

**Section 2—Budgets/Sources of Income****Title of Lesson/Subject:** *Where Does the Money Go?***Prepared by:** Kate (Kiernan) Bryant**Contact Information****E-mail address:** [Kate.Kiernan@ndsu.edu](mailto:Kate.Kiernan@ndsu.edu)**Time Allotment:** 1-2 Class Periods**Grade Level or Target Audience:** 6-8**National Standards:**

- [Social Sciences:](#)
  - [NSS-EC.5-8.2](#)
  - [NSS-EC.5-8.5](#)
  - [NSS-EC.5-8.13](#)
  - [NSS-EC.9-12.2](#)
  - [NSS-EC.9-12.5](#)
  - [NSS-EC.9-12.13](#)

**North Dakota Standards:**

- Standard 3: Economic Systems  
Understand the importance of management of personal finances
- Standard 3: Mathematics  
6.3.1 Collect and organize data, select and use an appropriate display

**Keywords/Economic Concepts:** budget, income, expenses, needs and wants, consumer, money**Brief Description:** Students learn about personal budgets and create their own.**Learner Objectives:** Students identify sources of income, distinguish between fixed and variable expenses, distinguish between needs and wants, and develop a personal budget.**Materials Needed:**

- An overhead projector
- A transparency of the [Sample Budget](#)
- [My Spending Plan](#) (one copy for each student)
- Computers with Internet access (optional)
- [Jumpstart's Reality Check](#) (optional)
- [Calculate Income](#) (optional)

**Lesson Outline:**Use a projector to display the [Sample Budget](#)[http://web.archive.org/web/20000815054834/http://www.themint.org/documents/parents\\_teachers\\_sample\\_budget.htm](http://web.archive.org/web/20000815054834/http://www.themint.org/documents/parents_teachers_sample_budget.htm)

to the entire class, or copy the budget onto the chalkboard. Have students take a few minutes to look over the budget and discuss the items listed.

- Ask students to rank the budget items in order of importance and then determine whether each item is a "want" or a "need." 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.

- Provide a copy of [My Spending Plan](#) to each student, and ask students to complete a personal budget.

**Extension:** Invite students to go to [Jumpstart's Reality Check](#) or The Mint's [Calculate Income](#) to determine how much money they will need to earn to support their desired adult lifestyles.

**Assessment:** Evaluate students on their participation in class discussion and on the appropriateness of their personal budgets.

**Lesson Plan Source:** Education World, Submitted by Linda Starr  
<http://www.education-world.com/>

## SAMPLE BUDGET

As a full-time tour guide, C. D. Sights 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                 |            |
| Savings Interest               | \$1000     |
| <b>TOTAL INCOME</b>            | <b>\$4</b> |

### Fixed Expenses

|                             |       |
|-----------------------------|-------|
| Housing/Utilities           |       |
| Telephone                   |       |
| Transportation              | \$350 |
| Credit/Student Loan         | \$30  |
| Savings                     | \$200 |
|                             | \$100 |
|                             | \$71  |
| <b>TOTAL FIXED EXPENSES</b> |       |

### Variable Expenses

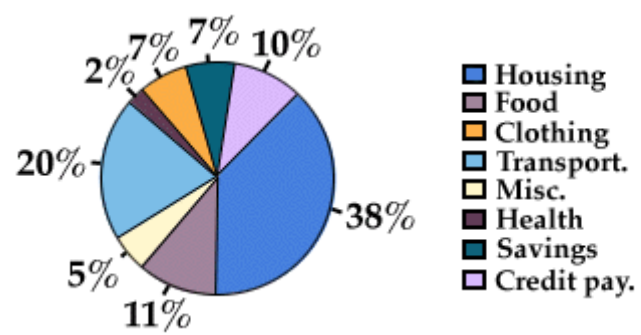
|                                |       |
|--------------------------------|-------|
| Clothing/Personal Care         |       |
| Food                           | \$50  |
| Household Supplies             | \$110 |
| Medicine/Health Supplies       | \$25  |
| Entertainment                  | \$18  |
|                                | \$50  |
| <b>TOTAL VARIABLE EXPENSES</b> |       |

### TOTAL EXPENSES

### Comparison

|                      |        |
|----------------------|--------|
| Total Cash Available | \$1004 |
| Less Total Expenses  | \$1004 |
|                      | \$0    |

Cash Balance



**MY SPENDING PLAN**

**GOALS**

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

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

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**RULES**

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ALLOWANCE \$ \_\_\_\_\_ DATE \_\_\_\_\_

| FIXED EXPENSES    | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|-------------------|--------|---------|-----------|----------|--------|----------|--------|
| Lunches           |        |         |           |          |        |          |        |
| Transportation    |        |         |           |          |        |          |        |
| Contributions     |        |         |           |          |        |          |        |
| Savings           |        |         |           |          |        |          |        |
| Other             |        |         |           |          |        |          |        |
|                   |        |         |           |          |        |          |        |
| FLEXIBLE EXPENSES |        |         |           |          |        |          |        |
| Toys/hobbies      |        |         |           |          |        |          |        |
| Movies            |        |         |           |          |        |          |        |
| Entertainment     |        |         |           |          |        |          |        |

|                 |  |  |  |  |  |  |  |
|-----------------|--|--|--|--|--|--|--|
| Snacks          |  |  |  |  |  |  |  |
| Clothing        |  |  |  |  |  |  |  |
| Books/magazines |  |  |  |  |  |  |  |
| CDs/Tapes       |  |  |  |  |  |  |  |
| Gifts           |  |  |  |  |  |  |  |
| Other           |  |  |  |  |  |  |  |
|                 |  |  |  |  |  |  |  |

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## Jumpstart's Reality Check

Okay...we're not going to bore you with a lot of details here. Simply put: we want you to imagine how you want to live once you're on your own. What kind of car are you going to buy? Where are you going to live? Do you love to go to the movies or to the clubs every weekend? Remember, it's your life, you can do whatever you want...or can you?

Imagine the possibilities...then take our simple test. Fill in your choices and then get ready for a reality check! Chances are you'll be surprised by how much your so called "Dream Life" is going to cost you.

Once you've taken the test, we will show you what it takes to live the life you want and what you'll need to do to get you there. We'll even give you the list of careers that support your lifestyle. Now that's cool!

Think you're ready for the challenge?

## CALCULATE INCOME

### Step One:

First you need to determine your annual income. If you would like information on various occupations and their starting salaries, go to [Learning and Earning](#). If you have a career in mind and you know the average starting salary, enter it below. You may also choose any of the positions listed below.

| Occupation       | Annual Salary | Degree Required          |
|------------------|---------------|--------------------------|
| Travel Agent     | \$12,400      | High School              |
| Flight Attendant | \$13,000      | High School              |
| Accountant       | \$30,393      | 4-Year College           |
| FBI Agent        | \$30,600      | 4-Year College           |
| Optometrist      | \$45,000      | More Than 4-Year College |

Enter your annual salary: \$

Monthly Salary After Taxes:

\$0.00

### Step Two:

Fixed expenses are expenses that remain virtually the same from month to month. This includes rent, transportation and other items. Fill in each box with your chosen amount using the tables as a guide.

#### HOUSING

(includes all utilities except phone)

Share a 2 bedroom apartment with a roommate \$300 to \$800

One bedroom apartment with no dishwasher and no air conditioning \$500 to \$1000

One bedroom apartment with a dishwasher and air conditioning \$600 to \$1200

Monthly Rent: \$

## PHONE

Never make long distance calls \$15

Make long distance calls occasionally \$30

Make several long distance calls \$50

Monthly Phone Expense: \$

## TRANSPORTATION

(includes gas, maintenance, insurance)

Public transportation \$75

Used car (Toyota Celica) \$200

Used car (Ford Escort) \$300

Used car (Honda Escort) \$300

New economy car (Hyundai Excel) \$300

New mid-size (Chevy Cavalier) \$450

New mid-size (Toyota Camry) \$525

New mid-size (Monte Carlo) \$550

New Ford Bronco \$600

New Chevy Blazer \$700

New Lexus \$900

New BMW \$950

Monthly Transportation Expense: \$

## SAVINGS

What percentage of your after-tax income would you like to save every month? A good goal is 10% of your after-tax income.

Savings:  %.

End of Step Two...

## CALCULATE VARIABLE EXPENSES

### Step Three:

Variable expenses are expenses that can be controlled and which change from month to month. This includes food, entertainment and other items. Fill in each box with your chosen amount using the tables as a guide.

### Monthly Food Expenses

#### Lunch

|                                |       |
|--------------------------------|-------|
| Pack lunch every day           | \$20  |
| Buy lunch once or twice a week | \$40  |
| Buy lunch every day            | \$100 |

Monthly Lunch Expense: \$

#### Dinner

|                       |       |
|-----------------------|-------|
| Eat in every night    | \$100 |
| Eat out once or twice | \$160 |
| Eat out every night   | \$210 |

Monthly Dinner Expense: \$

### Miscellaneous Expenses

|                        |                              |   |                      |        |
|------------------------|------------------------------|---|----------------------|--------|
| Movie & Popcorn        | \$10 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Books                  | \$6 x <input type="text"/>   | = | <input type="text"/> | \$0.00 |
| Pets                   | \$10 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Gifts                  | \$25 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Clothing               | \$25 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Cable TV               | \$28 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Trips                  | \$120 x <input type="text"/> | = | <input type="text"/> | \$0.00 |
| Video Rentals          | \$4 x <input type="text"/>   | = | <input type="text"/> | \$0.00 |
| Magazine Subscriptions | \$3 x <input type="text"/>   | = | <input type="text"/> | \$0.00 |
| Haircut                | \$20 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Newspaper              | \$12 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| Concert Tickets        | \$30 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |
| CD's                   | \$16 x <input type="text"/>  | = | <input type="text"/> | \$0.00 |

|                    |                             |   |                      |        |
|--------------------|-----------------------------|---|----------------------|--------|
| Sporting events    | \$25 x <input type="text"/> | = | <input type="text"/> | \$0.00 |
| Medicine           | \$10 x <input type="text"/> | = | <input type="text"/> | \$0.00 |
| Household Supplies | \$10 x <input type="text"/> | = | <input type="text"/> | \$0.00 |
|                    | <b>Total \$</b>             |   | <input type="text"/> |        |

### End of Step Three...

### Monthly Income

(after federal taxes)

**TOTAL INCOME**

### Fixed Expenses

Housing/Utilities

Telephone

Transportation

Savings

**TOTAL FIXED EXPENSES**

### Variable Expenses

Lunch

Dinner

Miscellaneous Expenses

**TOTAL VARIABLE EXPENSES**

**TOTAL EXPENSES**

### Comparison

Total Monthly Income Available

Less Total Monthly Expenses

\$0.00

CASH BALANCE

\$0.00