

Keeping Your Balance Activity

Setup:

- Hang the Budget Choice Posters around the room using the tape **or magnets** provided. Be sure to space them out.

Goal: Students will

- recognize that a balanced budget is important for all workers.
- be able to define *income* and differentiate between gross and net income.

***When text is in red, please read it to the students exactly as written.**

Introduce yourself and briefly share your career/education background.

Opening Remarks: (3 minutes)

- Ask students to raise their hand if this has ever happened to them. **Have you ever wanted to buy something—a new game, a cool pair of shoes, or have dinner with friends—but didn't have the money to pay for it?** (pause for hands to raise)
- **That's where budgeting comes in. Balancing a budget means that the amount of money you spend isn't more than the amount of money you have.**

Talking Points: (5-8 minutes) Use the **6 flashcards** in the volunteer folder.

- Ask students what they envision doing or buying in their future that will cost a lot of money. (Answers might include traveling, buying a sports car, getting season tickets to the Eagles, and/or buying a big house.)
- Ask students how they plan to pay for their big expenses.
- Tell them: **The goal of good money management is to budget your money for savings, your needs such as housing and food, and your wants such as vacations and concerts. But make sure you can pay for your needs before you spend money on what you want.**
- Ask students to raise their hand if they keep a budget to track their savings and expenses.
- Define **budget** – a careful plan for spending or saving within a certain amount of time.
Emphasize that a balanced budget means spending less than you earn and spending appropriate amounts of money in certain categories, such as housing, food, clothing, transportation, entertainment, and savings.
Good money managers carefully examine income and expenses when creating a budget.
- Define **income** – the amount earned from wages and/or other sources.
- Define **expenses** – the amount spent to make purchases and pay bills.

- Explain that because people earn a certain amount of income in a month, budgets involve choices and opportunity costs.
- Define **opportunity costs** - the next best alternative that is given up when a choice is made. Every time you make a choice about spending your money, you're also giving up the chance to do or buy something else. That "**something else**" is your opportunity cost. For example, Let's say you have \$20. You can choose to buy a new phone case or go to the movies with friends. If you buy the phone case, the opportunity cost is the fun you miss out on at the movies. If you go to the movies, the opportunity cost is the phone case you don't get.
- We know that income is the amount of money earned from wages, but there are 2 kinds of income.
 - Define **gross come** - income before all taxes have been deducted.
 - Define **net income** – income after taxes have been deducted. *Budgets are built using net income.*

Activity – Creating a Budget: (15 minutes)

Using the Budget Planner Worksheet, students will create a budget based on the monthly net income (NMI) shown on their *occupation cards* and the information on the *budget choice posters*.

- Distribute the following items to each student:
 - an occupation card
 - a Budget Planner Worksheet
 - a calculator
- Ask them to review their cards and explain that for this activity they should think of themselves as employees who do the job depicted on their cards.
- Point out the incomes shown on the occupation cards. Each represents an average national salary for the job. Actual salaries may be higher or lower depending on the job's location and an employee's work experience, education, and training.
- Explain that the occupation cards show monthly gross income and monthly net income.
- Explain that workers don't keep all the money they earn. Taxes are automatically deducted from their earnings. Tax deductions include Social Security, Medicare, federal income taxes, and state taxes. The money left AFTER deductions is the actual amount a worker can spend – **their net income**.
- Ask students to write their **gross monthly income and net monthly income** in the spaces at the top of the Budget Planner Worksheet. Remind them to use their **net monthly income** to budget.
- Review the Budget Planner Worksheet. Explain that the suggested percentage is the average portion of a worker's income that experts recommend be spent on different expenses in a budget, such as housing and transportation.
- Students must calculate the spending amount in each category based on their net income and suggested spending percentages. They will record those amounts in Column 3. *(There's a chart in the instruction folder showing the correct amounts for all occupations. You can refer to this to easily and quickly check students' calculations.)*

- Tell the students to “pay themselves first” by putting aside money for **savings** and **other expenses**. Charitable giving is listed as part of savings for the purpose of this exercise. You can have a brief discussion of charitable giving and ask the students for their thoughts on it. Also point out to the students what “other expenses” are as listed at the bottom of their worksheet.
- Refer the students to the Budget Choice Posters displayed around the room. Explain that students will move around the room and make spending decisions about **housing, transportation, food, clothing, and entertainment**. In each category, they will choose only one. Go over 1 poster and its options.
- Tell the students to record their choices in the last column (My Budget Amount) worksheet. For this activity, they will create a budget for one month for a single person. Note that if they had a spouse and/or child, they would have additional costs and categories.
- Allow 8-10 minutes for students to move around the room to make and record their budget choices. Remind them that the goal of money management is to **spend less than they earn**. That means their spending should be less than – *and in all cases cannot exceed* – their net monthly income.
- As students finish, they should return to their desks and calculate the total of their budget amounts to see if they stayed on or under budget.
 - If they came in under budget, they should calculate how much money they have left and decide what they want to do with it.
 - If they went over budget, they should go back to the posters and decide where they can scale back on their choices.

Collect the occupation cards and calculators from the students.

RECAP/TALKING POINTS (as time permits):

Ask the following questions:

- Ask students to raise their hands if they stayed on (or under) budget, and ask them what they decided to do with their extra money.
- Say, **Today, you created a budget for a single person. How would adding family members affect your budget? What additional costs or categories would you need?**
 - A working spouse would increase your income, but would also increase some costs -- food, additional car, some utilities, etc.
 - Expenses with having a child include special food, diapers, daycare, etc. Ask students what costs will change as the child gets older.
 - Pet expenses – pets are NOT CHEAP! Food, grooming, vet bills. \$\$\$
- **Because everyone has different wants and needs, individual budgets look different. What additional budget categories might you or your family add to a personal budget?**
 - Possible Answers - Credit card bills, club memberships, pet expenses, holiday travel, sports camps.

How would an emergency affect your budget? Where would you make adjustments?