

L.4 Budget Basics



Objectives:

Students will:

1. Discover the importance of budgeting in everyday life.
2. Learn how to create a budget.

Standards: TK

Skills: Budgeting, financial accountability, and organization

Setting: Classroom

Time: 50 minutes

Vocabulary:

Budget, Income, Expenses, Savings

(Using Key words: Students can create a glossary, in books or on wall in classroom (word wall). Students are encouraged to practice using vocab in written or verbal sentences - perhaps writing example sentences and displaying them).

Introduction

Overview:

In this lesson, students will learn about budgeting and the importance of budgeting one's expenses. The topic was briefly alluded to in Lesson #3 with the Survivor game extension. However, this lesson focuses on realistic examples of budgetary needs. A key component of this lesson is for students to connect a successful and realistic budget with positive financial growth by introducing savings.

Teacher Background:

Explain to students that in order to stay out of debt, budgeting must be used when thinking about expenses and income.

- **Budgeting** is a plan for managing your money during a given period of time.
- **Expenses** are what you spend your money on.
- **Income** is any money you receive.

Budgets are plans for managing your spending and saving. It forces you to consider the things you need and want in life. It gives you control over your personal finances and allowed you to achieve your personal goals.

Budgets are made prior to financial activities. You might make a new budget at the beginning of each year or anytime your income changes.

Make sure you don't fall into one of the top 3 financial missteps in budget planning:

1. Fail to plan for occasional, non-monthly expenditures.

2. Underestimate how much you spend each month.
3. Use credit cards to "balance" you budget. Budget correctly and stick to your budget so you don't use credit cards to make up for excess spending.

A budget is projected income and expenses. Many budget sheets have the projected amount and then later can be filled out for the actual amount spent. This gives a good idea of how much money is left for the remainder amount budgeted.

Materials:

Students:

- Enterprise Business Plan Worksheet **(completed)**
- Garden Journals

Teachers:

- The Bean Game (copies for groups of 3-5)
- 20 beans per group

Preparation:

be prepared to have students work in groups for part of the activity.

ACTIVITY

Enterprise Project In-Class

1. Have students quickly break up into their Enterprise Project groups. Give the groups five (5) minutes to discuss and go over their presentation.
2. Have each group present their Enterprise Business Plan Worksheet to the class. These presentations should only take a few minutes. Ask the students who are not presenting to pay close attention and take notes as they will each have to vote for the group with the best enterprise business plan. Allow the class to ask questions after each presentation.
3. Once each group is finished presenting their business plans, tell the class that they will vote for two business plans, and one can be their own if they prefer.
4. Ask the class to take a minute to review their notes before voting. Next, have the students put down their heads and close their eyes. Call out the name of each business plan presented (the name of the business), and ask the students to raise their hands to vote for the two business plans they prefer. Tally up the number of votes for each business plan and announce the top two. Then have one more vote, but this time everyone only gets one vote. Tally up the numbers again and announce the winning business idea.
5. This group's business plan will be taken on by the entire class as their Enterprise Project.

Enterprise Project Homework

1. Have the students brainstorm more related ideas, markets, etc. for the class Enterprise Project in their Garden Journal.
2. Have students make a list of 10 things that they or their parents spend money on throughout the week. What percentage of their income do they spend on food, housing, vehicles, phone bills, etc.?

Discussion

1. What is a budget? [A budget is a spending plan, or a summary of how much money you have and how much money you must

spend/allocate to certain expenses.] Ask if students have ever created a budget or seen their parents or relatives create a budget.

2. What kinds of things do you want to buy? Do you know how much these things cost? Have the students imagine they want to buy something new. Then ask them how much they need to save. Budget Example: On the board, draw a videogame (a rectangle with a CD shape inside), and the price (\$60). Draw a piggy bank and the amount saved (\$33). Now write $\$60$ (minus) $\$33 = \27 . This calculates **how much money you have, how much you plan to spend**, and how much you have remaining, or **how much more you need to save** to meet your expenses.]
3. Ask the students what income is? [**Income** is the money you earn from working. Some people get paid by the hour, some people get paid a salary, which is usually paid monthly and calculated yearly]. Ask for students to give examples of how they earn or could earn income. Do any of the students work? Do they get paid hourly, or a salary? Do the students get an allowance, lunch money, or money for their birthday or the holidays? Where does their money come from?

Activity

The Bean Game: Living on a "20 Bean Salary"
This activity uses realistic examples of everyday expenses and gives value to the different items or services.

Discussion

After completing The Bean Game, have a discussion with the class about the results of the game. Which items were required (starred)? Would you expect these items to be required expenses? Can you think of other items that weren't on these lists that you would like to add to your budget? What did you learn from this activity/game?

Wrap-Up

Remind students to write down 10 things that they or their parents spend money on throughout the week.

EXTENSIONS

Links:

<http://extension.usu.edu/utah/files/uploads/Finance/THE%20BEAN%20GAME.pdf>

<https://www.ffa.org/FFAResources/ffalearn/financialplanning/Pages/default.aspx>