

Personal budgeting 101



GRADE
8

In this lesson, students learn the fundamentals of budgeting. The action in the lesson includes tracking income and spending using a journal, the design and use of a simple budget template and the application of a financial planning tool to save for future goals and expenditures. This lesson focuses on foundational budgeting skills at each stage of life.



Subject

Mathematics

Suggested timing

40 minutes

Financial literacy objectives

At the end of this lesson, students will be able to:

- recognize that individuals are responsible for their finances;
- identify age-appropriate financial goals;
- create a budget.

Curriculum expectations

Mathematics, grades 1-8 (2005)
Mathematics

Number sense and numeration

- Solve multi-step problems arising from real-life contexts and involving whole numbers and decimals, using a variety of tools (e.g., graphs, calculators) and strategies (e.g., estimation, algorithms).
- Solve problems involving percent that arise from real-life contexts (e.g., discount, sales tax, simple interest).

Assessment

Collect: budget templates.

What you need

- Chart paper
- Markers
- Computer lab (optional)
- How spending patterns change throughout our Lives (Appendix A)
- Budget journal worksheet (Appendix B)
- Personal budget exemplar (Appendix C)
- Personal budget worksheet (Appendix D)
- Spreadsheet template or spreadsheet program (optional)

Minds on

Distribute how spending patterns change throughout our lives (Appendix A).

Brainstorming

Ask students to compare various items that people are likely to spend money on at each stage of life (e.g., children, teenagers, young adults, adults and seniors).

Ask for volunteers to share their ideas by recording items on chart paper. Alternately, have volunteers write this information under life stage headings on the board.

Explain that each life stage incurs different kinds of expenses. Emphasize the one factor common to all life stages: the need to control and analyze spending to ensure the income we bring in adequately covers our costs of living and other expenditures.

Take a class poll to determine the number of students who consistently record or write down everything they spend money on. Additionally, ask if there are any students who already use a budget to help them control their spending. For those students that do track spending, enquire about their process.

Metaphor strategy

Students likely feel that creating and maintaining a budget is about as enjoyable as a trip to the dentist. Tell them that this is normal and remind them that evidence suggests people who attend to their teeth have better hygiene and overall health. Likewise, people who attend to their finances by creating a budget and keeping track of spending are in a better position to make decisions, to plan for the future and to experience a sense of security.

Explain to students that in order to live a life that is balanced and financially stable, it is critical to be aware and in control of what is coming in and going out of their bank accounts. This is not something to fear; rather, it is a skill that will empower them to reach their goals and achieve financial stability and success.

Explain that the purpose of this lesson is to show students a budgeting process they can use and expand upon throughout each stage of their lives.



Action

Instructions

Describe the basics of the budgeting process by explaining that this budgeting process involves 3 simple steps:

1. *Itemize spending*: This step involves documenting what you earn and what you spend by recording each item in a journal on a daily, weekly, and/or monthly basis and recognizing which expenses are needs and which are wants.
2. *Evaluate spending*: This step involves determining where money is spent by categorizing or grouping expenditures (e.g., food, transportation, etc.) and comparing actual expenditures to budget targets.
3. *Planning for the future*: This final step involves learning how to set limits on your spending categories, how to create a plan to account for any unforeseen emergency expenditures and how to prepare for future goals or dreams.

Explain that once the budgeting process becomes routine, it takes only a few minutes each week to update your budget template and to stay on track for the rest of your life.

Activity: Applying the steps in budgeting

Input income and spending in a journal.

Explain to students that the first step in the process of budgeting is to keep a journal of all transactions. This is the “input” stage and includes recording expenses on or around the date they occur. It also involves recording any income received.

Explain that this is a simple and easy process but, like brushing your teeth daily, something that must be done on a regular basis so that it does not become an overwhelming burden.

Action (cont'd)

Modelling

Model the input step by opening up a shoebox or wallet containing a variety of receipts. Show students how to record expenses and income in a journal (Appendix B).

Make it clear that what you are presenting is just one way of journalizing and explain that individuals may want to record income and expenses in a way that works best for them. These processes can include:

1. Keeping all receipts in a safe place (e.g., a shoebox, file folder or online database) and recording/inputting information into a journal at the end of the month.
2. Recording each expense as it happens by writing the amount received or spent in a small pocket book or journal that you keep with you at all times.
3. Using a digital device such as a cell phone to keep track of each purchase as it is made.
4. Using spreadsheet or an online tracking program that breaks down expenses and income into graphs and charts.

Demonstrate to students different filing systems that individuals use to keep their receipts and pay stubs organized (e.g., filing receipts in folders by month or by type of expense, keeping all income amounts separate from expense amounts and organizing these by month; keeping journal paper templates handy for recording and inputting information).

Using the journal template (Appendix B), have students practise inputting information from the various receipts that you pull from the shoebox. Encourage students to identify whether an item is a need or a want. Also have them record any income received.

Action (cont'd)

Evaluate spending patterns

The next step in any budgeting process is to evaluate what you spent money on over a set period of time by looking carefully at all of the expenses in your journal and placing those expenses into categories.

Explain to students that these categories will be different for each individual during the various life stages. Refer to the Minds on activity, which emphasizes the fact that adults and teens will likely have different expenditures and different budget categories.

Encourage students to review their journal and assign items to categories of expense. Provide example categories for students to use, if needed (e.g., food, clothing, transportation, cell phone, etc.).

Define a budget template by showing an exemplar of a completed budget template (Appendix C). Show the template on screen or on a Smart Board and have students label all components of the template to ensure that they understand the function of each section of the document.

Take extra time to explain the 2 critical budget template categories that will assist them throughout their lives in making decisions about spending. These categories are the budgeted amount (the limit that the individual places on spending for each item in each category based on income) and the actual expense incurred during that period.

Explain how comparing budget amount against amount spent will assist students in planning income and expenses over time.

Guided practice

Have students transfer the expense categories from their journal to the blank budget template (e.g., cell phone, food, transportation, school supplies, entertainment, etc.) and then have them record the amounts of the expense on the template in the correct category.

For this exercise, provide students with a budget amount and actual income amount and explain how to predict income for a given period based on a pay stub. Help students understand the timing involved; that is, when the budgeting number and actual number are filled out during the month.

Explain to students that as they use the budget template each month, patterns will emerge and they will begin to predict how much money they are earning and how much money they can budget for in each category.

Show students how to add up and compare the budget totals to the actual totals and explain the surplus and deficit columns. Demonstrate how to calculate the totals. (See Appendix C for an example.)



Action
(cont'd)

Future planning

Explain that the final step in the budgeting process involves developing a plan. Some people prefer to create a separate section for future goal planning (see Appendix C). If there are certain things you want in the future – go to university, buy a car or go on a vacation – it is essential to save for those things. While everyone’s goals and wants are different, you can use this tool to plan your finances in order to attain what you want or need.

Explain how planning for the future involves figuring out if you have a budget surplus or deficit. If you have a deficit, spending must be cut in each of the categories before you can start setting goals. If you have a surplus, you have an opportunity to decide how much you want to save each month toward that goal. This will allow you to predict how long it will take to reach your financial aim.

Ask students to experiment with setting a goal (e.g., schooling, vacation, etc.). Have them allocate an amount using the savings goals template and evaluate where they could set limits on each category of the budget to reduce their expenses and save for the future.

**Consolidation/
debrief**

Ask students to track spending in their journal over a one month period. At the end of that month, help them to create a budget for the following month using a new blank template or spreadsheet program.

Discuss the following:

1. How can identifying needs and wants within each budget category help you determine where spending can be reduced?
2. Describe the importance of a budget.
3. What are the consequences of running a deficit budget?
4. When you hear governments talk about deficit budgets for the province or country, what would you advise them to do?
5. How might your budget template change as you get older?



How spending patterns change throughout our lives

How might spending habits and expenses change throughout the life cycle? Record your ideas.

Life stage	Examples of typical expenses for the life stage
Children	
Teenagers	
Young adults	
Adults	
Seniors	



Personal budget exemplar

Jen Lam
 Personal monthly budget
 Jan. 1- Jan. 31, 2013

The "Budget" column is completed prior to the start of the month.

The "Actual" column is completed at the end of the month when you receive your pay or total all expenses from your journal in a given category.

INCOME		Budget	Actual	Surplus/ (deficit)
Pet-sit		\$48 (\$12/week)	\$48	\$0
Part-time job		\$120 (\$30/week)	\$140	\$20
Other (gifts, etc.)		\$20	\$0	(\$20)
Income totals		\$188	\$188	\$0
EXPENSES				
Food	Orange juice	\$4	\$4	\$0
	Salad	\$5	\$10	(\$5)
	Pita	\$10	\$15	(\$5)
Clothing	Shoes	\$60	\$0	\$60
	T-shirts	\$10	\$20	(\$10)
Cell phone	Monthly bill	\$35	\$35	\$0
Entertainment	Movie tickets	\$20	\$25	(\$5)
School supplies	Writing instruments	\$3	\$3	\$0
	Binders	\$5	\$5	\$0
Transportation	Bus pass	\$10	\$10	\$0
	Subway	\$6	\$10	(\$4)
Other	Alarm clock	\$15	\$15	\$0
	Posters	\$5	\$5	\$0
Expense totals		\$188	\$157	
Budgeted surplus/(deficit)		\$0		
Total actual surplus/(deficit)			\$31	



Personal budget exemplar (cont'd)

Planning for future expenses

The \$31 that you had left over at the end of this month can go to your “Future Expense Goal” and/or to savings.

Future expense goal	Expense	Month	Savings to date
Go on a trip to NYC	\$1000	January	\$31
		February	
		March	
		April	
Total savings to date			\$31



Personal budget worksheet

Personal monthly budget

Name: _____

Date: _____

INCOME		Budget	Actual	Surplus/ (deficit)
Income totals				
EXPENSES				
Food				
Clothing				
Cell Phone				
Entertainment				
School supplies				
Transportation				
Other				
Expense totals				
Budgeted surplus/(deficit)				
Total actual surplus/(deficit)				



Personal budget worksheet (cont'd)

Future expense goal	Expense	Month	Savings to date
		January	
		February	
		March	
		April	
		May	
		June	
		July	
		August	
		September	
		October	
		November	
		December	
Total savings to date			