



Lesson One

The Art of Budgeting

the art of budgeting lesson outline

overview

A personal budget is a financial plan that allocates future income toward expenses, savings, and debt repayment. “Where does the money go?” is a common dilemma faced by many individuals and households when it comes to budgeting and money management.

Effective money management starts with a goal and a step-by-step plan for saving and spending. Financial goals should be realistic, be specific, have a timeframe, and imply an action to be taken. This lesson will encourage students to take the time and effort to develop their own personal financial goals and budget.

In this chapter, students will monitor their spending habits (in writing) and will be able to better obtain the most value for their available dollars. We will also demonstrate that by carefully considering needs and wants, an individual or family will spend appropriate amounts for current living expenses, while saving and investing for long-term financial security.

goals

Assist in identifying and prioritizing personal and financial goals, create a plan to achieve those goals, and provide practice in setting up and maintaining a personal budget.

lesson objectives

- Identify and prioritize some of your personal and financial goals
- Identify the steps you can take and the resources you will need to achieve your goals
- Identify and examine your current spending behaviors and patterns
- Understand what it means to budget, and identify the reasons to maintain a budget
- Create and maintain a personal budget that supports your personal and financial goals



presentation slides

- 1-A** the budgeting process
- 1-B** goal-setting guidelines
- 1-C** setting up and maintaining a budget

the art of budgeting lesson outline

student activities

1-1 What Are Your Goals?

- Ask students what some of their goals are, based on their life situation. List them at the front of the room, separating them into short-, intermediate-, and long-term goals.
- Pick one goal from each group. Have the class brainstorm steps they can take and the resources needed to achieve those goals.
- Have students individually work through “What Are Your Goals?” and “Working with Your Goals.”

1-2 Where Does Your Money Come From?

- Have students identify their current or potential (new job, career change) sources of income.
- Discuss the feelings of being financially dependent vs. financially independent.

1-3 Where Does Your Money Go?

- Have students keep a record of everything they spend during a one-month period.
- Ask students what patterns they can see in their spending habits.
- Discuss topics such as impulse buying, how to decide what to purchase, and what factors might influence purchasing decisions.

1-4 Setting Up and Maintaining a Personal Budget

- Have students set up a personal budget that supports their personal and financial goals.
- Ask students to try to stick to their budget for one month.
- After the month has passed, discuss what it was like to stick to a budget. Was the budget realistic? Where did they overspend? In which areas did they spend less than what they planned? Were they able to make progress toward their financial goals? What would they change about their budget?

1-5 Rework a Budget

- Have students set up, maintain, and rework a budget for the scenarios in the worksheet and then for themselves.

1-6 Lesson One Quiz

For more information, please refer to the Appendix.

the art of budgeting target audiences

Learning activities appropriate to varied audiences for Lesson One

	 14-18	 19-25	 26 - ↑
activity	teenagers (14-18)	young adults (19-25)	adults (26+)
Student Activity 1-1	●	●	●
Survey/Interview	●	●	●
Student Activity 1-2	●	●	
Student Activity 1-3	●		●
Oral Presentation	●	●	●
Class Speaker	●	●	●
Student Activity 1-4	●	●	
Student Activity 1-5	●	●	●
Web Activity	●	●	●
Lesson One Quiz 1-6	●	●	●

the art of budgeting teaching notes

what are your goals?

1. Why set goals?
2. List your goals
3. Goal ranges:
 - Short-term goals (1–4 weeks)
 - Medium-term goals (2–12 months)
 - Long-term goals (1 year or longer)
4. Prioritize your goals
5. What can you do to work toward your goals?
6. What resources do you need to achieve your goals?
 - Personal (abilities, skills, time, education, etc.)
 - External (money, car, tools, etc.)



discussion



student activity 1-1



survey/interview

where does your money come from?

1. Current sources of income
 - Job(s)
 - Parents
 - Alimony/child support
 - Investments
2. How it feels...
 - To be financially dependent
 - To be financially independent



discussion



student activity 1-2

where does your money go?

1. Keep track of everything spent in one month:
 - What did you buy?
 - Can you see a pattern in your spending habits?
 - What did you need?
 - What did you want?
2. How did you decide what to spend and where to spend it?
 - Categorize how money is currently spent (e.g., clothing, food, CDs, automobile, etc.)
 - Name areas that might be added to this list in the near future
 - Review concepts and skills of making decisions
3. What might make a habitual Spender turn into a Saver?
What could turn a Saver into a Spender?



discussion



student activity 1-3

the art of budgeting teaching notes

why budget?

1. What do you think of when you hear the word “budget”?
 - Write responses on board
 - Reinforce the concept that YOU control the budget, the budget doesn’t control you
2. Reasons to budget:
 - To determine how much money you have to spend
 - To decide how you want to spend your money
 - To determine how to spend money in the future
 - To learn to live on less than available income
 - To stay out of financial trouble



discussion



oral presentation:

Have students present in class (or on video) examples of common budgeting mistakes and consequences of these mistakes.

the budgeting process

1. What it is:
 - A plan for spending and saving
2. What it takes:
 - Choosing a budgeting period
 - Estimating expenses and income
 - Balancing expenses and income
3. What a budget does for you:
 - Puts you in control
 - Helps you create a visual spending picture
 - Helps you prevent impulse spending
 - Helps you decide what you can and cannot afford
 - Enables you to keep track of how you spend your money
 - Helps you create a savings plan
 - Helps you decide how you can protect yourself against the financial consequences of unforeseen events



discussion



slide 1-A

the art of budgeting teaching notes

setting up and maintaining a budget

1. Estimate your income
2. Estimate your expenses, to include:
 - Fixed regular monthly expenses
 - Fixed irregular monthly expenses
 - Flexible monthly expenses
 - “Mad money”
3. Estimate your future expenses
 - Begin by keeping a record of everything you spend
 - What are your financial goals and your plans for obtaining those goals?
4. Cope with change
 - Plan for new situations
 - Plan for changing conditions that increase or decrease your expenses
5. Keep your personal and financial goals in mind
 - Set money aside to help meet financial goals
6. Balance your budget
 - Each month, compare your income to your expenses. Continue reworking your budget until your income is greater than your expenses
 - Discuss different budget options available
7. Practice setting up a personal budget



discussion



class speaker:

Invite a financial adviser or money management counselor to class to discuss.



student activity 1-4



slide 1-C

tips for maintaining a budget

1. Become a good consumer
 - Learn how to get the most for your money
2. Exercise willpower and self-control
 - Try to not indulge in unnecessary spending
3. Develop a good record-keeping system
 - Learn how to maintain a workable budget
4. Evaluate your budget regularly



discussion

the art of budgeting teaching notes

rework a budget

1. Work with a budgeting sheet
2. Incorporate unforeseen events
3. Compare planned expenses with actual expenses
4. Design a budget, keeping personal and financial goals in mind



student activity 1-5



web activity:

Have students conduct a web search to obtain information and make suggestions for budgeting and wise money management.

lesson one quiz



quiz 1-6

rework a budget answer key

how does her budget look now?

1. What is the difference between Gabrielle's planned expenses and her actual expenses?
Actual was \$1,675, planned was \$1,025. Difference is \$650. (Taking into account her overtime pay of \$45, she went over budget only \$605.)
2. In what areas did she overspend?
Food, transportation, clothing, entertainment, personal, other (tickets, birthday present)
3. In what areas did she spend less than she planned?
Savings
4. How much did she spend for the use of her car this month?
\$784, not including tickets
5. How much money did she have at the end of the month to put into savings?
None

if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle's income as a starting point. Keep in mind your personal financial goals.
2. What did you change about the budget?
3. How much would you save each month to put toward your personal and financial goals?



lesson one quiz: the art of budgeting

answer key

true-false

1. f The budgeting process starts with monitoring current spending.
2. f Most short-term goals are based on activities over the next two or three years.
3. t A common long-term goal for parents of a newborn child may involve saving for college.
4. t Rent is considered a fixed expense.
5. f Flexible expenses stay about the same each month.

multiple choice

6. C The final phase of the budgeting process is to:
 - A. set personal and financial goals
 - B. compare your budget to what you have actually spent
 - C. review financial progress
 - D. monitor current spending patterns
7. B An example of a long-term goal would be:
 - A. an annual vacation
 - B. saving for retirement
 - C. buying a used car
 - D. completing college within the next six months
8. B,D A clearly written financial goal would be:
 - A. "To save money for college for the next five years"
 - B. "To pay off credit card bills in 12 months"
 - C. "To invest in an international mutual fund for retirement"
 - D. "To establish an emergency fund of \$4,000 in 18 months"
9. B An example of a fixed expense is:
 - A. clothing
 - B. auto insurance
 - C. an electric bill
 - D. educational expenses
10. D _____ is commonly considered a flexible expense.
 - A. Rent
 - B. A mortgage payment
 - C. Home insurance
 - D. Entertainment

case application

Each month, Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

The Johnsons should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.