



"A Budget: What's That?!!!"
PERSONAL FINANCE LESSON PLAN
Stephani Olson, Red Cloud High School

LESSON TITLE: "A Budget: What's That?!!!"

Paycheck; inheritance; lottery winnings! All of these terms deal with money that you may have to deal with in your future! We all have to save, spend, and work for money in order to live, eat, and enjoy life! In this lesson, students will work together to create a brochure that will explain to other students the importance of creating a budget once you begin to work toward your future monetary goals.

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Econ/Personal Finance Standards:

NE12.2.7.a: Students will be able to organize personal finances and use a budget to manage cash flow

Key Concepts:

Budgeting

Personal Cash Flow Statement

Annual Budget

Personal Balance Sheet

Introduction:

Everyone loves getting money!! Whether you receive an allowance, work hard at a job to get that paycheck, or get lucky at the lottery, money plays an important part in everyone's life! But what do you do when you get all that money? How do you decide to spend it? You are smart: you pay attention to your parents and you realize that you need to develop a "budget". But what is a budget? A budget is an itemized summary of income (or money) and expenses that you have for a given period of time. A budget helps you determine whether you should head out to that really great new restaurant or should head home to nuke a frozen pizza. A budget, typically created using a spreadsheet, provides a concrete, organized, and easily understood breakdown of how much money you have coming in and how much you are spending on all sorts of "necessities". It's **an amazing concept that helps you prioritize your spending and manage your money**—no matter how much or how little you have. You have begun to realize that you and all your friends should really figure out how to create a budget! Therefore, you and your classmates have decided to publish a really cool brochure to explain to your peers what a budget is all about and why it's so important to create a budget once those dollars start pouring in!!!

Resources:

- > Personal Financial Literacy, Pearson Education, Inc./Prentice-Hall Publishing, 2010 ©. Jeff Madura, Mike Casey, Sherry J. Roberts, authors. Chapter 4, Pages 52-67.
- > Microsoft Office 2013: Publisher, Word

Internet websites

- What is Budgeting and Why is it Important? This article explains what a budget is and why it's important to develop a budget early on. mymoneycoach.ca/budgeting/what-is-a-budget-planning-forecasting
- 6 Reasons Why You NEED a Budget. This article lists six good reasons why a budget is important for financial success. investopedia.com/financial-edge/1109/6-reasons-why-you-need-a-budget

Process:

1. After reading Chapter 4: Budgets and Balance Sheets, review the definition of what is a budget and what part it plays in a person's financial plan.
2. Review the steps necessary in the budgeting process. Have students discuss the purpose of creating a personal cash flow statement.
3. On the SmartBoard, show a personal cash flow statement (Figure 4.1). Give the students a handout with this same information and review it with the students. On the back side of the handout, have a blank form. Instruct students to fill out the various categories using their own information, letting them discuss this with their peers.
4. Provide an overview of the elements of a personal balance sheet--assets, liabilities, and equity. Ask students to name various assets that might be listed on a personal balance sheet. Explain that liabilities are amounts currently owed and not amounts owed in the future, such as next month's rent.
5. Show an example of an Annual Budget (Figure 4.2). Discuss the process of working with and improving a personal annual budget. Ask students to evaluate the actual annual budget versus the forecast cash flows (three-month period) given in Figure 4.3.
6. Describe the process of determining net worth (equity) on a personal balance sheet. Point out that this amount is not money, but that it represents the value of the assets that can be claimed by the person after deducting what would be paid to others (liabilities).
7. Point out that budgeting forces a person to evaluate his/her current financial condition. Ask students to name the major sources of cash inflows for most households. Review the three questions to help in financial planning (pg. 62) to identify places for outflow reduction or increase in cash inflows.

Conclusion:

Whether you're independently wealthy or work hard for your income, creating a budget is a key part of any person's financial plan. The first step is to create a personal cash flow statement that can then be used to design an annual budget. Once the budget is created, you should develop a personal balance sheet in order to track your financial position at any point in time. Finally, you need to continue to evaluate your current financial position and determine whether there are ways to improve your net cash flows in both the near term and long term.

Assessment Activity:

In groups of three or four, students will create an informational brochure to tell their peers why it is important to have a budget. Using the attached rubric and Microsoft Office Word or Publisher, students will design and print a brochure that sets out the steps in creating a budget.

Extension Activity:

Students who want to learn more may create their own budget. This budget may be based on their current financial position or on their future career. Using the example given in Figure 4.2, students may create their budget using *Microsoft Office Word* or *Excel*.

Informational Budgeting Brochure

Teacher Name: Mrs. Olson

Student Name: _____

Grade: _____

CATEGORY	10 - Above Standards	8 - Meets Standards	6 - Approaching Standards	5 - Below Standards
Content - Accuracy	Brochure contains accurate and precise information about creating (1) a personal cash flow statement; (2) a budget; and (3) a personal balance sheet	Brochure contains most information about creating (1) a personal cash flow statement; (2) a budget; and (3) a personal balance sheet	Brochure contains some information about creating (1) a personal cash flow statement; (2) a budget; and (3) a personal balance sheet	Brochure mentions all three areas, but does not give enough information about them.
Writing - Organization	Each section in the brochure has a clear beginning, middle, and end.	Almost all sections of the brochure have a clear beginning, middle and end.	Most sections of the brochure have a clear beginning, middle and end.	Less than half of the sections of the brochure have a clear beginning, middle and end.
Writing - Grammar	There are no grammatical mistakes in the brochure.	There are no grammatical mistakes in the brochure after feedback from teacher.	There are 1-2 grammatical mistakes in the brochure even after feedback from teacher.	There are several grammatical mistakes in the brochure even after feedback from teacher.
Spelling & Proofreading	No spelling errors remain after one person other than the typist reads and corrects the brochure.	No more than 1 spelling error remains after one person other than the typist reads and corrects the brochure.	No more than 3 spelling errors remain after one person other than the typist reads and corrects the brochure.	Several spelling errors in the brochure.
Writing - Mechanics	Capitalization and punctuation are correct throughout the brochure.	Capitalization and punctuation are correct throughout the brochure after feedback from teacher.	There are 1-2 capitalization and/or punctuation errors in the brochure even after feedback from teacher.	There are several capitalization or punctuation errors in the brochure even after feedback from teacher.
Attractiveness & Organization	The brochure has exceptionally attractive formatting and well-organized information.	The brochure has attractive formatting and well-organized information.	The brochure has well-organized information.	The brochure's formatting and organization of material are confusing to the reader.

Informational Budgeting Brochure

Teacher Name: Mrs. Olson

Student Name: _____

Grade: _____

CATEGORY	10 - Above Standards	8 - Meets Standards	6 - Approaching Standards	5 - Below Standards
Sources	Careful and accurate records are kept to document the source of 95-100% of the facts and graphics in the brochure.	Careful and accurate records are kept to document the source of 94-85% of the facts and graphics in the brochure.	Careful and accurate records are kept to document the source of 84-75% of the facts and graphics in the brochure.	Sources are not documented accurately or are not kept on many facts and graphics.
Graphics/Pictures	Graphics go well with the text and there is a good mix of text and graphics.	Graphics go well with the text, but there are so many that they distract from the text.	Graphics go well with the text, but there are too few and the brochure seems "text-heavy".	Graphics do not go with the accompanying text or appear to be randomly chosen.
Knowledge Gained	Brochure is informative and uniquely appeals to the target audience.	Brochure is informative and appeals to the target audience.	Brochure informs the target audience.	Brochure leaves the target audience asking questions and needing additional information.
Color and Placement	Color emphasizes the intent of the information; placement of graphics powerfully support the information.	Color is used to enhance the design and support the brochure's message; appearance of graphics supports the information.	Color is used but does not enhance the design or support the brochure's message; graphics somewhat support the information.	The use of color distracts from the message of the brochure; appearance of graphics distracts from the information.
Comments:				