

Personal Budgeting

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Time: One class period plus homework

Grade Level: 7-8th grade FACS Class

ND Standards

Key Economic Concepts: Students learn about personal budgets and create their own.

Brief Description:

In this lesson students will examine and analyze a sample budget for a fictional person. They will brainstorm where that person could cut some expenses and save more money and why that is an important thing to do. Once they understand the concepts of needs and wants and living within their income, they will access http://web.archive.org/web/20020606115505/http://www.themint.org/documents/parents_teachers_create_budget.htm which is The Mint's calculate income page and choose a career, find out their income and then plan a personal budget for that career

Learner Objectives:

- Students will identify sources of income
- Students will distinguish between fixed and variable expenses
- Students will distinguish between needs and wants
- Students will understand their personal values and how they relate to their spending
- Students will be able to develop their own personal budget

Materials needed: Computer and Internet access

Copy of sample budget

Copy of Personal Spending Plan

Overhead projector and transparency of sample budget

Introduction and outline:

1. This lesson will introduce us to the key words budget, income, expenses, needs and wants, consumer, money, and personal values. Write words on the board and ask for students definitions.
2. Discuss personal values and how they affect the way we spend and save our money.
3. Talk to the students about their values and the things they want in life and how their goals relate to the career they choose and the amount of money they make.
4. Have them make a list of the things they think they want to have some day and prioritize it from most important to least important.
5. Use an overhead projector to display the sample budget. Have students take a few minutes to look over the budget and discuss the items listed.

6. Ask students to rank the budget items in order of importance and then determine whether each item is a "want" or a "need."
7. Have students figure out what percentage of the total income each item represents and determine whether there is a relationship between the importance of an item and the percentage of the budget it represents.
8. Have students brainstorm an emergency situation and how Mr Smith might take care of it (i.e. do without entertainment for a month)
9. Ask students if they feel there may be some things left out of Mr. Smith's budget and list them on the board.

Application/Assignment:

10. Provide the worksheet for them to keep track of a weeks worth of personal spending.
11. At the end of the week have them make a budget similar to Mr. Smith's and analyze their spending patterns. They must identify any trouble spots and give some solutions to make their budget more workable.
12. Have students go to the following web site and find out what their potential earnings might be for their career choice. Have them use their list from step 4 and see if their wants exceed their income,
http://web.archive.org/web/20020606115505/http://www.themint.org/documents/parents_teachers_create_budget.htm

Students will be evaluated on their spending plan worksheet and analysis of their personal spending habits.

SAMPLE BUDGET

As a full-time tour guide, Mr. J. Q. Smith has an annual salary of \$15,000. After he pays his taxes and health insurance, his annual salary is \$12,000. Below is his monthly budget:

Income

(after tax & health insurance)	
Monthly Income	\$1000
Savings Interest	\$4
TOTAL INCOME	\$1004

Fixed Expenses

Housing/Utilities	\$350
Telephone	\$30
Transportation	\$200
Credit/Student Loan	\$100
Savings	\$71
TOTAL FIXED EXPENSES	\$751

Variable Expenses

Clothing/Personal Care	\$50
Food	\$110
Household Supplies	\$25
Medicine/Health Supplies	\$18
Entertainment	\$50
TOTAL VARIABLE EXPENSES	\$253

TOTAL EXPENSES	\$1004
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Comparison

Total Cash Available	\$1004
Less Total Expenses	\$1004
Cash Balance	\$0

MY SPENDING PLAN

GOALS

Short Term (CD, sporting equipment, computer programs/games, etc.)

Long Term (College Fund, Car, Car Insurance, etc.)
