

## Section 2--Budgets

**Title of Lesson/Subject:** *Making Your Money Reach*

**Prepared by:**

### Contact Information

**E-mail address:**

**Phone:**

**Time Allotment:**

4-5 days, plus time for tracking

**Grade Level:**

11th and 12<sup>th</sup> graders in Living on Your Own class

**ND Standards Competencies:**

**Key Economic Concepts:**

**Brief Description:**

**Learner Objectives:**

As a result of these lessons, students will be able to:

- identify the purpose of a budget
- identify different models of budgeting
- identify how things such as credit, values and goals relate to budgeting

**Introduction:**

**Materials Needed:**

**Audio/Visual Equipment Needed:**

**Lesson Outline:**

I. Introduction: I would begin with the shocking characteristics of the average debt loads of college graduates, along with shocking bankruptcy statistics to “set the stage” for this topic.

II. Students would complete “Budget, Smudget” from NEFE to discover what they know about the concept of budgeting—and compare with another student sitting nearby. Discuss what preconceived notions they come in with, such as “budgeting is a waste of time,” or “nobody does that anymore.” Try to erase any misconceptions students might believe that would equate a budget to handcuffs! Follow this with “Values and Spending” by deciding between two items for each choice. Although they have picked clothing in one set, they will now have it compared to something else and need to determine if that is still their priority. This activity also has them look at some fields of spending teens don’t usually think of such as charitable giving.

III. Next, I would have them look at budgets on a larger scale, to once again show the significance of the concept. Have students name or list groups that they think must operate within a budget, such as churches, clubs, small businesses. What would happen to these entities if there was no plan for spending?

IV. Setting up the budget—have students look at the ledger system in the NEFE workbook, the envelope system and perhaps the computer program “Quicken” as alternative ways

to actually doing the budgeting. Which system would work the best for them?

V. The next thing would be to identify the steps to establishing a budget: 1) tracking your expenditures, 2) identifying categories, 3) placing normal expenditures on a plan, which allots only for the amount of net income received. To illustrate this, students would look at one month's expenditures for a family of four. They would need to categorize these and place them on a ledger or onto "Quicken." Categories should be totaled and turned into a percentage of net income. Students could then create a pie chart to graphically show how this family spends their money (thus, their financial goals or values). Students should be able to clearly see priorities for this family. Have them discuss whether their priorities would show up the same on a pie chart. Why or why not?

VI. Students now begin to track their expenses with the intent of building their own budget. After a two week period of time, students should have enough information to begin building their own budget.

VII. Budgeting challenges—be sure to have students research what typical expenses in their community might be for housing, food, insurance, etc., and encourage them to use websites like [www.CNNmoney.com](http://www.CNNmoney.com) to determine housing costs in other major areas. They will be amazed to see the differences in rent, homes, and other expenses.

VIII. Ultimately, students should now be able to build a budget using net income information, plotting out both fixed and flexible expenses, allowing for PYF (savings), and wants as money accommodates.

IX. If time allows, I would give them a few other scenarios to try to budget for such as single mothers with small children, college students working part-time while going to school full-time, widowed retired people, etc., to show that this process is the same, but the variables will be different as they progress through the lifecycle.

**Resources:**

**Activities:**

**Application/Assignment:**

**Evaluation Plan:**

Although the actual budget they complete would be the best measure of knowledge, an exam at the end of Unit 3 in NEFE materials is quite good and would be good follow-up to this.