

Lesson 3: Can You Pay Your Bills?

TOPIC: Spending and Budgeting

OVERVIEW:

This lesson focuses on **financial recordkeeping** as a sound financial practice, reinforces prioritization of **wants** and **needs**, and challenges teens and young adults to develop a **budget** considering **cash flow** and personal spending choices. Students learn about important components of a budget, such as shelter, food, transportation, utilities, insurance, savings, and investments.

OBJECTIVES:

1. Develop a plan for spending and saving
2. Create a system for keeping financial records
3. Identify personal income and expenses or system for cash flow management

INDIVIDUAL HANDOUTS:

- Spending Tracker
- Income & Expenses
- Cash Flow Conundrum
- What If...

GROUP HANDOUTS:

- None

TEACHER PRESENTATION SLIDES:

- Sinking Ship
- 1-2-3 Budget
- Budget Breakdown

ESSENTIAL QUESTIONS:

- What are my financial values?
- What are my financial goals?
- What are the best methods to achieve my financial goals?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Sinking Ship
- **Handout:** Spending Tracker*

Post-Assessment:

- **Handout:** Income & Expenses*
- **Handout:** Cash Flow Conundrum*
- **Handout:** What If...

*Money Smart Portfolio Handouts

Time: 55 min

Subject Connections:

- Math

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

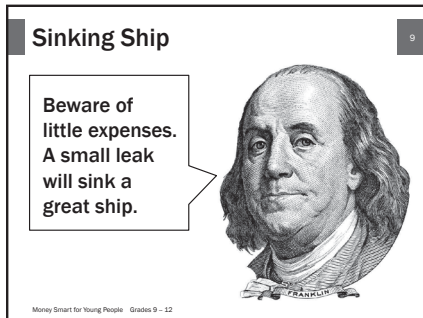
Glossary with key vocabulary 16

Instruction Steps

WARM UP

Why Keep Track Of Money?

10 MINUTES



Begin the lesson by displaying the **Sinking Ship slide** and ask students to reflect on the meaning of the proverb.

Ask *Why do we need to keep track of money?*

Invite volunteers to share their ideas and explain that keeping track of money we spend (expenses) and money we earn (income) is about making choices.

Discuss how analyzing our choices, we can make informed decisions about how to wisely spend and save for things we need and want. We do this through financial recordkeeping, creating a budget, and monitoring cash flow. Explain that “cash flow” is a term that refers to the movement of money flowing in (income) and money flowing out (expenses).

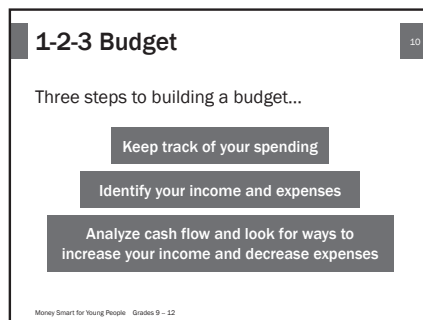
MONEY SMART TIP!

Connect back to Lesson 2, **Designing Dreams**, and help students understand that thinking through a broader financial plan like they did in previous lessons is important in making smart money choices, and that a large part of a financial plan includes an accurate budget.

GUIDED EXPLORATION

How to Budget

20 MINUTES



Display the **1-2-3 Budget slide** and review the steps to creating a budget with the class.

Ask students:

- *Do you know what you spend money on?*
- *Would you be able to list everything you've spent money on in the past week or month?*

Next, distribute the **Spending Tracker** handout and divide the class into small groups to complete the activity.

Invite one member from each group to share his or her answers to the questions on the handout and engage the class in a brief discussion about spending habits. Help students understand that Caitlin's daily coffee purchases and regular eating out add up to a lot more than she may realize.

Explain that it is common for many people to overspend because they do not keep track of every expense, big or small.

Budget Breakdown 11

Income:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses (for example: vehicle payment, gas, insurance, bus or transit fares)
- Movies, music purchases, game downloads or other entertainment
- Clothes or accessories
- Eating out
- Personal items (makeup, cologne, and so on)
- Savings for college or other future purchases

Cash flow is the relationship between income and expenses

Fixed expenses do not change from month to month (for example: rent and auto loan payments)

Flexible expenses might change from month to month (for example: food and gas)

Money Smart for Young People Grades 9 – 12

Next, review the **Budget Breakdown** slide with students and then distribute the **Income & Expenses** handout.

Give students time to complete the handout individually and then engage the class in a discussion about cash flow. Ask volunteers to explain what the difference is between fixed and flexible expenses and why it is important to keep track of both.

Grade-Level Modifications:

Beginner: Work together as a class to add up the total income and expenses on the **Income & Expenses** handout.

Advanced: Have students create their own budget modeling from the one on the **Income & Expenses** handout.

MONEY SMART TIP!

Discuss with students basic budget categories such as housing, food, transportation, utilities, insurance, savings, and investments. Engage students in a discussion about how much money we should allocate to each of these categories, and which categories we have greater levels of control over (such as decreasing spending on food by not eating out or reducing transportation costs by carpooling).

Ask students to brainstorm ways to decrease spending if expenses exceed income. Help students understand that separating needs from wants is one powerful way to avoid overspending on unnecessary expenses, and that being self-disciplined by sticking to a written plan can also help reduce spending.

Next, ask students to brainstorm ways that someone could increase income, such as working more hours, selling items one may no longer want or use, doing chores for others, like cutting grass or dog walking, or making and selling items such as jewelry or baked goods.

MONEY SMART TIP!

Discuss with students how other entities (beyond consumers) use budgets. For example: ask students to contemplate why small and large businesses would create a budget, as well as government agencies, schools, and organizations.

INDEPENDENT EXPLORATION

Analyzing Cash Flow

15 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Divide students into small groups and distribute the **Cash Flow Conundrum** handout. Give groups time to complete the activity and then ask a team member from each group to report his or her plan to the class.

Discuss **Todd's scenario** from the handout and acknowledge students' approaches to solving Todd's problem.

Emphasize that Todd could improve his situation by paying closer attention to his actions throughout the month, following a written budget, and possibly earning more income to help cover extra expenses.

MONEY SMART TIP!
Extend the Cash Flow Conundrum by having students write a problem and solution essay identifying Todd's problem and proposing and arguing a feasible solution.

WRAP UP

What If...

5 MINUTES

Close the lesson by handing out the **What If... worksheet**. Ask students to think back to the opening exercise and Caitlin's daily coffee purchases and put themselves in her shoes.

Invite students to share their answers for what they would do with money saved by not buying a daily coffee.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

It is not only individuals who have to think about income, debt, and savings. Even the government has to think about these items. Argue your position for what will most help the U.S. economy: raising the debt ceiling or paying off debt?

Write an instructional guide for how to create and follow a budget.

Your school is in the middle of a budget crisis...what steps should your school take to get back on track?

Suggested Readings:

How to Manage Your Money Like...a Pro Athlete? by The Guardian: Read about effective and ineffective money management tactics from the perspectives of professional athletes. <http://www.theguardian.com/money/2014/feb/02/manage-sports-pro-athlete-investment-saving>

Adult Budgeting 101: How to Create Your First Budget In the Real World by Life Hacker: Learn the steps to take to create a realistic budget for living on your own for the first time. <http://lifehacker.com/adult-budgeting-101-how-to-create-your-first-budget-in-1440446091>

MATHEMATICS

Activity/Project Ideas:

Have students create their own budgets and use them to track income and expenses. Students may also work with their parents or families on creating a family budget.

The cost of savings: give students different items to remove from a budget, such as eating out, entertainment, or other want-based categories. Challenge students to calculate how much money they can save over extended periods of time by removing expenses.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Explore and discuss the relationship between personal spending habits and consumer debt. (For example: are credit cards good for consumers? Why or why not? What cultural pressures influence spending, such as spending to show social status?)

Activity/Project Ideas:

Have students create and present a national budget in which they project expenses and revenues. For example: students may complete the National Budget Simulation from the Council for Economic Education. <http://www.econedlink.org/lessons/index.php?lid=306&type=educator>

TECHNOLOGY

Online Resources:

Spending Tracker: A personal finance app that allows you to track spending and review purchases in order to help you stay on budget.

<https://apps.apple.com/us/app/spending-tracker/id548615579>

https://play.google.com/store/apps/details?id=com.mhriley.spendingtracker&hl=en_US

Plan 'it Prom: A mobile app that helps students plan and budget for the prom, including a budget calculator and tips on how to reduce expenses. <https://itunes.apple.com/us/app/planit-prom/id627702895?mt=8>

Budget worksheet and Excel template for high school students by College In Colorado: A budget template that can be completed online or downloaded in Excel. www.cicmoney101.org/Calculators/Budget-Worksheets/High-School-Student.aspx

Feed the Pig, Episode 5: Compulsive Spending! (9 minutes), and *Episode 10: Creating a Budget* (12 minutes): A podcast exploring issues of compulsive spending and how to create a realistic budget. <https://itunes.apple.com/us/podcast/feed-the-pig-podcast/id220271991?mt=2>

Latte Factor Calculator by Financial Mentor: A calculator that shows how much money could be saved by giving up a seemingly small purchase, such as buying daily coffee or eating out. <https://financialmentor.com/calculator/latte-factor-calculator>

Activity/Project Ideas:

Share with students a sample podcast on budgeting, such as the *Feed the Pig* resources listed above. Challenge students to create their own how-to-budget podcasts.

Have students create and track income and expenses in a budget using a spreadsheet application.

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Bouncing Ball Budgets	Through an interactive game, students share spending decisions they have made in the past and start to think about their spending habits in new ways. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/bouncing-ball-budgets
Reflecting on needs versus wants	By thinking about their own expenses, students explore how differentiating between needs and wants can inform daily financial decision-making. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/reflecting-needs-versus-wants
Making spending decisions	Students practice a commonly used decision-making model called PACED to help make spending decisions. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/making-spending-decisions
Conducting spending interviews	Students interview an adult about how they make financial decisions, and then analyze their findings to come up with their own rules of thumb. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/conducting-spending-interviews
Budgeting for fun in a city	Students practice budgeting by planning for a fun overnight trip to a city. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/budgeting-fun-city
Considering ways to pay your bills	Students play a game and answer questions to explore options for paying bills and consider which methods might work for them now or in the future. www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/considering-ways-pay-your-bills

Answer Key

Student Handout 1:

Spending Tracker.

How much money will she spend by the end of the month?

\$1,006.00

Does Caitlin have positive cash flow (more money coming in than going out) or negative cash flow (more money going out than coming in)?

Negative cash flow

What patterns do you observe in Caitlin's spending habits? What does she spend money on most often?

Daily coffee at \$2.

What advice would you give Caitlin to help her reduce expenses so she can afford to move out on her own?

Answers will vary. Students may suggest Caitlin limit her daily coffee purchases or remove unnecessary items from her budget, such as the concert for \$89.

Student Handout 2:

Income & Expenses.

Does Jayden have enough money to pay all of his bills?

Jayden has enough income to pay for expenses with \$55 left.

Total Income: \$425

Total Expenses: \$370

Student Handout 2:

Cash Flow Conundrum.

Answers will vary. Students may recommend that Todd use all or part of his savings to help pay for the extra charges, find ways he can increase his income (for example: help neighbors with additional jobs so he can earn extra money), or reduce his expenses by removing wants.

Student Handout 3:

What If...

One week: **\$14**

One month (30 days): **\$60**

One year: **\$730**

Five years: **\$3,650**

Ten years: **\$7,300**

Twenty years: **\$14,600**

If you don't buy daily coffee, what could you do with the money you save?

Answers will vary. Students may respond that they could put the extra money in savings or toward expenses.



Lesson 3: Can You Pay Your Bills?

SPENDING TRACKER

Name: _____

Caitlin is 18 years old and about to graduate high school. She works part-time at her mom's office after school. She earns approximately \$550 each month. Caitlin wants to move out of her parents' house and into her own apartment when she graduates, but she keeps coming up short on money and dipping into her savings account to pay for daily expenses. Over the years, Caitlin has built up her savings account by stashing away birthday gift money and any extra earnings from jobs like babysitting and walking her neighbor's dog. Now that she plans on living on her own, she wants to keep her savings account in place as an emergency fund, but she's worried about how to pay for new expenses like rent and utilities. Review her spending habits below and see if you can help her make a plan.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Lunch: \$6.99 Gas: \$21.50	Coffee: \$2.00 New pair of jeans & T-shirt: \$52.86	Coffee: \$2.00 Lunch: \$8.50 Manicure: \$25.00	Coffee: \$2.00	Coffee: \$2.00 Lunch: \$7.65	Coffee: \$2.00 Movie & Snacks: \$15.00	Gas: \$15.00 Concert: \$89.00

If Caitlin spends at this pace for an entire month, how much money will she spend by the end of the month?

Compare Caitlin's monthly expenses to her monthly income. Does Caitlin have positive cash flow (more money coming in than going out) or negative cash flow (more money going out than coming in)?

What patterns do you observe in Caitlin's spending habits? What does she spend money on most often?

What advice would you give Caitlin to help her reduce expenses so she can afford to move out on her own?



Lesson 3: Can You Pay Your Bills?

INCOME & EXPENSES

Name: _____

Let's Practice!

Jayden brings home \$425 each month. Help Jayden track his monthly income and expenses to determine how much money he has coming in, how much is going out, and whether or not he has enough income to pay his bills and expenses each month.

The chart below lists his income and expenses. Total his income and expense categories.

Does Jayden have enough money to pay all of his bills?

MY INCOME	
After-school job	\$300
Mowing neighbor's lawn	\$125
TOTAL INCOME	\$

FIXED EXPENSES	
Car payment	\$150
Car insurance	\$30
Loans/credit cards	\$10
Savings	\$25
TOTAL FIXED EXPENSES	\$

FLEXIBLE EXPENSES	
Gas/car maintenance	\$60
Cell phone	\$30
Entertainment	\$40
Personal expenses	\$25
TOTAL FLEXIBLE EXPENSES	\$

TOTAL EXPENSES	\$
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Income is money that comes to you from:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses are the items you spend money on. They might be from:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses (for example: car payment, gas, insurance, and bus or transit fares)
- Movies, music downloads, or other entertainment
- Clothes
- Eating out
- Personal items (for example: makeup, cologne)
- Savings for college or other future purchases. Even though you aren't "spending" the money you put aside in savings on goods or services, considering it an expense helps build short-term savings (such as for emergencies) and long-term savings (such as for college expenses, buying a home, or retirement).

Fixed expenses do not change from month to month.

Flexible expenses might change from month to month, like a heating bill that is lower in May than in December



Lesson 3: Can You Pay Your Bills? CASH FLOW CONUNDRUM

Name: _____

Help! Todd is in a real conundrum...he's overspending and needs a plan. Read his story below and help him put the pieces to a solid plan together before it's too late.

From Todd:

"I earn approximately \$100 each month from mowing lawns. My cell phone bill is \$50 a month. I use my phone for everything — texting, downloading movies, playing apps with my friends, you name it.

Let's see...the rest of my money goes toward hanging out with friends (\$30); buying clothes, new music, video games (\$45); and then into savings (\$10). I have \$70 in savings right now.

My problem is that I didn't realize how much I was using my phone last month until I went way, WAY over my allowable data. When I got my bill, I flipped! I really should have paid more attention. It was \$256! I don't have that kind of money. If I keep paying my regular \$50 a month, I'm going to continue to owe extra charges.

What else can I do? Do you have any ideas for how I can lower my expenses and increase my income so I can get rid of this debt?"





Lesson 3: Can You Pay Your Bills?

WHAT U=IF...

Name: _____

What happens if you remove a small, unnecessary item from a budget? How do you think one small act can lead to big savings?

Let's find out! Imagine that you buy a daily coffee for \$2. Calculate the true cost of those java jolts for each of the time periods below.

One week: _____ (Not so bad, right?)

**One month
(30 days):** _____ (Not great, but still manageable.)

One year: _____ (Ouch! That's adding up.)

Five years: _____ (Whoa, slow down — Coffee costs that much?!)

Ten years: _____ (That's the cost of a car!)

Twenty years: _____ (OK...lesson learned: cutting small expenses can lead to big savings.)