

## Lesson 4: Your Budget Plan

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**Standards and Benchmarks** (see page B-41)

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### Lesson Description

Students work in pairs to participate in a “Track Star” game that illustrates positive and negative spending behaviors. Each pair analyzes the game results, identifies effective and ineffective budgeting behaviors, and generates a list of budgeting principles.

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### Grade Level

6-12

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### Concepts

Budget  
Expenses  
Fixed expenses  
Income  
Periodic expenses  
Variable expenses

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### Objectives

Students will

- define budget, income, expenses, variable expenses, periodic expenses, and fixed expenses;
  - give examples of effective and ineffective budgeting behavior;
  - give examples of variable, fixed, and periodic expenses; and
  - explain why some emergency savings is important when implementing good budgeting.
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### Time Required

45 minutes

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### It's Your Paycheck!

## Materials

- Handout 4.1, cut into strips
- Handouts 4.2 (copied on 11" × 17" paper if desired), 4.3 (copied on colored paper if desired), and 4.4, one copy of each for each pair of students
- Handouts 4.5, one copy for each student and one for the teacher to use as a visual
- Handout 4.5—Answer Key for the teacher
- Handout 4.6, one copy for each student
- Handout 4.6—Answer Key for the teacher
- Scissors for each student
- One calculator for each student

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## Procedure

1. Distribute a definition strip from *Handout 4.1: Definitions* to three students and instruct each to wait until he or she is called on to read the definition.
2. Write the word **budget** on the board and ask the students to write down three words or phrases that come to mind when they think about that term. Ask students to share answers. (*Answers will vary but may include spending, saving, money, spending plan, or credit.*)
3. Explain that budget may be used as a noun or a verb. Call on the student who has the definition of budget from Handout 4.1 to read the definition aloud to the class.
4. Write the word **income** on the board and ask students what the term means. (*Answers will vary but may include the money one makes, money received, or job pay.*) Call on the student who has the definition of income from Handout 4.1 to read the definition aloud to the class.
5. Write the word **expenses** on the board and ask students what the term means. (*Answers may vary but may include spending money, payments, or costs.*) Call on the student who has the definition of expenses from Handout 4.1 to read the definition aloud to the class.
6. Tell students that they are going to work in pairs to play a board game called Track Star. The objective of the game is to see which of the two players can finish running the track first. Players advance by moving their game piece based on the information on game cards.

7. Divide students into pairs. Distribute *Handout 4.2: Track Star Game Board* to each pair of students. Tell students that the two competitors in the game are “Jet Stream” and “Whoosh.” Each pair is to decide who will be Jet Stream and who will be Whoosh.
8. Distribute to each pair of students two pair of scissors, one copy of *Handout 4.3: Jet Stream’s Game Cards*, and one copy of *Handout 4.4: Whoosh’s Game Cards*. Tell the students to cut out their character cards and game pieces and then shuffle the cards, being careful not to mix up the individual character’s cards, and place them face down on the appropriate spaces on the game board.
9. Explain the directions for playing the game as follows:
  - Whoosh goes first.
  - To play, draw a game card from the top of your character’s stack, read it to your partner, follow the directions, and place the used card at the bottom of the stack.
  - If the card drawn instructs the character to move back one or more spaces and the game piece is on the first space, the player should put that card at the bottom of the card stack and draw another card in order to move forward from the start space.
  - Alternate taking turns until someone wins the game by crossing the finish line.
  - If you land on an instruction space, follow the instructions.
  - No player should move farther back than the first space.
10. Tell students to raise their hands when they finish the game. At that time, give each student a copy of *Handout 4.5: Savvy Spending and Saving Principles*. Tell students to develop answers as a pair but both students should record their answers.
11. Allow time for students to complete the handout and then discuss the following:
  - Which expenses did both Whoosh and Jet Stream have in the game? (*A friend’s birthday party gift, a flat tire repair, and the increased price of movie tickets*)
  - What do these expenses have in common? (*Answers will vary but may include the following: They are all unexpected expenses. A flat tire repair and the increased price of movie tickets are things over which they have no control. The movie tickets and the birthday gift are optional expenses, but fixing the flat tire is not an optional expense.*)
12. Explain that expenses are often categorized as fixed, variable, or periodic. **Fixed expenses** are expenses that occur each month in a regular amount, such as rent or a car payment. **Variable expenses** are expenses that change from one time period to the next, such as food and gasoline. **Periodic expenses** are expenses that occur several times a year, such as car insurance.

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13. Discuss the following:
  - What are some examples of variable expenses and periodic expenses mentioned in the game? (*Variable expenses: movie, concert, shirt at a concert, and miscellaneous cash expenses; periodic expenses: friend's birthday gift, flat tire, Monster music purchase, and a guitar*)
14. Point out that there were no references to fixed expenses in the game. Discuss the following:
  - What are some examples of fixed expenses for Whoosh and Jet Stream? (*Answers will vary but may include rent or a car payment.*)
15. Display Handout 4.5. Call on students for answers and fill in the visual so that all students will see the answers. See *Handout 4.5: Savvy Spending and Saving Principles—Answer Key* for suggested answers.
16. Discuss the following:
  - Based on the list of successful spending and saving principles, what advice would you give Whoosh? (*Answers will vary but may include the following: Keep track of your expenses, keep receipts, track the money in your bank account, pay bills on time, and save for unexpected and periodic expenses.*)

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## Closure

17. Review the key points of this lesson by discussing the following:
  - What is budgeting? (*Budgeting is managing one's income and expenses by creating a plan.*)
  - What is income? (*Income is the payment people receive for providing resources in the marketplace. When people work, they provide human resources (labor) and in exchange they receive income in the form of wages or salaries. People also earn income in the forms of rent, profit, and interest.*)
  - What are expenses? (*Expenses are costs incurred for goods and services.*)
  - What are fixed expenses? (*Fixed expenses are expenses that occur each month in a regular amount.*)
  - What are some examples of fixed expenses? (*Rent, a mortgage payment, and a car payment*)
  - What are variable expenses? (*Variable expenses are expenses that change from one time period to the next.*)
  - What are some examples of variable expenses? (*Food, entertainment, gasoline, clothing, and eating out*)
  - What are periodic expenses? (*Periodic expenses are expenses that occur several times a year.*)

- What are some examples of periodic expenses? (*Gifts for birthdays or other special occasions, health insurance, and car insurance*)
- Why do you think the game board included the following spaces? “Buy friend birthday gift. Move back 1 space.” “Flat tire repair. Move back 1 space.” “Movie tickets increase in price. Move back 1 space.” (*Even savvy spenders/savers like Jet Stream have unexpected and periodic expenses for which they should be prepared if possible.*)
- What are some important principles to keep in mind if you want to be a savvy spender/saver? (*Answers will vary but should include the following: Save before spending. Have an emergency fund. Make informed choices. Plan for periodic expenses. Create a budget and be sure that your expenses don’t exceed your income.*)

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## Assessment

18. Distribute *Handout 4.6: Maria’s Story—Assessment* and have students follow the directions to create a budget. (Budgets may vary but expenses should not exceed income.)
19. Optional: Have students exchange their completed Handout 4.6 with another student and instruct them to check each other’s budget for Maria, making sure the math is correct and expenses do not exceed income.

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## It’s Your Paycheck!

## Handout 4.1: Definitions

### **Budget (noun)**

An itemized summary of probable income and expenses for a given period; a plan for managing income, spending, and saving during a given period of time.

### **Budget (verb)**

To plan or manage income and expenses.

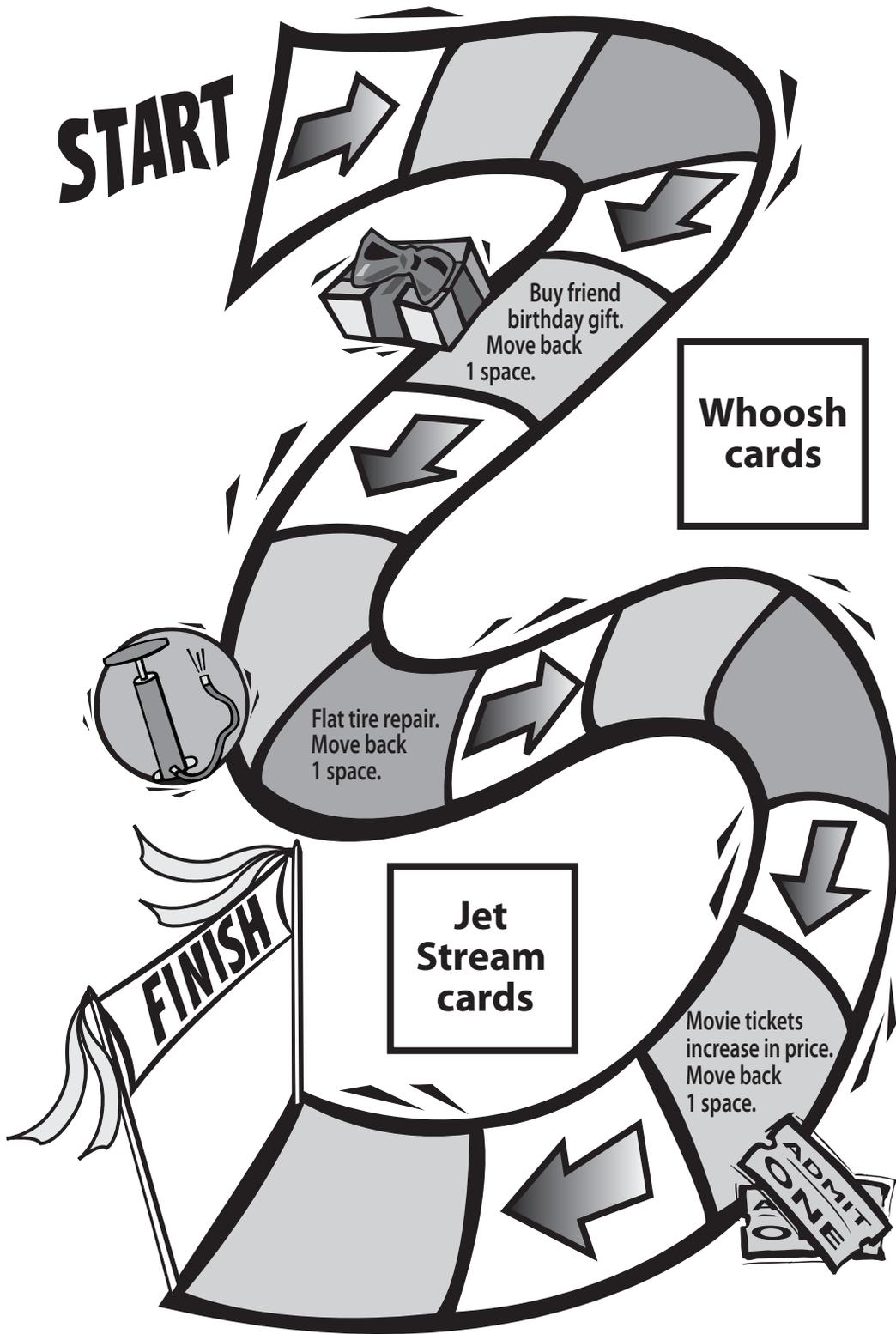
### **Income**

The payment people receive for providing resources in the marketplace. When people work, they provide human resources (labor) and in exchange they receive income in the form of wages or salaries. People also earn income in the forms of rent, profit, and interest.

### **Expenses**

Costs incurred for goods and services.

Handout 4.2: Track Star Game Board



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### Handout 4.3: Jet Stream's Game Cards

	<p>★</p> <p>You established a savings account and put 10% of your paycheck into that account before spending on other things. Move forward 3 spaces.</p>	<p>★</p> <p>You put 5% of your paycheck in a fund for unexpected expenses. Move forward 1 space.</p>
<p>★</p> <p>You elected to receive your paycheck by direct deposit. Move forward 1 space.</p>	<p>★</p> <p>You waited until you received your first paycheck before you spent your earnings. Move forward 2 spaces.</p>	<p>★</p> <p>When your expenses were greater than your income, you reworked your budget so that your income was equal to or greater than your expenses. Move forward 3 spaces.</p>
<p>★</p> <p>You started keeping track of your miscellaneous cash expenditures so that you'd know where your money is going. Move forward 2 spaces.</p>	<p>★</p> <p>At the end of the month, you compared your actual spending with your budget and noted categories where you overspent. Move forward 2 spaces.</p>	<p>★</p> <p>Based on your monthly income, you created a budget. Move forward 2 spaces.</p>
<p>★</p> <p>You received a bill from Monster Music and paid it by the due date. Move forward 2 spaces.</p>	<p>★</p> <p>You withdrew \$20 cash from an ATM, kept the receipt, and recorded the withdrawal. Move forward 2 spaces.</p>	<p>★</p> <p>You received your monthly bank statement and balanced your checkbook. Move forward 3 spaces.</p>

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**Handout 4.4: Whoosh's Game Cards**

	 <p>You established a savings account and put 10% of your paycheck into that account before spending on other things. Move forward 3 spaces.</p>	 <p>You did not put money from your paycheck in a fund for unexpected expenses. Move back 1 space.</p>
 <p>You threw away your receipt after withdrawing cash from your ATM and forgot to record it. Move back 2 spaces.</p>	 <p>You made a budget based on your gross pay rather than your net pay. Move forward 2 spaces for creating a budget but move back 1 space for basing it on gross pay rather than net pay.</p>	 <p>You didn't double-check your math when you created a budget and do not have an accurate amount for your monthly expenses. Move back 2 spaces.</p>
 <p>You notice you always run out of cash but have no idea where you spend it—you do not keep track of your miscellaneous cash transactions. Move back 2 spaces.</p>	 <p>To stay within your entertainment budget, you didn't purchase any candy or soft drinks while at the movie theatre. Move forward 2 spaces.</p>	 <p>You purchased a shirt at a concert without having any money in your budget for this. Move back 1 space.</p>
 <p>You received a bill from Instruments Inc. for a guitar you purchased and mailed the payment on the due date. Move back 2 spaces because your payment will be late.</p>	 <p>You got \$20 cash from the ATM, kept the receipt, and recorded the withdrawal. Move forward 2 spaces.</p>	 <p>You received your monthly bank statement but never got around to balancing your account. Move back 3 spaces.</p>

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### Handout 4.5: Savvy Spending and Saving Principles

Instructions: Look at Jet Stream’s and Whoosh’s cards from the Track Star game. Sort the cards into two sets: one that indicates successful spending or saving behavior (i.e., the cards moved play forward) and one that indicates unsuccessful spending or saving behavior (i.e., the cards moved play backward). Use the instructions on the cards to create lists of successful and unsuccessful spending and saving principles or guidelines. For example, for the card that says, “You got \$20 cash from your ATM machine, kept the receipt, and recorded the withdrawal. Move forward 2 spaces,” you might write “Keep receipts of financial transactions,” or “Record all financial transactions.”

Successful Spending and Saving Principles	Unsuccessful Spending and Saving Principles

### Handout 4.5: Savvy Spending and Saving Principles—Answer Key

Instructions: Look at Jet Stream and Whoosh’s cards from the Track Star game. Sort the cards into two sets: one that indicates successful spending or saving behavior (i.e., the cards moved play forward) and one that indicates unsuccessful spending or saving behavior (i.e., the cards moved play backward). Use the instructions on the cards to create lists of successful and unsuccessful spending and saving principles or guidelines. For example, for the card that says, “You got \$20 cash from your ATM machine, kept the receipt, and recorded the withdrawal. Move forward 2 spaces,” you might write “Keep receipts of financial transactions,” or “Record all financial transactions.”

Successful Spending and Saving Principles	Unsuccessful Spending and Saving Principles
Create a budget so your expenses don’t exceed your income.	Forget about taxes when estimating the amount of your paycheck.
Don’t spend money you don’t have.	Don’t have a “rainy day” fund for unexpected expenses.
Keep track of your cash expenditures.	Don’t worry about recording cash transactions.
Balance your bank accounts.	Don’t worry about keeping receipts of financial transactions.
Keep receipts of financial transactions, including ATM withdrawals.	Don’t bother to balance your bank accounts. Your bank knows how much money you have, even if you don’t.
Establish a savings account and save 10% of your income.	Don’t hesitate to make an unplanned purchase. You can always make up that expenditure by cutting back on something else.
Pay your bills on time.	Don’t worry about mailing your bill payments in advance of their due dates.
Avoid buying things that aren’t in your budget.	Pay all your bills and spend on miscellaneous items before putting money into a savings account.
Save for unexpected expenses.	Don’t double-check your math.

#### It’s Your Paycheck!

**Handout 4.6: Maria’s Story—Assessment (page 1 of 2)**

Maria is one of your best friends. She keeps complaining that she runs out of money each month before she gets paid and that she isn’t able to save any money. She’s asked you to help her make a budget based on her income from two part-time jobs. She handed you a crumpled paper with the following record of her expenditures for last month. Before you help her make a budget, help her balance her monthly transactions by filling in the last column on the table below. To obtain the balance, add income and subtract expenditures and withdrawals.

Date	Transaction	Expenditure	Income or Withdrawal	Balance
2/1	Paycheck—direct deposit		\$210.20	
2/1	ATM cash & fee		-\$21.50	
2/1	Movie and soft drink	\$9.50		
2/3	Gasoline	\$35.50		
2/5	Music downloads	\$17.80		
2/10	Old Army clothes	\$43.47		
2/12	ATM cash		-\$40.00	
2/15	Jewelry at Clara’s	\$14.99		
2/16	Paycheck—direct deposit		\$200.25	
2/25	Quarterly car insurance payment to parents	\$125.50		
2/29	Monthly car payment to parents	\$95.00		

**Handout 4.6: Maria’s Story—Assessment (page 2 of 2)**

Using the information on the previous page, help Maria make a budget so that her expenditures do not exceed her monthly income of \$410.45 and she can begin to save some money. Be sure to allocate at least \$50 per month for gasoline because Maria has to use her car to get to work. Categorize her expenses appropriately. Use the form below. If your first budget attempt goes over her income, use the second column.

	1 <sup>st</sup> Budget attempt	2 <sup>nd</sup> Budget attempt
<b>Income</b>		
Earnings		
Other (gifts, etc.)		
<b>Total income</b>		
Fixed expenses		
Variable expenses		
Period expenses		
Emergency savings		
Total expenses		
Total income less expenses		

On the back of this page, write a note to Maria explaining what a budget is and what fixed, variable, and periodic expenses are. Explain ways in which Maria might reduce her current expenditures to meet her budget and begin to save. Explain why having an emergency fund is important. Identify at least three savvy spending and saving principles that might help Maria and explain why they would help her.

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**Handout 4.6: Maria’s Story—Assessment Answer Key**

Maria is one of your best friends. She keeps complaining that she runs out of money each month before she gets paid and that she isn’t able to save any money. She’s asked you to help her make a budget based on her income from two part-time jobs. She handed you a crumpled paper with the following record of her expenditures for last month. Before you help her make a budget, help her balance her monthly transactions by filling in the last column on the table below. To obtain the balance, add income and subtract expenditures and withdrawals.

Date	Transaction	Expenditure	Income or Withdrawal	Balance
2/1	Paycheck—direct deposit		\$210.20	\$210.20
2/1	ATM cash & fee		-\$21.50	\$188.70
2/1	Movie and soft drink	\$9.50		\$179.20
2/3	Gasoline	\$35.50		\$143.70
2/5	Music downloads	\$17.80		\$125.90
2/10	Old Army clothes	\$43.47		\$82.43
2/12	ATM cash		-\$40.00	\$42.43
2/15	Jewelry at Clara’s	\$14.99		\$27.44
2/16	Paycheck—direct deposit		\$200.25	\$227.69
2/25	Quarterly car insurance payment to parents	\$125.50		\$102.19
2/29	Monthly car payment to parents	\$95.00		\$7.19

NOTE: No answer key is provided for page 2 of the assessment as budgets will vary.

## Standards and Benchmarks

### National Standards for Financial Literacy

**Standard 2: Buying Goods and Services:** People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.

- **Benchmark 7, Grade 4:** Planning for spending can help people make informed choices. A budget is a plan for spending, saving, and managing income.
- **Benchmarks 5, Grade 8:** A budget includes fixed and variable expenses, as well as income, savings, and taxes.
- **Benchmark 6, Grade 8:** People may revise their budget based on unplanned expenses and changes in income.

### National Standards in Economics

**Standard 13:** Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce.

- **Benchmark 2, Grade 8:** To earn income, people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial ability.

### Common Core State Standards: English Language Arts

#### Reading: Informational Text

- **Key Ideas and Details, Grade 8**

CCSS.ELA-Literacy.RI.8.3: Analyze how a text makes connections among and distinctions between individuals, ideas, or events (e.g., through comparisons, analogies, or categories).

- **Key Ideas and Details, Grades 9-10**

CCSS.ELA-Literacy.RI.9-10.1: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

### Common Core State Standards: Literacy in History/Social Studies, Science, and Technical Subjects

#### History/Social Studies, Grades 9-10

- **Craft and Structure**

CCSS.ELA-Literacy.RH.9-10.4: Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.

#### Science & Technical Subjects, Grades 6-8

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### It's Your Paycheck!

- **Key Ideas and Details**

CCSS.ELA-Literacy.RST.6-8.2: Determine the central ideas or conclusions of a text; provide an accurate summary of the text distinct from prior knowledge or opinions.