm room design 101. You talk to your new roommate and decide on matching sheets and comforters.</p> <p>Expense: \$50</p>
<p>Need tunes to study? You find the perfect portable stereo for your dorm room.</p> <p>Expense: \$100</p>	<p>Happy 4th of July! The local July 4th festival is this weekend, and you need cash for rides, tickets, and food.</p> <p>Expense: \$20</p>
<p>Happy Birthday! Your friend's birthday is coming up, and you know just what she wants.</p> <p>Expense: \$15</p>	<p>Go, State! You spot a cool sweatshirt for your new university — on sale.</p> <p>Expense: \$20</p>

Income Worksheet (Answer Key)

Use this worksheet to figure out how much money you'll take home each week, and how much you'll have left to spend after putting money into your college fund.

Details for Full-Time Summer Job	
Pay: \$7.25/hour	
Hours: 40/week	
Work weeks (June–August): 10 weeks	
Weekly Income	
A) Gross Weekly Income (hourly rate X total weekly hours)	\$ <u>290</u>
B) Deductions (30% of A)	\$ <u>87</u>
C) Net Weekly Income (A – B = C)	\$ <u>203</u>
Available Money for Savings and Expenses	
D) Weekly Savings for College Fund (\$1,000/10 weeks)	\$ <u>100</u>
E) Weekly Spending Money (C – D = E)	\$ <u>103</u>

This is Your Life

For the next few weeks, our class will be participating in a new unit called “Money Matters.” Throughout this unit, you will imagine yourself in the following situation:

You’re a senior in high school. It’s March and you’ve been accepted to college. Your family has agreed to pay for some of the tuition, and you’re working out a good financial aid package, too. However, you realize you’re still going to need about \$1,000 a semester — or \$2,000 total — to cover some important expenses, like books and daily living costs like laundry, school supplies, and an occasional pizza out with friends. You know that if money gets tight, there are plenty of work opportunities on campus, but you really want to have this money saved before you begin school.

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Income Worksheet

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Pay: \$7.25/hour	
Hours: 40/week	
Work weeks (June–August): 10 weeks	
Weekly Income	
A) Gross Weekly Income (hourly rate X total weekly hours)	\$ _____
B) Deductions (30% of A)	\$ _____
C) Net Weekly Income (A – B = C)	\$ _____
Available Money for Savings and Expenses	
D) Weekly Savings for College Fund (\$1,000/10 weeks)	\$ _____
E) Weekly Spending Money (C – D = E)	\$ _____

Weekly Expenses Worksheet

Use this worksheet to figure out your expenses each week. Think about how you'll get to work, what you'll eat for lunch, what you'll do in your free time, and the extras you might buy for college.

Possible Expenses (For each category below, pick one of the three options. Then record the value into your budget below.)

Transportation	Car = \$30.00/week (leave 15 minutes before work)	Carpool or subway = \$20.00/week (leave 45 minutes before work)	Bicycle or walk = \$0.00 (leave 90 minutes before work)
Food	Eat out with co-workers = \$7.00/day	Buy lunch from work cafeteria = \$3.00/day	Carry packed lunch = \$1.00/day
Entertainment	Go with friends to a movie, popcorn, and soda = \$20.00/week	Go bowling or play video games at an arcade = \$10.00/week	Rent movie and have friend over = \$5.00/week
Clothing	Buy name brand = \$40.00	Shop at GAP = \$25.00	Shop at discount/outlet clothing store = \$15.00

Expense Details	1st Try	2nd Try	Saving for Emergencies
Transportation	\$ _____	\$ _____	\$ _____
Food	\$ _____	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____	\$ _____
Clothing	\$ _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____	Savings \$15
Total Weekly Expenses	\$ _____	\$ _____	\$ _____

