

## Budgeting I

### The **BIG** Idea

- How will knowing the difference between wants and needs help me make good spending choices?

### AGENDA

Approx. 45 minutes

- I. Warm Up: Spending Smarts Questionnaire & Discussion (10 minutes)
- II. Decisions, Decisions: A Budgeting Game (15 minutes)
- III. Needs vs. Wants (15 minutes)
- IV. Wrap Up (5 minutes)

### MATERIALS

#### STUDENT HANDBOOK PAGES:

- Student Handbook page 60, Spending Smarts Questionnaire
- Student Handbook page 61, Spending Diary

#### FACILITATOR PAGES:

- Facilitator Resource 1, Budgeting Game
- Facilitator Resource 2, Needs vs. Wants Pictures

#### Beans, buttons or other small items

(15 per student)

#### Chart paper and markers

### OBJECTIVES

During this lesson, the student(s) will:

- Consider his/her spending habits and attitudes about money.
- Use a simple simulation game to allocate finite resources to various categories (budgeting).
- Presented with items used or desired by teens, distinguish between needs and wants.

## OVERVIEW

In this lesson students begin by assessing and discussing their spending habits and attitudes about money. Through hands-on games and activities, students make decisions about allocating an allowance and discover the differences between wants and needs. Finally, small groups work together to generate lists of ways to cut spending and share tips with the rest of the class.

## PREPARATION

- List the **BIG IDEA** and the day's activities on the board.
- Write the day's vocabulary words and definitions on the board.
- For **Activity II**, divide the beans (or other objects) into sets of 15 per student. Duplicate **Facilitator Resource 1, Budgeting Game** (one card per student).
- For **Activity III**, display **Facilitator Resource 2, Needs vs. Wants Pictures** where the whole class can see.

## BACKGROUND INFORMATION

According to national surveys conducted over the past decade, many twelfth-graders have limited knowledge of basic financial literacy concepts, particularly in the areas of money management and savings. Nearly 60 percent of students say they learn most of their money management skills at home, with about 20 percent saying their primary source of information is school, and another 18 percent citing their own experiences.\*

Facilitators should be sensitive to the fact that students will not want to reveal too much about their family's financial status. This may be a particularly difficult topic for low-income students whose households are financially chaotic, with decisions about money made on a crisis-by-crisis basis. We should be careful not to assume that these students have access to middle-class sources of income such as allowances and birthday gifts from relatives (often used as discussion points in financial-ed materials), and allow some flexibility in completing assignments such as the spending diary.

\*Source: Jump\$tart Coalition for Personal Financial Literacy, 2004 survey of high school seniors

## VOCABULARY .....

**Budgeting:** Planning how you will spend your money.

**Need:** Something that is necessary (examples: food, clothing, shelter).

**Save:** Hanging onto your money for a future use instead of spending it; saving is the opposite of spending.

**Want:** Something you would like to have, but it's not a necessity (examples: designer clothing, toys, and magazines).

## ACTIVITY STEPS

### I. Warm Up: Spending Smarts Questionnaire & Discussion (10 minutes)

1. [Welcome the students and let them know how happy you are to be with them again. Tell them that today they are going to learn about a topic everyone loves: money!]
2. **SAY SOMETHING LIKE:** How many of you have ever bought something expensive, and later felt like it was a complete waste of money? How many of you have ever saved up money for something you really wanted?  
  
[Use student responses to make the point that the secret to having money for what they want, when they want it, is to know when to spend and when to save—and that it's possible to do both.]
3. [Invite students to consider how they spend their money, and what they think about money by completing **Student Handbook page 60, Spending Smarts Questionnaire.**]
4. [Follow up the questionnaire by having students discuss their responses with a partner. Encourage them to share with each other what money decisions they were most and least happy about and what they would like to change about their spending habits. How were their responses alike? How were they different?]

### II. Decisions, Decisions: A Budgeting Game (15 minutes)

1. [Distribute the **Facilitator Resource 1, Budgeting Game** and 15 beans (or other objects) to each student.  
  
**SAY SOMETHING LIKE:** Who likes to spend money? [Students will likely respond that they do.] That's good because this game is about spending money. Just like in real life, you will not be able to buy everything you want. The challenge is to make choices about how to spend your money so that you get the things that you really want, or need.
2. [Tell students that the 15 beans (or other objects) represent their money. Explain that the boxes list choices for how to spend their money. Point out that each box is a different category (e.g., school lunch, movies, etc). Tell them that they may choose only one option in each category or box by placing one bean (or other object) in the square(s) next to the option they choose in each category.]
3. [Explain that the goal of the game is to spend something in each category, making

sure they have enough money to cover all categories. Guide them to notice that there are more squares than beans (or other objects), and that each box offers different spending choices.]

4. Once students have made their choices, **SAY SOMETHING LIKE:** Let's say you're now experiencing a financial crunch. You have only 12 beans to spend. Decide where you can cut three beans from your budget. Will you take beans away from several categories? Will you move beans from one category, say "video games" to another, like "clothing?"
5. [Allow time at the end of the game for students to discuss the choices they made and why. Ask the following debriefing questions:
  - How many saved money? Why or why not?
  - How many of you spent most of your money on video games? On movies? On clothing? What influences these spending decisions in real life?]
6. **SAY SOMETHING LIKE:** In this game, all of you thought really hard about how best to spend your money. You cut spending (used less beans) in some places, so that you'd have enough money for the things you really want. This is called **budgeting**, and you did a great job!

SOURCE: Decisions, Decisions is an adaptation of Allowance Allocation activity at Practical Money Skills for Life (<http://www.practicalmoneyskills.com/english/index.php>)

### III. Needs Versus Wants (15 minutes)

1. [Ask students what comes to mind when they think of water, shelter, and food. Give students a chance to respond. Most likely, someone will indicate that these are things we NEED to live.]

**SAY SOMETHING LIKE:** You're right! Water, shelter, and food are all examples of **needs**. Without them we would not be able to survive.

2. [Now ask students what comes to mind when they think of an MP3 player, sports equipment, or name-brand clothing. Give students a chance to respond. Most likely, someone will indicate that these are things they want.]

**SAY SOMETHING LIKE:** You've got it! We don't need the latest technology and brand-name clothes to survive, but they are things we'd like to have. They are known as **wants**.

[Point out that sometimes needs and wants overlap. For example, fast food is food, but it is not a need; it's a want. While you need a basic diet to survive, that diet does not NEED to include fast food.]

3. [Draw students' attention to the **Facilitator Resource 2, Needs vs. Wants Pictures** displayed around the classroom. Tell students that as you point to each picture, they are to put their thumbs up for "need" and thumbs down for "want." As you point to each picture, see if students agree. If students disagree, encourage them to make a case for their opinion. It's OK to allow some ambiguity here. It may be a struggle for kids to give up the idea that their favorite items aren't "needs." The bottom line is: what else are they willing to give up to have those items?]

[NOTE: You may wish to choose the items most relevant to your students, e.g. apartment building for city kids, house for rural or suburban kids. Don't feel obligated to "get through" all or even most of them, particularly if there's a lot of discussion.]

4. [Invite students to make a list of things that are necessary for their day-to-day existence. Ask: Why do you feel these things are necessary? Then have them make a list of things they want. Ask: Why do you want these things? Are any of your wants also needs?]

#### IV. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** This week is one of the rare weeks that Roads to Success has a homework assignment for you to complete. The first step in creating a good budget is to keep track of your spending to see where your money is really going. You might be surprised by how many dollars you actually end up spending a week on candy, or question if you needed that new shirt, after all. But the only way to do this is to write down everything you spend your money on. And that's what your challenge is for the next week.
2. [Direct students to **Student Handbook page 61, Spending Diary**. Go over the instructions and do an example. Explain what reward students will get for bringing in completed diaries the following week. You might suggest they put the diary in the same place they keep their money so they won't forget to record their spending. Collecting receipts from purchases to add up later is also a good idea.]
3. [Congratulate students on taking the first steps to becoming smarter spenders and tell them you look forward to reviewing their spending diaries with them next week.]

## Budgeting Game

Video Games				
Play with games you already have	<input type="checkbox"/>			
Purchase used video games	<input type="checkbox"/>	<input type="checkbox"/>		
Play video games at an arcade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Buy new video games	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sports Equipment				
Use equipment you already have	<input type="checkbox"/>			
Buy used sports equipment	<input type="checkbox"/>	<input type="checkbox"/>		
Buy new sports equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Buy brand-name sports equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Movies				
Borrow from public library	<input type="checkbox"/>			
Rent a video	<input type="checkbox"/>	<input type="checkbox"/>		
Go to a half-price matinee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Go to a full-price movie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Clothes				
Wear what you already have	<input type="checkbox"/>			
Buy at a thrift store	<input type="checkbox"/>	<input type="checkbox"/>		
Buy at a discount store	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Buy at a department store	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

School Lunches				
Take packed lunch from home	<input type="checkbox"/>			
Buy lunch at school	<input type="checkbox"/>	<input type="checkbox"/>		
Buy lunch at a nearby fast-food restaurant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Donations to Charity				
About 5%	<input type="checkbox"/>			
About 10%	<input type="checkbox"/>	<input type="checkbox"/>		
More than 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

SOURCE: Practical Money Skills for Life  
(<http://www.practicalmoneyskills.com/english/index.php>)

Savings				
About 5%	<input type="checkbox"/>			
About 10%	<input type="checkbox"/>	<input type="checkbox"/>		
More than 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	













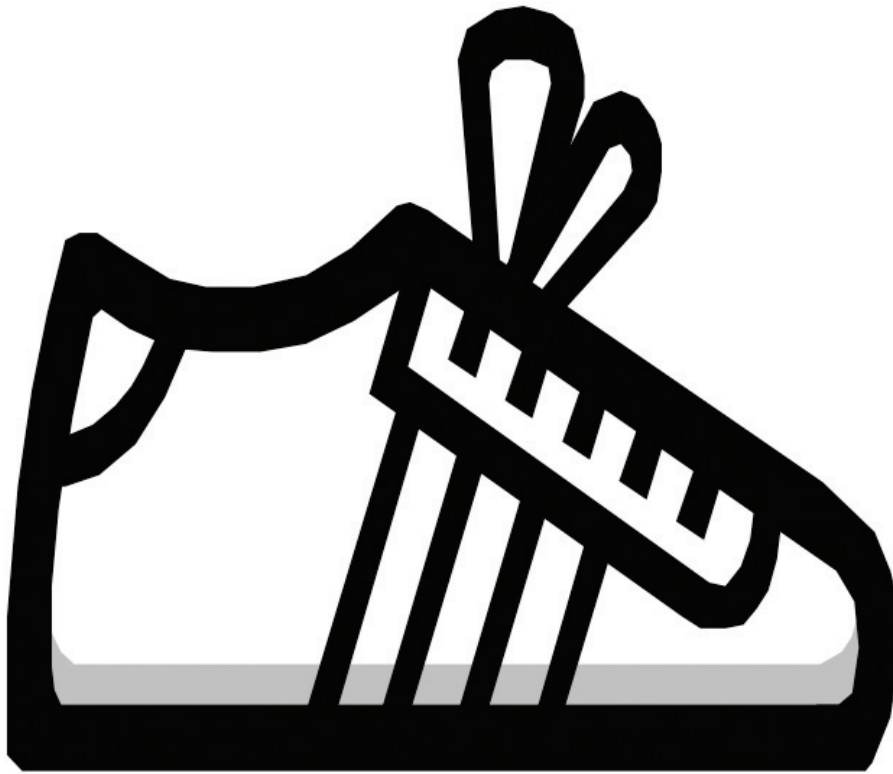










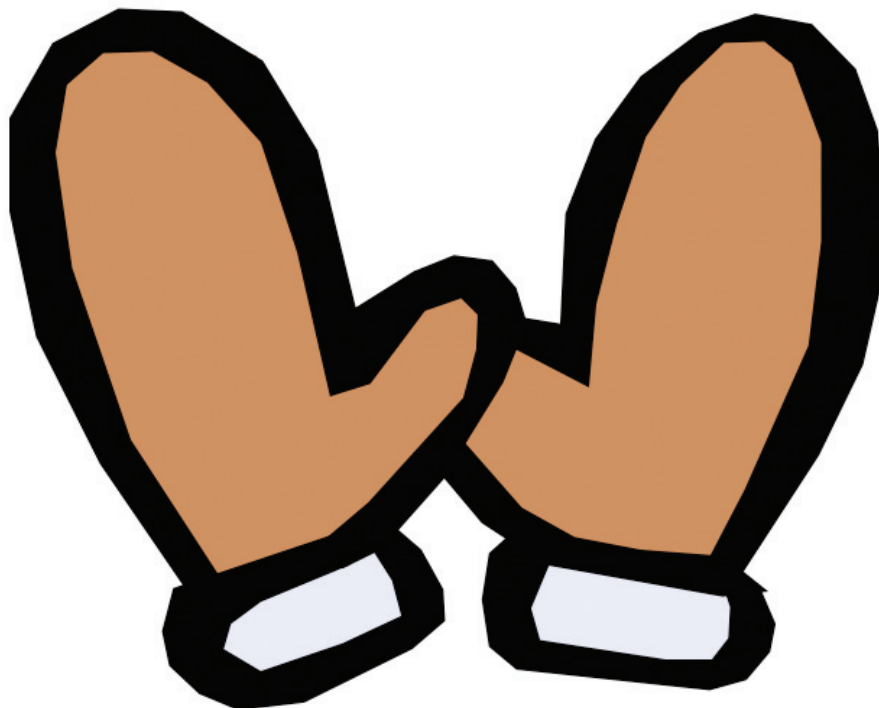


\$100

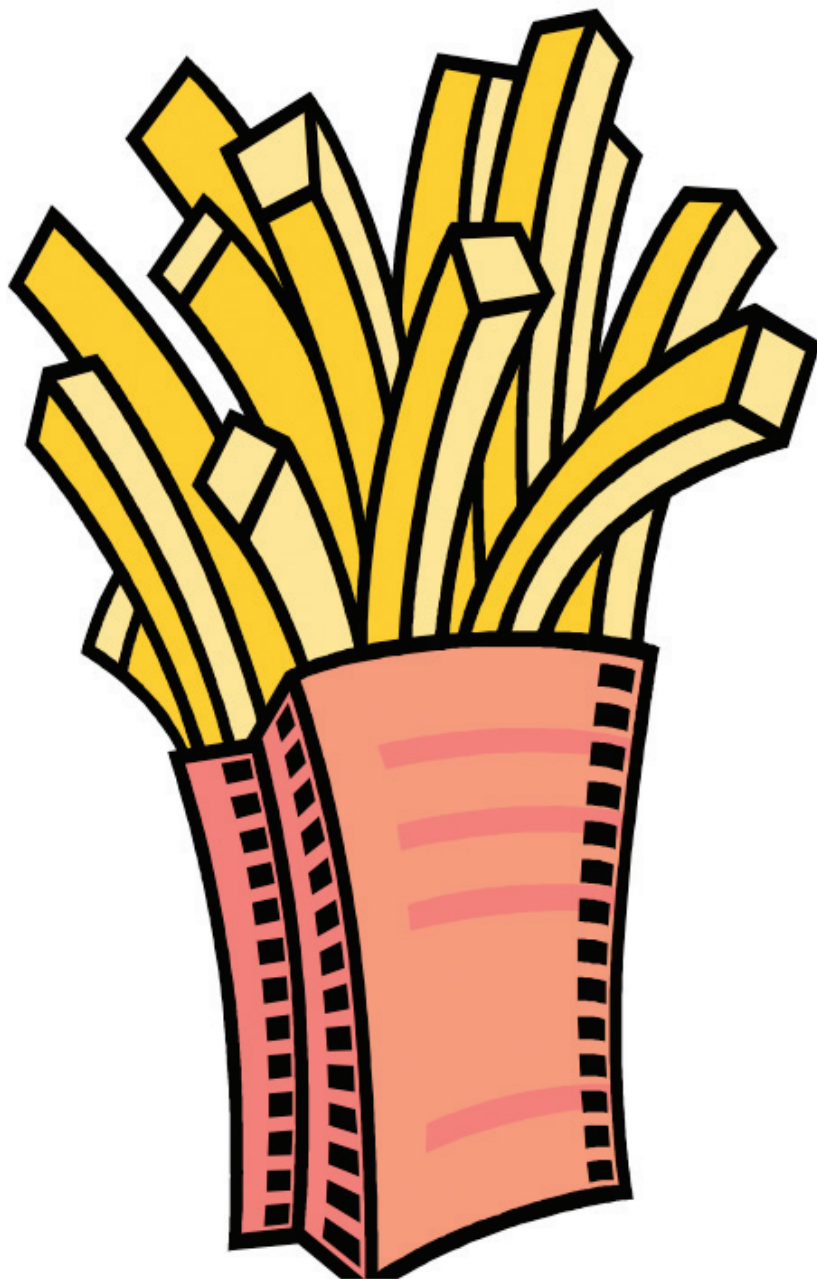


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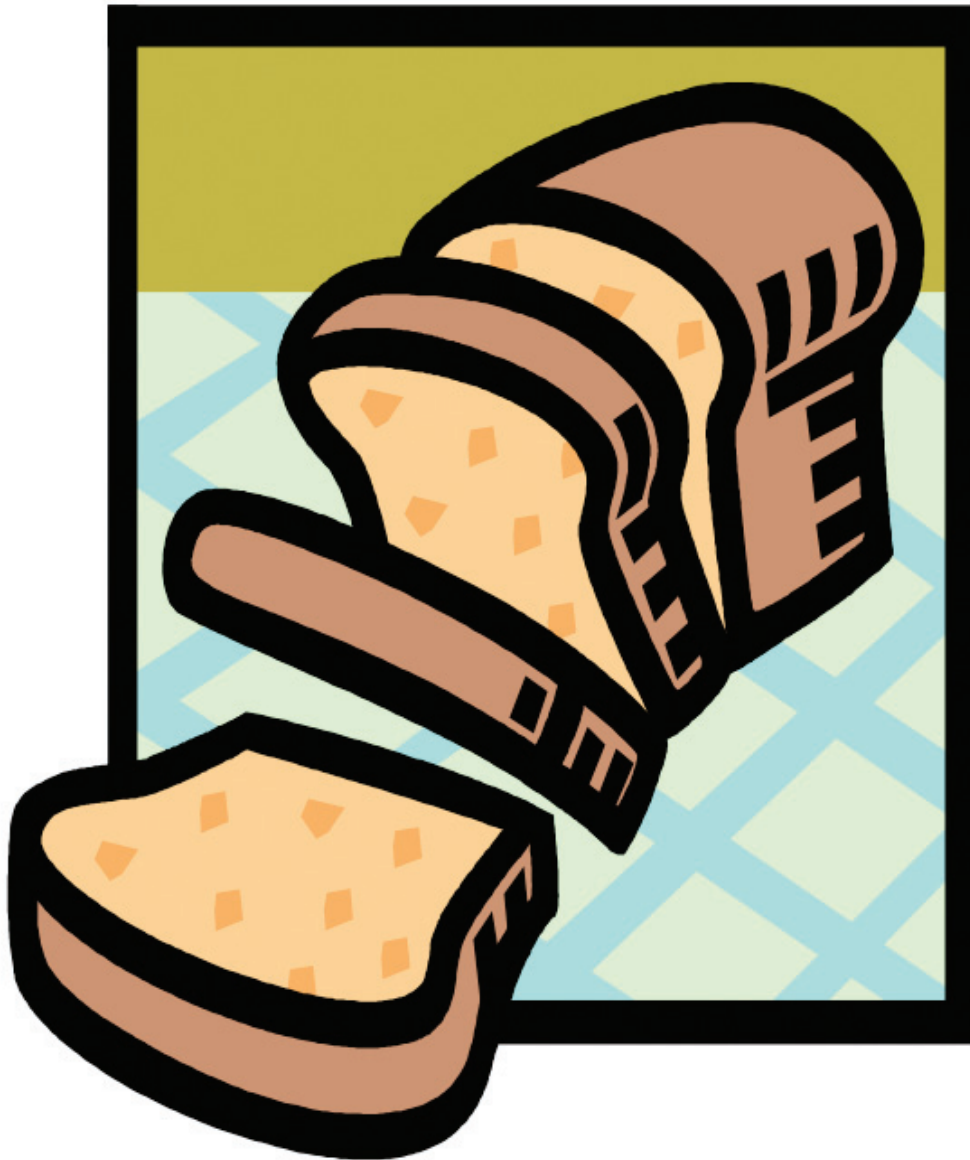














## Spending Smarts Questionnaire

1. When I get money, I: (circle one response)
  - a. Spend it all
  - b. Save it all
  - c. Spend some and save some
  
2. Something I'm happy I spent my money on recently is:  
  
because:
  
3. Something I regret I spent my money on recently is:  
  
because:
  
4. I wish I had extra money for:
  
5. I think my spending habits: (circle a response, and then explain on lines below)
  - need improvement
  - don't need improvementbecause:

SOURCE: Adapted from the tween website It's My Life (<http://pbskids.org/itsmylife/>) © 2005 CastleWorks, Inc.

## SPENDING DIARY

Being aware of your spending habits is the first step to budgeting. This is a spending diary. A spending diary allows you to keep track of your money by jotting down when you are spending money, what you're spending it on, and how much you're spending. Over the next week, try using the spending diary to keep track of how you spend your money. (If you don't have money of your own, ask your family members to help you estimate how much money has been spent on you during the week, and what each item costs.) By the end of the week, you may be surprised to see where your money goes.

### Spending Diary

Day	Item Bought	Amount Spent