

# Lesson 3: Make a Plan

## TOPIC: Budgeting

### OVERVIEW:

Learners put their financial skills to the test in this module as they travel through a simulation on creating a **budget**. The module will explore fundamental elements of creating a plan for how students spend their money and reach their savings goals. In addition, the module will provide real-world scenarios for students to apply budgeting principles.

**Time:** 60 min

### Supplies:

- Lined paper, pencils (for students)
- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)
- Suggested books (optional):
  - *Lunch Money* by Andrew Clements

### Preparation:

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

**Glossary with key vocabulary** 11

### OBJECTIVES:

1. Explain the term “budget”
2. Identify categories of a budget (income, expenses, savings)
3. Create a budget
4. Apply budgeting skills to real-world scenarios
5. Understand the concept of “pay yourself first”

### HANDOUTS:

- Jake’s Budget
- Finish That Budget!
- My Budget
- Money Smart Book (template from Lesson 1)

### TEACHER PRESENTATION SLIDES:

- How Much Is \$10,000?
- Story Problems: Budget
- Spending Limits
- Pay Yourself First

### ESSENTIAL QUESTIONS:

- What is a budget, and how is it useful?
- Why is it important to set spending limits?
- How can you stay within a budget (spending plan)?
- What does “pay yourself first” mean?

### ASSESSMENT ACTIVITIES:

#### Pre-Assessment:

- **Handout:** Jake’s Budget
- **Handout:** Finish That Budget

#### Post-Assessment:

- **Story Problems:** My Budget
- **Handout:** Money Smart Book

# Instruction Steps


## WARM UP Defining The Term “Budget”

20 MINUTES

**How Much is \$10,000?** 11

You just won \$10,000? Congratulations!  
Each example below is something you may be able to buy for about \$10,000:

- A trip for four to another country
- 4 used cars
- 10 large, flat-screen televisions
- 20 laptop computers
- 200 video games
- 100 concert or amusement park tickets
- 1,000 movie tickets
- 10,000 packs of granola bars



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**STORY PROBLEMS: Budget** 12

A budget is a spending plan to help you manage your money.

**Directions:** Read the problem and answer the questions.

Imagine that you are grown up. You saved up \$10,000! Your savings will be your only income for the next five months. (Then you start a new job.)

Your Monthly Expenses:	
Rent	\$910
Car Payments	\$410
Food	\$200
Gasoline	\$100
Your Monthly Savings	\$180
<b>Total</b>	<b>\$1,800</b>

1. How much money will you have left after the first month?
2. How much money will you have left after five months?
3. Which expenses can you pay for using the money you have left?

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Ask students to imagine that they each have won \$10,000. Display the **How Much Is \$10,000?** slide to review examples that will provide students with an idea of how much \$10,000 really is. Ask students to write a paragraph or two about what they would do with the money. Ask for volunteers to share their ideas.

Next, ask: *What is a budget?* (a spending plan) *Why is it useful and how can it help?* (It helps someone decide how much money can be spent and how to spend it.)

Give students the **Jake’s Budget** handout (featuring a real-world scenario of a budget using an example of monthly expenses of food, rent, and other needs). Have students complete the handout and share their answers.

Now tell students to imagine that they are grown up, they have saved up \$10,000, and this is all the money they have to live on for five months. Display the **Story Problems: Budget** slide and have students use the budget to solve the math questions. Provide students with paper and pencils to do the calculations. Review the problems and answers, then discuss.

### Grade-Level Modifications:

**Beginner:** If students are having trouble with the math, complete the first problem as a class by writing the number sentence required to solve the problem and modeling the solution:  $\$10,000 - \$1,800 = \$8,200$ . Next have students solve the remaining steps with a partner. They may write out number sentences to solve each step and use base ten blocks to reflect quantities. A free virtual set of base ten blocks can be accessed at: [http://nlvm.usu.edu/en/nav/grade\\_g\\_2.html](http://nlvm.usu.edu/en/nav/grade_g_2.html). If students need help with the math, you may want to guide them through all three problems. See the Answer Key for the number sentences.

**Advanced:** Have students work independently or in pairs. They may try to figure out how much would be left each month if they used a bike instead of a car to get around (changing the monthly bills from \$1,800 per month to \$1,290).

### MONEY SMART TIP!

Explain to students that, over time, little savings can add up to a lot! If you set aside a little money for your savings every time you make money, you will soon see your savings grow.

**Ask:** If you save a dollar every week, what would it grow into after a month? (about \$4) 6 months? (\$26, or about \$24) A year? (\$52) 5 years? (\$260)


## GUIDED EXPLORATION

### Setting Spending Limits and “Paying Yourself First”

10 MINUTES

#### Spending Limits

A **spending limit** is a limit to the amount of money a person can spend.



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#### Pay Yourself First

What does “pay yourself first” mean? When you receive money, make sure to save some of it before you spend it.

Pay yourself first by deciding how much to save. Let’s say you decide to save 10% of your money. That means you would save:

- A dime (10 cents) for every \$1
- \$1 for every \$10
- \$2 for every \$20

Based on the example above (saving 10%), answer these questions:

1. How much money would you save if you had \$50?
2. How much money would you save if you had \$100?

Money Smart for Young People Grades 3 – 5

Explain that having a budget helps people set spending limits.

#### Ask students:

- *What is a limit?* (A point beyond which a person or thing is not allowed to pass.)
- *Why might it be useful to set spending limits?* (Setting spending limits can stop a person from overspending and running out of money.)

Display the **Spending Limits** slide and discuss the cartoon. Ask students what they think it means and why it might be risky to go beyond the spending limit.

Then display the **Pay Yourself First** slide to explore the concept of “paying yourself first.” (When you earn or receive money, make sure to save and set some of it aside for yourself before you spend it.)

#### Ask:

- *Why might it be a good idea to pay yourself first?* (It will help you save some of your money.)
  - *Why is it important to save some of your money?* (You will have money to use for things you need to buy in the future.)
- Remind students that a budget is a spending plan that can help them manage their money, save for emergencies, and meet their goals, and that they will learn to create a budget in the next activity.

## Exploring Budgets (Spending Plans)

20 MINUTES

#### Ask students: *What are different ways kids can make money?*

(For example: money for doing chores, selling cookies, babysitting, as well as creating and selling other products or services.)

Write their ideas on a whiteboard or chart paper. Explain that money coming in is an income. Share that students may be able to find different ways to make money, with ideas ranging from pet care to writing their own blogs. A parent/caregiver or librarian might be able to help students find ideas. Anyone with an income, including young people, can use a budget to help manage his or her money.

Have students get into small groups. Tell groups that they will each have 5 minutes to work together to brainstorm a super-hero (can be one they have heard of or imagined) and a list of 3-5 things that would be on their budget and 1-2 ways they would make money.

Have groups briefly share some of their ideas. Next distribute the **Finish That Budget!** handout so student teams can complete a budget for someone their age. Review answers together. Then give students the **My Budget** handout so they can create their own budget.

**Ask:** *How can you stay within a budget (spending plan)?* (You can stay within a budget by writing it down, checking it regularly, and sticking to your plan. If your plan is too difficult to achieve, you can always change it.)

**Grade-Level Modifications:**

**Beginner:** Invite one student to read the Finish That Budget! handout directions aloud. Remind students that they need to fill in the budget before answering the questions and then review how to figure out the “Monthly Savings” (income minus expenses). If students are still having trouble with the handout, complete as a class. Then have them work on the My Budget handout in small groups or with a partner.

**Advanced:** After working on the Finish That Budget! handout, ask students: How much would Kayla have left in savings after one year if she only put 75 cents into her monthly savings? (\$9)

**WRAP UP**  
**Class Reflection**

10 MINUTES

**Ask:**

- *Why is it useful to create a budget?*
- *How might you use budgeting now to plan your own spending and saving?*
- *How might schools, governments, and businesses use budgets?*

As a final reflection and assessment, have students write a “Money Smart” book entry using a **Money Smart Book** handout (template in **Student Guide** from Lesson 1) The prompts above may be responded to within the Money book page, a writing journal or completed as a think-pair-share discussion with a peer or small group.

Students may keep their **Money Smart Book** for reflection and discussion throughout the lessons. The summary and final product will provide a measurable assessment. Students can also share the book with their parents as a discussion starter about what they have learned.

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## Extended Exploration

**Note:** Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class, in small groups, or during center time. Duration of activities will vary.

- Invite students to explore budgeting with the animated band Cha-Ching as they head out on tour at [www.jacksoncharitablefoundation.org/for-kids/#episode11\\_](http://www.jacksoncharitablefoundation.org/for-kids/#episode11_)
- Let students try their hand at the *Hit the Road* game at [www.mycreditunion.gov/Pages/pocket-cents-game.aspx](http://www.mycreditunion.gov/Pages/pocket-cents-game.aspx) to test their budgeting skills as they travel cross country.
- Encourage students to explore the day in the life of different careers as a way to think about a variety of ways to earn money and use their personal strengths.  
Visit [www.connectedstudios.org/life\\_videos](http://www.connectedstudios.org/life_videos)
- Read *Lunch Money* by Andrew Clements, a book about a Greg, a money-obsessed sixth- grader, who starts his own comics company, forms a business partnership with his rival, Maura, and learns all about business along the way.

The book can be used as a springboard for a class business project for students to earn money to use for class needs and wants. The business project may include ideas such as a comic book business (as in the book) or a bake sale, art sale, and so on.

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# Answer Key

## Student Handout 1:

### *Jake's Budget*

Monthly Income: Taking care of younger brother: \$8, Getting the neighbor's mail: \$2, Total: \$10; Monthly Expenses: Snacks and supplies: \$9; Monthly Savings: \$1. Questions: 1. 25 cents (\$1 or 100 cents – 75 cents = 25 cents), 2. \$12 (\$1 per month, or  $\$1 \times 12 = \$12$ ), 2. Answers will vary, but may include: She can spend less on snacks and supplies, compare prices, get another job.

## Student Handout 2:

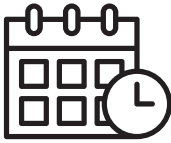
### *Finish That Budget!*

Monthly Income: Taking care of younger brother: \$8, Getting the neighbor's mail: \$2, Total: \$10; Monthly Expenses: Snacks and supplies: \$9; Monthly Savings: \$1. Questions: 1. 25 cents (\$1 or 100 cents – 75 cents = 25 cents), 2. \$12 (\$1 per month, or  $\$1 \times 12 = \$12$ ), 2. Answers will vary, but may include: She can spend less on snacks and supplies, compare prices, get another job.

## Student Handout 3:

### *Finish That Budget!*

Monthly Income: Taking care Answers will vary, unless students use the suggested numbers of \$15 monthly income and \$8 monthly expenses. If so: Monthly Savings: \$7. Questions: 1. \$84 ( $\$7 \times 12$  months = \$84), 2. Answers will vary, but may include: I can spend less by comparing prices, buying fewer wants.



## Lesson 3: Make a Plan

# JAKE'S BUDGET

Name: \_\_\_\_\_

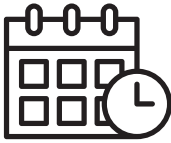
A **budget** is to write down your **income** (the money you expect to make), your **expenses** (the money you expect to spend), and your **savings** (the money you expect to save).

**Directions:** Jake is a grown-up. Study Jake's budget add up the total expenses.

**Monthly Income \$1,800**

Monthly Expenses	
Rent	\$910
Car payments	\$410
Food	\$200
Gasoline	\$100
Total	\$
Monthly Savings	\$180

1. How much money does Jake put into his savings each month?
2. What is Jake's monthly income?
3. How much money does Jake spend on rent each month?
4. How much money in all does Jake spend on his car payments and gasoline?  
(Please show your math.)
5. How much money could Jake add to his monthly savings if he spent only \$175 on food?  
(Please show your math.)
6. What other expenses might Jake need to add to his budget?



## Lesson 3: Make a Plan FINISH THAT BUDGET!

Name: \_\_\_\_\_

A **budget** is a spending plan to help you manage your money. Part of making a budget is to write down the money you expect to make (**income**), and the money you expect to spend (**expenses**). Some expenses repeat each month, such as rent and food.

**Directions:** Read about Kayla's income and expenses. Then help complete the budget and answer the questions below.

Kayla is 11 years old. She earns \$8 a month by taking care of her younger brother while her father cleans the house. The neighbors pay her \$2 a month to collect the mail while they are away. Each month, Kayla spends \$9 on snacks and school supplies. She also puts \$1 a month into her savings.

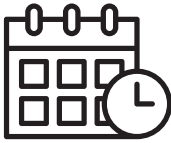
1. If Kayla puts only 75 cents into her monthly savings, how much money would she have left over to spend each month? (Please show your math.)
  
  
  
  
  
  
  
  
  
  
2. According to the budget, how much will Kayla have in savings after a year? (Please show your math.)
  
  
  
  
  
  
  
  
  
  
3. How might Kayla save more money?

### Kayla's Budget

Monthly Income (Money She Expects to Make)	
Taking care of younger brother	\$
Getting the neighbor's mail	\$
<b>TOTAL</b>	<b>\$</b>

Monthly Expenses (Money She Expects to Spend)	
Snacks and supplies	\$
<b>TOTAL</b>	<b>\$</b>
Monthly Savings	\$





## Lesson 3: Make a Plan MY BUDGET!

Name: \_\_\_\_\_

A **budget** is a spending plan to help you manage your money. Part of making a budget is to write down the money you expect to make (**income**) and the money you expect to spend (**expenses**).

**Directions:** Create your own budget by writing down your income and expenses below. If you don't have any income or expenses, use the following numbers:

Monthly income total: \$15 Monthly expense total: \$8

_____ 's Budget	
<b>Monthly Income (Money I Expect to Make)</b>	
	\$
	\$
<b>TOTAL</b>	<b>\$</b>
<b>Monthly Expenses (Money I Expect to Spend)</b>	
	\$
	\$
<b>TOTAL</b>	<b>\$</b>
<b>Monthly Savings</b>	<b>\$</b>

1. According to the budget, how much will you have saved in a year?  
(Please show your math.)

2. How might you save more money?