



# Budget Module Instructor's Guide

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## I. Discussion

### STEP 1

- Pose the question to the class: What is a budget?

### STEP 2

- Show Overhead 1 (Cover bottom)
- Give Answer to Class: Step by Step plan for meeting expenses in a given period of time.

### STEP 3

- Class Discussion: Has anyone ever completed a budget? Parents?

## II. Budget Components

### STEP 1

- Reveal bottom Overhead 1

### STEP 2

- Review What is Income? – Solicit ideas from students and write on overhead. Give own examples.

### STEP 3

- What are expenses? - For each numbered item: Define terms and solicit ideas from students of examples and write on overhead. Give own examples:
  - Fixed -- Necessary regular payments or obligations: Examples: Rent, Credit Card Payments, Car Payments
  - Flexible – Necessary regular expenses that individual can exercise control over.  
Examples: Utility bill, clothing.
  - Discretionary – Spending totally within control of individual. Example: Entertainment, CD's, cosmetics, magazines, impulse shopping.

## III. Create Your Own Budget:

### STEP 1

- Overhead 2

### STEP 2

- Discuss the following steps to creating a budget.
  1. Evaluate Income (All sources)
  2. Evaluate expenses:
    - Fixed – necessary regular payments or obligations i.e. loan or rent payment.
    - Flexible – necessary expenses that a person has control i.e. utility bill
    - Discretionary – Spending totally within individual's control i.e. entertainment,

CD's or whimsical shopping sprees.

- Enter income and expenses into blank budget sheet.
- Analyze whether income will cover the expenses outlined in your budget.
- If no - where can expenses be reduced or eliminated.
- If yes –Determine where expenses can be reduced or eliminated to build up savings.

#### IV. **Budgeting Tools**

##### STEP 1

- Show Overhead 3 -- Daily Spending Diary
- Ask students what they think the benefits of a Spending Diary are.

##### STEP 2

- Refer them to handout page 4.
  1. Track expenses on a daily basis for one week.
  2. Determine discretionary expenses.
  3. Evaluate spending – where can they save money during the week?

##### STEP 3

- Show Overhead 4 – Monthly Payment Calendar.
- Ask students benefit of using a calendar.

##### STEP 4

- How to use Calendar:
  1. Determine due dates of fixed and flexible expenses.
    - *NOTE: Overhead 4 has examples to point out. Student Handout is blank to copy and use ---- please advise them.*
  2. Enter the payment dates on the calendar.

##### STEP 5

- Benefits of Payment Calendar:
  1. Reminder of payment dates.
  2. Helps to avoid late charges.
    - *Special Note: Students may not understand that a late payment on utility bills can cost them a 5% interest charge per month or 60% interest fee per year.*

#### V. **Budget Exercise (Handouts)**

*Instructor Note:* This exercise illustrates budgeting for fixed, flexible and discretionary expenses. There are two scenario packets that should be handed out randomly throughout the class. There are budgetary items in each packet. The monthly income is clearly stated but the expenses are not totaled. The totals will be revealed during an exercise on overheads when they complete their budgets.

1. First scenario is a College Graduate. The income is compensatory with a college degree. This life scenario has enough money to fulfill the expenses within their budget.
2. Second scenario is a High School Graduate. Income compensatory with level of education and much lower than College Graduate. This budget will not balance.

##### STEP 1

- Explain exercise. They are each to complete the blank budget worksheet with income and expenses from their scenario sheet.

#### STEP 2

- Handout to each student one of the following:
  - (1) College Income and Expense Sheet (Blank Budget Sheet attached)
  - (1) High School Graduate Income and Expenses Sheet (Blank Budget Sheet Attached)
- Ask them to complete budget sheet with figures from their life scenario. (App. 7 minutes)

#### STEP 3 - When students finished

- Using BUDGET EXERCISE TEACHING GUIDE (Appendix A) Complete Overhead 5 to demonstrate how budget completed for College Graduate.
 

As completing point out or explain:

  1. Pay Your Self First – Always earmark money in your budget to put into savings.
  2. Save for other expenses such as car maintenance, vacations, new computer, etc.
  3. Ask if any students with College scenario had anything different.

#### STEP 4

- Using BUDGET EXERCISE TEACHING GUIDE (Appendix B)- Complete Overhead 6 for High School Graduate
 

NOTE: These students do not have enough \$\$ to pay expenses outlined in their budget. Ask for ideas of how to cut expenses (Flexible expenses, etc.) Because they do not have enough \$\$ to pay bills what are they unable to do that the College Graduates can?

**Answer: Save!** They cannot pay themselves first. What fun is a paycheck if you cannot save any for yourself for a great vacation or new computer, etc.

#### STEP 5 – Using Overhead 6

- ***Class Discussion:*** What will HS Graduate do if car breaks down with \$200 repair bill?
- ***Class Discussion:*** What should the High School Graduate do to balance their budget?

### V. **The advantages/incentives for creating a budget and sticking to it.**

#### STEP 1 – Overhead 7

- Educate students on the benefits of creating and sticking to their budget.
  1. Budgeting gives control of your financial situation by:
    - Allows individual to plan ahead for expenses.
    - Reduces money-related anxiety.
    - Helps avoid overspending.
    - Creates a savings plan.
    - Helps avoid late fees & additional interest charges associated with late payments.
    - ***Class Discussion – Solicit Other Ideas and write them into blanks.***

## **VI. Be the Boss of your Money! Eight Simple Ways to Cut Expenses & Save**

### STEP 1

- Show Overhead 8

1. Adjust flexible expenses

- Watch utility use. Turn off lights, shorten showers, keep thermostat at thrifty level.
- Minimize extra phone services.
- Always fill up gas tank and pay at the pump if possible. This removes temptations to buy snacks/drinks when entering the convenience store to pay.
- If you smoke – QUIT! This habit can cost the average smoker approximately \$1,100 per year and increased medical bills and health problems.
- Take lunch to work instead of eating out – better for health and pocketbook.

Annual cost of Fast Food Value Meal (5 days per week): \$910

Annual cost of sack lunches (5 days a week): \$455

- Keep soda in desk/locker instead of buying from vending machine.

Annual cost of 1 soda per day from vending machine (5 days a week): \$195.

Annual cost of soda 12 - packs from store = to 1 soda each day (5 days per week): \$75.

2. Plan discretionary expenses.

- Before buying on impulse – walk around the store with it. Think of what else could be done with the money that is about to be spent on that CD or new pair of shoes. Chances are you may decide you do not need to purchase at this time and put it back.
- When making a major purchase (new TV, CD player, etc.) look through store ads, comparison shop and educate yourself prior to purchase. This helps to find best deal for your hard-earned money.

3. Do not carry cash – too easy to spend.

4. Pay off debt as fast as possible. For example: Increase the payment to the Clothing Store Credit Card from \$40 to \$50. This will decrease the time to pay it off from 25 months to 19 months.

5. When this card paid, take that excess and apply to other debt payments. As debt pays down start saving money once applied to debt payments.

6. Control use of credit cards. Don't use to purchase daily expenses such as food and gas. You will end up paying much more for the items.

7. Pay bills on time! Late fees and extra finance charges add up – yes even on your phone bill.

8. Change Jar – Put excess change in the jar. When full, treat yourself to an item on your wish list.

9. Open a savings account in another bank with branches farther away from home to avoid easy access. Pay yourself at payday (direct deposit the best) into that account. Watch it grow.

**Remember ----- Always Pay Yourself First**

## **VI. Blank Budget Sheet**

*Instructor Note:* The last page of the Student Handouts is a blank budget sheet for their own personal use. Encourage them to spend the next week tracking Daily Expenses, completing Payment Calendar and Budget Worksheet. This is a great exercise to do with parents so students can see what the household budget and expenses are.

***END OF MODULE***

# **APPENDIX A**

## **Instructors Guide**

### **College Graduate Scenario**

**Budget Exercise - College Graduate**  
Fulltime Employee – 40 hours per week

**Income:**

Gross Salary: \$31,200 (\$15/hour)

Net Salary (After taxes & Health benefits): \$24,000

- \$2,000 per month

**Monthly Expenses:**

1. Savings – Pay Yourself First: \$50
2. Rent for two-bedroom apartment: \$575
3. Phone: \$45
4. Gas: \$20
5. Electric: \$25
6. Car Payment: \$407 (Toyota Forerunner – Cost - \$27,000. Loan: 7 years @ 7% interest)
7. Student Loans: \$182
  - Average undergraduate debt in 2002 was 16,500 and average monthly payment is \$182.
8. Car Insurance: \$75
9. Gasoline: \$50
10. Groceries: \$130
11. Eating Out: \$20
12. Direct TV: \$55
13. Internet Access: \$20
14. Clothing: \$50
15. Recreation & Entertainment: \$120
16. Personal expenses: \$20
17. Haircuts, Cosmetics, etc. \$40
18. Bank Credit Card: \$25 (Balance: \$1,000. Interest: 11%)
  - \*Est. time to payoff debt: 49 months (Paying minimum payment, with no further charges)
19. Furniture Store Credit Card (Big Screen T.V.): \$50 (Balance: \$1250. Interest: 21%)
  - \*Est. time to payoff debt: 33 months (Paying minimum payment, with no further charges)

***Monthly Income: \$2,000***

***Monthly Expenses: \$1,959***



## Monthly Budgeting Worksheet College Graduate

### USE THIS SHEET TO COMPLETE BUDGET WORKSHEET ON OVERHEAD

#### My Income

Include: Job, allowance,  
babysitting etc.

Wages \$	<u>2,000</u>
Public assistance \$	<u>          </u>
Child support/ Alimony \$	<u>          </u>
Interest/ Dividends \$	<u>          </u>
Odd Jobs \$	<u>          </u>
Allowance \$	<u>          </u>
Other \$	<u>          </u>
	<u>          </u>

**Total Income \$** 2000

#### My Expenses

##### Fixed Expenses

Rent/Mortgage \$	<u>575</u>
Property taxes/ Insurance \$	<u>          </u>
Car payment \$	<u>407</u>
Car insurance \$	<u>75</u>
Mass transit ( <i>bus, etc.</i> ) \$	<u>          </u>
Other loan payments \$	<u>182</u>
Credit Card Payments \$	<u>75</u>
Health insurance \$	<u>          </u>
Day care \$	<u>          </u>

##### Flexible Expenses

Savings \$	<u>50</u>
Gas/Oil \$	<u>20</u>
Electricity \$	<u>25</u>
Other Utility \$	<u>75</u>
Telephone \$	<u>45</u>
Food \$	<u>150</u>
Transportation/Gas \$	<u>50</u>
Car maintenance \$	<u>          </u>
Education \$	<u>          </u>
Personal/Clothing expenses \$	<u>70</u>

##### Discretionary Expenses

Haircut, CD's etc.	<u>40</u>
Entertainment	<u>120</u>

**Total Expenses \$** 1959

# **APPENDIX B**

## **Instructors Guide**

### **High School Graduate Scenario**

**Budget Exercise – High School Graduate**  
Fulltime Employee – 40 hours per week.

**Income:**

Gross Salary: \$20,800 (\$10/hour)

Net Salary (after taxes & health benefits): \$16,000

- \$1333.33 per month

**Monthly Expenses:**

1. Rent for 1 bedroom apartment: \$425
2. Phone: \$45
3. Gas: \$20
4. Electric: \$20
5. Internet Access: \$19
6. Car Payment: \$257 (Honda Civic – Cost \$13,000. Loan: 5 years @ 7% interest)
7. Insurance: \$55
8. Bank Credit Card: \$75 (Balance: \$1,900. Interest Rate: 15%)  
\*Est time to payoff debt: 31 months (Paying minimum payment, with no further charges)
9. Gasoline: \$25
10. Personal /Clothing: \$30
11. Haircuts, cosmetics, magazines, etc. \$40
12. Clothing Store Credit Card: \$40 (Balance \$800. Interest Rate: 21%)  
\*Est time to payoff debt: 25 months (Paying minimum payment, with no further charges)
13. Groceries: \$125
14. Eating Out: \$15
15. Recreation & Entertainment: \$100
16. Cable: \$45
17. Savings – Pay Yourself First: \_\_\_\_\_

**Monthly Income: \$1,333**

**Monthly Expenses: \$1,341**

**Monthly Budgeting Worksheet**  
High School Graduate

**USE THIS SHEET TO COMPLETE BUDGET WORKSHEET ON OVERHEAD**

**My Income**

Include: Job, allowance,  
babysitting etc.

Wages \$	<u>1,333</u>
Public assistance \$	<u>          </u>
Child support/ Alimony \$	<u>          </u>
Interest/ Dividends \$	<u>          </u>
Odd Jobs \$	<u>          </u>
Allowance \$	<u>          </u>
Other \$	<u>          </u>
	<u>          </u>

**Total Income \$** 1,333

**My Expenses****Fixed Expenses**

Rent/Mortgage \$	<u>425</u>
Property taxes/ Insurance \$	<u>          </u>
Car payment \$	<u>257</u>
Car insurance \$	<u>55</u>
Mass transit ( <i>bus, etc.</i> ) \$	<u>          </u>
Other loan payments \$	<u>          </u>
Credit Card Payments \$	<u>115</u>
Health insurance \$	<u>          </u>
Day care \$	<u>          </u>

**Flexible Expenses**

Savings \$	<u>          </u>
Gas/Oil \$	<u>20</u>
Electricity \$	<u>20</u>
Other Utility \$	<u>64</u>
Telephone \$	<u>45</u>
Food \$	<u>140</u>
Transportation/Gas \$	<u>25</u>
Car maintenance \$	<u>          </u>
Education \$	<u>          </u>
Personal/Clothing expenses \$	<u>30</u>

**Discretionary Expenses**

Haircut, CD's etc.	<u>45</u>
Entertainment	<u>100</u>

**Total Expenses \$** 1,341