

“Budgeting Your Life Events”

Jamie Taylor Thedford HS



Econ/Personal Finance Standards:

SS 12.2.7 Students will apply effective money management concepts.

SS 12.2.7.a Organize personal finances and use a budget to manage cash flow

Key Concepts:

Understanding why budgeting is a key component of financial planning. KEYWORDS: budget, cash inflow, cash outflow, surplus, deficit, forecasting error

Introduction:

- 1) To open a review will be given on concepts discussed in Chapter 3, especially the difference between cash inflows and cash outflows. Students will be given note cards with items on them that are either cash inflows or cash outflows (i.e.: Rent, Interest from Investments, Cable TV, After Tax Income from Work) and must put separate them into two groups. This should be a review from Cash Flow yesterday. (Have them keep these).
- 2) Discuss why knowing what your final difference between cash inflows and cash outflows is important. Give some examples such as total inflows: \$2,500 and total outflows: \$2,300, total inflows: \$1,200 and total outflows: \$ 1,600. The students should see that you could end up with either a surplus of cash or a deficit.
- 3) OPTIONAL: Discuss what would happen if they were to be on their own and have a deficit. What would they do? Give them 3-5 minutes to brainstorm with a partner on options they can do if they have a deficit and then quickly share the best one with the class.
- 4) Ask the students if they would prefer to have a surplus or a deficit with cash flow (the answer is obviously surplus ☺)
- 5) Ask them HOW is it possible to always have a surplus every month or every year or every project that you have? (Some student answers will be: make a lot of money in your job, cut expenses, make more than you spend – but hopefully there will be a connection for the students with creating a BUDGET from p. 54-55 in the book) If there is no connection, then you may have to make the connection, referring to step 1 and then to step 2 on pages 54-55.

Resources:

- Personal Financial Literacy, Pearson Education, Inc./Prentice-Hall Publishing, 2010 ©. Jeff Madura, Mike Casey, Sherry J. Roberts, authors. Chapter 4, Pages 52-67.
- PDF of Senior Dance Budget (optional)
- Access to Internet & Word/Excel software or Google Drive for preparation of Budget

Process:

1. Have the students break into pairs (or groups of 3 or 4 depending on class size). Each pair is in charge of planning for a "senior dance" – They are required to pick the date, theme, and must create a list of all the items they will require for the dance. Give them 5-10 minutes to brainstorm everything they will need and circle around the pairs as they do this. (At this time hopefully they will consider the "financial component" of the task you are asking, and begin asking you questions like: Do we need to put down how much each item will cost? How much money do we have to spend?)
2. If the students do not prompt these questions allow them to brainstorm for 3 minutes and then begin asking groups how much their DJ, decorations, etc. will cost? Hand out the Senior Dance Budget form and have them fill it out. For this assignment I would allow "rough" amounts of cost, so they do not have to look up items on the Internet, as they will be doing this in the extended activity.
3. Once students have completed the assignment, have them share:
 - a. Theme
 - b. What they would have for cash inflows (hopefully at least one group has considered ticket sales rather than just take it out of the class fund; if not bring it up when all groups have presented)
 - c. How many total cash outflows they have and what their two largest ones are (make sure all groups considered things like: food/drinks, renting of facilities, insurance)
 - d. Net Cash Flows. (Make sure all students agree this should be either zero or a surplus 😊)
 - e. Discuss FORECASTING ERRORS – if we had gone through and had the dance. The difference between our projected budget and what we actually spent would have been forecasting errors and we can use those to adjust a future budget.

Conclusion:

Using note cards, Google Forms Survey (or preferred teacher method) have students INDIVIDUALLY answer the following questions:

- A) What would you have added/deleted from your budget for the senior dance?
- B) On a scale of 1-5 (with 5 best), how helpful do you think it would be to have a budget like this for a dance or similar event?
- C) On a scale of 1-5 (with 5 easiest), how easy was it to create a budget for the dance?
- D) What are at least five events you could see yourself budgeting for in the future?
- E) Budgeting could be a useful tool for having a monthly surplus. Agree or Disagree.
 - a. Explain your answer to the above question.
- F) At least one other question you have about budgeting.

Assessment Activities:

Using Excel or Word software, students will create a budget for one of the following:

- 1) Their first year of college
- 2) Their first year of being "on their own"
- 3) With teacher approval, an item that they listed budgeting for themselves in the conclusion survey. Make sure that it will be comprehensive enough for an assessment, like a car.

OTHER REQUIREMENTS OF BUDGET:

1) All cash inflows must be explained below the budget or on a separate sheet attached to the budget.

For example: Job - \$2,000 would be explained below being specific: 10 hrs. per week at \$9 per hour earned while working at part-time job

2) Sources should be shown for figures regarding cash outflows, breaking them down into at least tuition, room, food, books, fees, entertainment and offering specifics as well.

Example: 30 credit hours of tuition at XYZ College (\$174.50 credit hour) \$ 5,235.00

NOTE: Most colleges have a breakdown of expenses on their website and you can share an example.

Extension Activities:

- 1) Have students take their prepared printed budgets and get feedback from at least three adults – One must be a parent/guardian. This will encourage communication on budgeting as well as cash inflows and outflows. Perhaps also it will have parents or other adults showing students how they do a budget.
- 2) Students find a SHORT you-tube video or article to share on Padlet board that shows PERSONAL FINANCIAL BUDGETING and the benefits of it. Have them briefly explain the article/video, the benefits, and then give their opinion on it. Ex. I agree/like this because or I disagree/don't like this article because: (I generally offer an example for them to follow if they are new to this.)
- 3) Create a Tweet Poster on your door and have students make a tweet about budgeting that would encourage/entice younger students to use budgeting in the future, which can be printed out and pasted onto the tweet poster.