LESSON DESCRIPTION AND BACKGROUND
This lesson uses the Better Money Habits video How to Set a Budget and Stick to It (www.bettermoneyhabits.com) to reinforce the concepts of budget introduced in Theme 3: Money Management in Financial Fitness for Life, Grades 9-12. It can be used as an introduction to this unit or as a review of its content. In addition, the lesson could also be used as a supplement to Lesson 3: Decision-Making. The video is about 6 minutes in length, and this activity would take approximately one 45 minute class period to complete.

In this lesson, students will be introduced to the six basic steps involved in building a budget or spending plan to meet their personal financial goals. In addition, this lesson will help them differentiate between fixed expenses, flexible expenses, planned expenses, and unplanned expenses.

BETTER MONEY HABITS VIDEO
Saving and Budgeting: Managing Your Money: How to Set a Budget and Stick with It (5:50)

FINANCIAL FITNESS FOR LIFE CONNECTION, GRADES 9-12
Lesson 3: Decision-Making
Theme 3: Money Management, Lessons 8-10

ECONOMIC AND PERSONAL FINANCE CONCEPTS
- Budget
- Fixed expenses
- Flexible expenses
- Planned expenses
- Unplanned expenses
- Goals
- Savings
- Decision-making
NATIONAL STANDARDS FOR FINANCIAL LITERACY

Standard 2. Buying Goods and Services, Benchmark Grade 12
People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic wellbeing by making informed spending decisions, which entails collecting information, planning, and budgeting.

OBJECTIVES

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

- Identify the six steps for budgeting.
- Distinguish between fixed, variable, planned and unplanned expenses.

TIME REQUIRED

One 45 minute class period in addition to the time required for lessons in Financial Fitness for Life.

MATERIALS

Handout 5.1: My Spending
Handout 5.2: Six Steps to Building a Budget
Sticky Note pads or Notecards with tape
4 signs

PROCEDURE

1. Ask students to identify some of the items they spend money on each day. Distribute a copy of Handout 5.1 for students to record the types of items and approximate cost they spend on each during a typical day.
2. After completing Handout 5.1, ask students why it is important to know how much they spend every day. Explain that having a budget is similar to having a spending plan, and having a plan provides a way to better manage their money.
3. Distribute copies of Handout 5.2 to each student to use as a review for the video. Introduce the video by explaining that it will help them better understand the process used to create a budget or spending plan for their money. Tell students to write the budgeting steps shown in the video on their handout. Show the video.
4. After viewing the video, review their answers to ensure all students have completed the guide.
5. Ask students if they have discussed any of those steps with their parents. Remind students that a budget is simply a spending plan put in place to meet their personal or family financial goals.

6. Have students brainstorm different types of spending needs for their family, including saving for future wants and needs. Make a list of all expenses on the board.

7. Have students write down the expenses listed on the board on note cards or sticky pads. Place the four signs (Planned Expenses, Unplanned Expenses, Fixed Expenses and Variable Expenses) around the room while students are completing this task. Tell students to place their expenses in the appropriate category.

8. Once students have completed this activity, review the categories to see if any are misplaced. Be sure to discuss the reasons for any expenses that are placed incorrectly. Ask students which, if any, of the expenses were the most difficult to categorize.

CLOSURE
To summarize the lesson, discuss the importance of budgeting. Remind students that the video said the average household spends 80% of its annual income on necessary expenses and almost 60% of it goes to pay for housing, food, gas, and insurance. Creating a budget or spending plan will help them get the most possible from their paychecks each month.

ASSESSMENT
Have students write three things they learned from this activity.

EXTENSION
Refer to Lesson 3 or Theme 3, Financial Fitness for Life, Grades 9-12.
### MY SPENDING

Use this handout to record the goods and services you purchase on a typical day at school. List the items or category of items and provide an accurate estimate of the amount you spend on each. Do not repeat any expenses even if they fit in more than one category. Add other items not listed in the “other” category.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>$_______</td>
</tr>
<tr>
<td>Lunch</td>
<td>$_______</td>
</tr>
<tr>
<td>Dinner</td>
<td>$_______</td>
</tr>
<tr>
<td>Vending Machines</td>
<td>$_______</td>
</tr>
<tr>
<td>Snacks</td>
<td>$_______</td>
</tr>
<tr>
<td>Coffee/Teas</td>
<td>$_______</td>
</tr>
<tr>
<td>Sodas/Water</td>
<td>$_______</td>
</tr>
<tr>
<td>Fast Food</td>
<td>$_______</td>
</tr>
<tr>
<td>Other</td>
<td>$_______</td>
</tr>
<tr>
<td>Other</td>
<td>$_______</td>
</tr>
<tr>
<td>Other</td>
<td>$_______</td>
</tr>
<tr>
<td>Total</td>
<td>$_______</td>
</tr>
</tbody>
</table>

Multiply Total x 5 $_______ to show your weekly spending

Does this amount surprise you? Yes or No. Why or why not?
SIX STEPS TO BUILDING A BUDGET

Use this handout as a guide while watching the video Better Money Habits: How to Set a Budget and Stick to It (www.bettermoneyhabits.com). List the six steps shown in the video that are needed to build a budget.

STEP 1.
___________________________________________________________________________
___________________________________________________________________________

STEP 2.
___________________________________________________________________________
___________________________________________________________________________

STEP 3.
___________________________________________________________________________

___________________________________________________________________________

STEP 4.
___________________________________________________________________________
___________________________________________________________________________

STEP 5.
___________________________________________________________________________
___________________________________________________________________________

STEP 6.
___________________________________________________________________________
___________________________________________________________________________
1. Know your income.
2. Determine your basic expenses.
3. Determine expenses that vary each month.
4. Determine what’s really important.
5. Follow your spending and review monthly.
6. Keep track of your expenses.

Four Signs for Activity

<table>
<thead>
<tr>
<th>PLANNED EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNPLANNED EXPENSES</td>
</tr>
<tr>
<td>FIXED EXPENSES</td>
</tr>
<tr>
<td>VARIABLE EXPENSES</td>
</tr>
</tbody>
</table>