

Budgeting Basics

SUBMITTED BY: Kathryn McGinn

SUBJECT(S): Career Development

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

Students will practice making personal budgets for life after college. Students will work in pairs to construct a budget based on certain parameters and their own values/choices. Students will compare budgets and consider what expenses they may have over/underestimated in their own plans. Students will also discuss the value of savings and pitfalls of debt.

≡ NBEA STANDARD(S):

- Career Development, II. Career Research

≡ RELATED ARTICLES:

- [“The Rising Costs of a U.S. College Education”](#)
- [“The National Debt: What’s Behind All Those Zeros?”](#)
- [“Olivia Mitchell on Why Young Consumers Should Just Say No to Spending”](#)
- [“Killing the ‘Cockroaches’ of Myths about Money”](#)
- [“How an Investment-minded Student Started Financial Literacy for You”](#)
- [“Conquering the Negative Bank Balance”](#)
- [“Angel Carter Is a Voice for Financial Fitness and Independence”](#)

Common Core Standards:

- ELA CCR Writing 1: Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
- ELA CCR Reading 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.
- ELA CCR Reading 10: Read and comprehend complex literary and informational texts independently and proficiently.
- ELA CCR Speaking and Listening 1: Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on others' ideas and expressing their own clearly and persuasively.
- ELA CCR Speaking and Listening 4: Present information, findings, and supporting evidence such that listeners can follow the line of reasoning and the organization, development, and style are appropriate to task, purpose, and audience.

Objectives/Purposes:

- Students will consider the elements of a monthly budget and work to prioritize their (hypothetical) expenditures.
- Students will think critically about the difference between “wants” and “needs.”
- Students will work constructively in pairs and share their work with the class.

Other Resources/Materials:

- Job cards ([Handout A](#))
- Debt/Loan cards ([Handout A](#))
- Local newspaper with apartment/housing ads
- Newsprint/markers

Activities:

1. Ask students what they think of when they hear the word “budget.” Discuss their ideas. Ask if any students currently have their own budgets?

(5 mins)

2. Share the WGYP definition of “budget”: A budget is a numerical expression of a proposed plan of action for a specified period. The Bluth Company’s sales budget has been set for 200,000 tables to be sold in the current financial year.

Ask students to adapt the definition so that it applies to individuals and not to companies.

Discuss.

(5 mins)

3. Ask students to imagine that they have just graduated from college and started a job. Have students brainstorm all the expenses they will have when they live on their own. Record list on the board.

(5 mins)

4. Pass out “Olivia Mitchell on Why Young Consumers Should Just Say No to Spending.” Students should read the article, underlining any information relating to spending or savings that is new, interesting, or noteworthy to them. Discuss the article as a class, and see if there is anything to add to list of expenses. Provide students with the WGYP definition of “debt”: Money borrowed from a bank or investor that then must be paid back with interest. The Phillies borrowed \$20 million from Citizens Bank to buy a jet airplane to fly the players to away games. This debt, plus 10 percent interest, is scheduled to be paid back to the bank in three years.

(5 mins)

5. Explain that students will have to put their spending and saving knowledge to the test. Working in teams of two, students will receive a career card (Handout A) that provides their post-tax salary, and they will receive a debt card (Handout A) that describes how much money they have to pay towards student loans or credit card debt each month. Working with those two givens, students must outline how they will spend (or save!) their remaining money. Let students search through local classifieds to look for housing. Students should write their final budget on a large piece of newsprint and be prepared to explain their decision-making process to the class.

(15 mins)

6. Have each pair share their budget with the class. After each group presents, ask the class what stood out about their budgets, and what costs the group may have overlooked.

(10 mins)

Tying It All Together:

Ask students what was most difficult about putting together a budget? What surprised them most about the process? Looking at their budgets, how would students define “wants” and “needs”? Why is it important to understand the difference? After working on budgets, do students think they will try to save money after college? Why/why not?

(5 mins)

Practice Outside of the Classroom:

- Keep track of what you spend money on for the period of a day or a week or a month. How much money goes to “needs” and how much goes to “wants”?
- Do some research about the starting salaries for careers in which you are interested. Does the salary make a difference in terms of what career you might choose to pursue?

What Worked and What I Would Do Differently:

The first time I taught this lesson, I did not adjust the starting salaries to account for taxes, and students had unbelievable amounts of extra cash when they were done with their budgets. Using a website, I figured out the net wages for each gross salary. This change helped make the budgets more realistic. Also, I learned the second time to set some minimum amount students had to spend on rent. They were very industrious, finding apartments for \$200, but not very realistic. I told students they had to spend at least \$700-800 on housing, and that made their budgets more practical, as well.

This lesson took more than the allotted time, but students really enjoyed themselves. This was one of my most successful lessons in terms of student engagement.

