

Lesson 6

Money In, Money Out

Making a Budget

LESSON DESCRIPTION AND BACKGROUND

This lesson focuses on students learning how to determine total weekly income and total weekly expenses, both fixed and variable. Students are then to compare the amount of money coming in with the amount of money going out and determine if the budget is balanced. First, students investigate Jordan's budget with teacher guidance. When students help Ginger, Jordan's sister, make a budget, they are building on what they learned through Jordan's budget. Finally, students are to develop a weekly budget for themselves working within given parameters.

Students should come to the understanding that expenses cannot exceed income. Adjustments must be made within the budget if this happens. This often happens in real life. The unexpected can occur and saving is important to meet such emergencies.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Budget
- Income
- Fixed and variable expenses
- Balanced budget

OBJECTIVES

At the end of this lesson, the student will be able to:

- Define **income, expenses, balanced budget.**
- Explain how a **budget** can help people manage **income** and **expenses.**
- Complete a **budget** worksheet.
- Allocate a weekly allowance among **spending, saving, and sharing.**

TIME REQUIRED

45 minutes

MATERIALS

- A copy of **Activity 6.1** for each student
- A copy of **Key 6.1**
- A copy of **Activity 6.2** for each student
- A copy of **Exercise 6.2** for each student
- A copy of **Key 6.2**
- A pair of scissors for every 2 students

PROCEDURE

Part 1

1. Tell students that you are so excited today. *Do you know what today is? Well, at our house it's payday!!!* What do you think happens on payday? (*You get paid for doing work.*) What do you call the money paid for work you do? (*It's called income.*)

2. How do I earn my income? (***I earn my income for teaching and my spouse earns his/her income for his/her job.***) We have two children at home. Jordan is twelve and Ginger is ten. How do you think they earn income? Students should brainstorm jobs appropriate for children in that age bracket, jobs they can do at home and in the neighborhood. List these on the board.

3. Look at the list of suggested jobs and 'choose' several that your children do. List a weekly amount for each job suggested. Consider amounts that students in your class might receive for similar chores when assigning the value of each chore.

4. Distribute **Activity 6.1** to students. The teacher should display **Activity 6.1** as a visual. Tell students: Jordan is saving to buy a pair of Air Jordans for basketball season. You will create a budget for Jordan so that he can determine how much he can save every week for the basketball shoes. Enter *save for basketball shoes* under item in the Weekly Expenses column. Explain that this is an expense because it represents money that will be used to purchase an item.

5. Continue reading each of Jordan's expenses or incomes. Have students fill out the budget as you model.

a. Jordan gets \$10 allowance each week for doing his chores around the house. Ask: Is an allowance income or an expense? How do you know? (***It is income because money is coming in.***) Enter \$10 under Amount in the Income column. Write: *Allowance for household chores* for the Source. What kind of chores do you think

a twelve year old boy might do to help around the house? (***taking out the trash, clearing the dinner table, keeping his room neat, putting his clothes away, etc.***)

Jordan also earns \$15.00 each week for mowing the lawn and \$5.00 each week for giving the dog a bath. Ask: Are these items income or expenses? How do you know? (***It is income because money is coming in.***) Enter \$15.00 under Amount in the Income column. Write *Mowing the lawn* for the Source. Write \$5.00 under Amount in the Income column. Write *Bathe dog* for the Source. Ask: What is Jordan's weekly income? How can you find out? (***Add \$10.00 + \$15.00 + \$5.00. Jordan's weekly income is \$30.00.***) Enter \$30.00 on Jordan's budget worksheet for the Total of the income.

b. Jordan pays \$2.00 dues for Scouts and he pays his parents \$5.00 for his cell phone bill. Ask: Do these items provide income or are they expenses? How do you know? (***These are expenses because money is paid out for these services.***) Write \$2.00 in Weekly Expenses column under Amount and write *Scout dues* for the Item. Then write \$5.00 in Weekly Expenses column under Amount. Write *cell phone* for the Item.

c. Jordan's parents ***require*** that both he and Ginger save \$5.00 each week to put into their college savings. Write \$5.00 under Weekly Expenses column under Amount and write *College savings* for the Item.

- d. Jordan spends about \$10.00 a week on entertainment. Write *\$10.00* under Weekly Expenses column under Amount and write *Entertainment* for the Item.
- e. What are Jordan's total expenses? (*\$22.00*) How can you find out? (*Add \$2.00 + \$5.00 + \$5.00 + \$10.00. Jordan's weekly expenses are \$22.00.*) Enter *\$22.00* on Jordan's budget worksheet for the total of the expenses.
- f. Which of Jordan's expenses are fixed expenses? (*\$5.00 for his College savings, \$2.00 for Scouts, and \$5.00 towards his Cell phone bill*) Why would his savings be classified as fixed? (*Since his parents require that he save \$5.00 every week, this becomes a fixed expense. This is not a voluntary decision.*) Explain that most people decide how much they can save weekly or monthly and adjust the amount based on how much they get paid or based on other expenses. If someone has the flexibility to change the amount saved for college, then it becomes a variable expense. Write an F next to each of the fixed expenses.
- g. Which of Jordan's expenses are variable expenses? (*Saving for Basketball shoes and Entertainment*) Write a V next to each of the variable expenses.
- h. The basketball shoes cost \$80.00. If Jordan needs the basketball shoes in 5 weeks, how much will he need to save weekly? (*\$16.00*) Write *\$16.00* in Weekly Expenses column for the Amount of the basketball shoes. Does Jordan have enough income to save this amount? (*No, his income is \$30.00 and his expenses would be \$38.00*) Have the students cross out \$22.00 and change it to \$38.00.
- i. What can Jordan do to balance his budget? (*He can reduce his entertainment by \$8.00 or reduce his entertainment expense to \$2.00*) Why can't he reduce another expense? (*The other expenses are fixed. They cannot change.*) Tell students to cross out the \$10.00 for the Amount of the Entertainment and change it to \$2.00. Is there another option for Jordan? (*Jordan could buy a less expensive pair of basketball shoes if he wants more money for entertainment.*) What are Jordan's weekly expenses? (*\$30.00*) How can you figure this out? (*Answers may vary depending on class decision for Jordan's Entertainment expense and Basketball shoes expense. All options should add up to \$30.00. Add \$5.00 (college savings) + \$2.00 (dues for Scouts) + \$5.00 (cell phone bill) + \$16.00 (saving toward his basketball shoes) + \$2.00 (entertainment) = \$30.00.*) Cross out the \$38.00 for total expenses and change to \$30.00. Ask: Does Jordan have a balanced budget? How do you know? (**Yes, because the total income equals the total expenses.**)
6. This is titled Jordan's budget worksheet. What is a budget? (*A budget is a plan for your finances.*) Does Jordan have a balanced budget? (*Yes*) How do you know? (*Income = expenses*)

7. How would you describe a budget? (*A budget is a plan for the money you will get and what you will do with it.*) Why is having a budget important? (*It's important to have a budget so that you can meet your expenses by using the income you have. It's also important to plan for savings so that you can have the things you want in the future.*) What may happen if you do not stick to your budget? (*If you don't stick to your budget, you may not have enough money for the things you need and for the things you want. It's important to take care of your needs before taking care of your wants.*)

Part 2

- Pair the students up into teams of two. Distribute **Activity 6.2** to each pair. Tell the students: We've worked on Jordan's budget together, making sure he has a balanced budget. Now it's your turn to help Ginger. Have students cut out the cards. Ask the students to place all the cards that represent Ginger's income in one column and all the cards that represent Ginger's expenses in another column. Once each team agrees on expenses and income, pass out and **Exercise 6.2** to each student. Then read the directions to the students.
- Once students have completed **Exercise 6.2**, ask volunteers to share their answers. What is Ginger's weekly income? (**\$32.00**) What did you do to determine her income? (*Add everything together for which she is paid. Allowance for household chores (\$10.00) + walking Mr. Britton's dog (\$7.00) + wash weekend dishes (\$5.00) + Wednesday afterschool babysitting (\$10.00)*)
- What are Ginger's weekly expenses? (**\$30.50**) How did you determine her expenses? (*Add everything together for which she pays money out. college savings (\$5.00) + entertainment (\$6.00) + donation to food bank (\$3.00) + clothing and accessories (\$10.00) + gifts for family and friends (\$5.00) + rainy day savings (\$1.50)*) What do you suppose rainy day savings are? (*It's an emergency fund for something not in the budget.*)
- Does Ginger have a balanced budget? (*Not really*) Why not? (*She has an income of \$32.00 and only \$30.50 in expenses.*) How much extra money does she have? ($\$32.00 - 30.50 = \1.50) What should she do with this extra money? (*She could put it in her rainy day fund. Accept any reasonable responses.*)

CLOSURE

- What is a budget? (*A budget is a plan for managing money. You must determine your income and then your expenses.*)
- Why is having a budget important? (*Having a budget is important so that you can cover all your expenses before you run out of money. It's also good to have savings for unexpected expenses or for items that you cannot afford right now.*)
- What is income? (*Income is money you earn or get from other sources such as an allowance.*)
- What are expenses? (*Expenses are your bills; money that you payout.*)
- What does it mean to have a balanced budget? (*If a budget is balanced, income is equal to expenses.*)
- What must you do if your expenses exceed your income? (*If your expenses are more than your income, you can*

reduce your variable expenses until they equal your income or you can do extra jobs to increase your income.)

- Why is it important to have a savings? *(You can pay for unexpected expenses such as a flat tire.)*

EXTENSIONS

13. Go to <http://www.mysavingsquest.com/> and have students use this interactive website to explore budgeting when they

must cover housing, food, utilities, car payments, etc.

14. Students may create a skit about the Budgee twins, Spender and Saver. As their names imply, Spender likes to spend money while Saver prefers to save his money. The skit should illustrate problems that arise when one does not have a balanced budget.

**Activity
6.1**

NAME: _____ CLASS PERIOD _____

Jordan's BUDGET WORKSHEET

Column A Income		Column B Weekly Expenses	
Source	Amount	Item	Amount
Total:		Total:	

Jordan's BUDGET WORKSHEET

Column A Income		Column B Weekly Expenses	
Source	Amount	Item	Amount
Allowance for household chores	\$10.00	Basketball shoes	\$16.00
Mow yard	\$15.00	Dues for scouts	\$2.00
Bathe dog	\$5.00	College savings	\$5.00
		Cell phone	\$5.00
		Entertainment	\$10.00 \$2.00
Total:	\$30.00	Total:	\$22.00 \$38.00 \$30.00

NAME: _____ CLASS PERIOD _____

Ginger's Budget

Cut out the cards below. Then place all the income cards in one column and all the expenses in a separate column.

Allowance for household chores \$10	Wednesday afterschool babysitting \$10.00
Walking Mr. Britton's dog \$7.00	Rainy day savings \$1.50
College savings \$5.00	Gifts for friends and family \$5.00
Entertainment \$6.00	Clothing & accessories \$10.00
Donation to food bank \$3.00	Wash weekend dishes \$5.00

**Exercise
6.2**

NAME: _____ CLASS PERIOD _____

Use the budget cards from Activity 6.2 to create a budget for Ginger using the table below. Then answer the questions about the budget.

Column A Weekly Income		Column B Weekly Expenses	
Source	Amount	Item	Amount
Total:		Total:	

1. What is Ginger's income? _____ How did you find it? _____

2. What are Ginger's expenses? _____ How did you determine

that? _____

3. Does Ginger have a balanced budget? _____ How do you

know? _____

4. What can Ginger do differently to balance her budget?

Ginger's Budget

Key
6.2

Column A		Column B	
Income		Weekly Expenses	
Source	Amount	Item	Amount
Allowance for household chores	\$10.00	College savings	\$5.00
Walking Mr. Britton's dog	\$7.00	Entertainment	\$6.00
Wash weekend dishes	\$5.00	Donation to food bank	\$3.00
Wednesday afterschool babysitting	\$10.00	Clothing & accessories	\$10.00
		Gifts for friends and family	\$5.00
		Rainy day savings	\$1.50 \$3.00
Total:		Total:	
	\$32.00	\$32.00	\$30.50

1. What is Ginger's income? _____ How did you find it? _____

2. What are Ginger's expenses? _____ How did you determine that? _____

3. Does Ginger have a balanced budget? _____ How do you know?

4. What can Ginger do differently to balance her budget? _____