

# Budgeting Your Financial Resources - Financial Literacy

## Summary

Financial planning helps you use your money to get the most out of life. It is important to realize that every purchase involves cost. To be truly satisfied with a purchase depends on analyzing its costs and benefits.

## Main Core Tie

General Financial Literacy

[Strand 5 Standard 1](#)

## Time Frame

2 class periods of 45 minutes each

## Materials

- [Sample Budget](#)
- [Determining Your Budget](#)

## Background for Teachers

Financial planning helps you use your money to get the most out of life. A financial plan, or budget, is a decision-making tool based on the basic principles of scarcity, choice, and opportunity cost. Without a financial plan, impulse buying may make it difficult to "make ends meet," no matter your income. Equipped with an understanding of financial planning, students are better able to adapt to ever-changing economic conditions.

It is important to realize that every purchase involves cost. To be truly satisfied with a purchase depends on analyzing its costs and benefits.

Source: *The Mint* - <http://www.themint.org/teachers/sample-budget.html>

## Student Prior Knowledge

Students should be familiar with the following terms: Budget Fixed Expense Variable Expense Income Expense

## Intended Learning Outcomes

- Identify sources of income
- Identify expenses
- Distinguish between fixed and variable expenses
- Develop a personal budget

## Instructional Procedures

Explain that a budget is a planning tool that can be used to help individuals and families manage their money. The idea of a budget is to use money to stretch purchasing power and raise the budgeter's standard of living. If you're working online, ask students to click on [Sample Budget](#). If you're working with hard copy, be sure you've printed a copy for each student. Discuss the amounts within the budget.

### 1. Income.

Using the Sample Budget, ask students to think of other sources of income that people other than Sonny might have. (Gifts, dividends, tips, commissions).

## 2. Expenses.

Tell students that it helps to keep a log of monthly expenses to determine their spending habits when starting to budget. They must keep in mind that there are two types of expenses.

- Fixed expenses

- expenses that remain the same each month. Examples of fixed expenses include rent, car payments, insurance, monthly savings plan, etc.

- Variable expenses

- expenses that change each month. Examples are clothing, food, entertainment, etc.

Ask students to offer examples of other things they might wish to buy that don't appear on the Sample Budget. Ask them to classify their examples as fixed or variable.

## 4. Compare expenses to income.

When all is said and done, Sonny's cash balance should be zero; that is, income and expenses should be equal.

What would Sonny have to do if his expenses exceeded his income?

What could Sonny do if he had money left over after deducting all his expenses?

### Making your own budget

Explain to students that they will now work individually to develop their own budget following the format in the Sample Budget. Distribute the remaining web pages if you are working with hard copy. To get an idea of where to start with the budget, use the [Starting Salaries chart](#).

Emphasize that these salaries represent average *starting* salaries. Briefly discuss how the level of education required for a position directly affects the salary of positions. Then, ask students to begin work on their budgets, using the [Determining Your Budget pages](#), either online or on hard copies.

## 2.

Students should follow this order in using the activity pages.

Explore Starting Salaries and choose a salary of a job that interests them. Don't let everyone choose a high salary just to have more income.

Students should work on Part 1 of Make Your Own Budget to determine their monthly take-home pay.

In Part 2, students must deduct expenses from their take-home pay. To do this, they must choose from the various size expenses in each grouping, Housing, Phone, etc. If students are working online, they simply click on the cost and it will appear to the right of the heading. If students are working with hard copy, they will have to enter their costs to the far right of each heading.

After students have entered their expenses, they should compare their numbers with the information under *What's Your Total?* at the end of the budget form.

Ask all or a few students to present their budgets to the class. Presentations will demonstrate that all budgets are personal and individual.

Source: *The Mint* - [Budgeting Your Financial Resources](#)

### Authors

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