

LESSON  
**1**

# Budgeting to Reach a Financial Goal

## OBJECTIVE

Students will:

- learn how budgeting works and how spending can involve trade-offs

## TIME

40 minutes

## MATERIALS

- Prices to Make Your Head Spin! activity sheet

## ADDITIONAL RESOURCES

- Earning (section 3) and budgeting lesson, [Middle School Instructor Guide](#)
- Lessons 2, 3, and 4, [Middle School Toolkit](#)

## STANDARDS

- Council for Economic Education: Buying Goods and Services 6
- Jump\$tart Financial Literacy Standards: Financial Decision Making 4d

## DIRECTIONS

- Review the concepts of **income**, **expense**, and **budget** from the additional resources as needed. Discuss why it's important for individuals and families to keep and maintain a budget. Answers can include that budgets are important to keep people from overspending or going into debt and that they can also help people set aside some of their income for saving.
- Ask students to think of ways they receive income. Examples include allowance, gifts, and jobs like babysitting and mowing lawns. Also brainstorm the ways they spend money. Write major income and expense items on the board.
- Ask students if there is anything they can do with their money besides spend it. If they don't bring it up themselves, explain that income can be saved and/or donated to a charity.
- Explain that Avery is a typical middle school student who needs to start keeping a record of monthly income and expense. Write the following information on the board:

Avery's Monthly Budget:

### INCOME:

Babysitting	\$50
Allowance	\$40
<hr/>	
Total	\$90

### EXPENSE:

Snacks	\$20
Clothes	\$40
Entertainment	\$30
<hr/>	
Total	\$90

- Ask students to evaluate Avery's financial situation (income and expense are in balance, but there's no attempt to save for the future or contribute to charitable organizations). Point out that saving and giving are ways people use their money besides spending it. Also note that saving is an important part of anyone's financial plan and a way to achieve financial security. Avery could save money now to make a specific purchase in the future, to have a fund for emergencies, or just to earn interest income.





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## Budgeting to Reach a Financial Goal

6. Ask what Avery would have to do to start saving, either for a cell phone or for college. (It's not possible given current expenses.) What are the choices? Income could be increased by getting more babysitting work or finding another job, and/or expenses could be cut. Encourage students to give examples of the items Avery could cut to increase savings. Point out that we all need to make **trade-offs** in our financial lives. Sometimes we stop spending now so that we can save for something in the future, while other times we bypass one item for the chance to buy something else we want. Ask students to give examples of some financial trade-offs they've made.
7. Hand out the Prices to Make Your Head Spin! activity sheet and ask students to complete it individually or in pairs. Go over answers as a class. Answers will vary, but should include a combination of expense reductions in categories like snacks and entertainment, plus finding ways to increase income. Encourage students to give specific examples, e.g., game add-ons (entertainment) and candy bars (snacks).
8. Distribute the Planning for a Big Expense family activity sheet and tell students to complete it at home with their parents. Explain that they'll figure out a budget for a room renovation and then apply that knowledge to save for a big-ticket item.

### TAKE IT FURTHER

Ask students to create a budget (if they don't already have one) and figure out the trade-offs they will make as they decide how to spend, save, and/or donate their money.

### ASSESSMENT QUESTIONS

Ask your students to answer the following questions on a separate piece of paper:

1. If a person needs to save more of their income, what are some of the actions he or she could take?

*Key points:* They could find ways to increase their income by taking on additional chores or jobs. They could also take a careful look at their expenses and make cuts where possible.

2. Why should a person's budget include saving?

*Key points:* The future is uncertain, and it's always good to have a "rainy day fund" in case unexpected expenses occur. Additionally, saving helps one develop a financial discipline that can lead to financial success in life.

NAME \_\_\_\_\_

# Prices to Make Your Head Spin!

This year, the seventh-grade class will be taking a field trip to Dizziness World, the park with the most extreme rides! The total cost of the trip including the bus, park admission, and meals will be \$125 per student. The trip is in four weeks, and Chris, who has only \$20 in savings, is worried about raising the money in time.

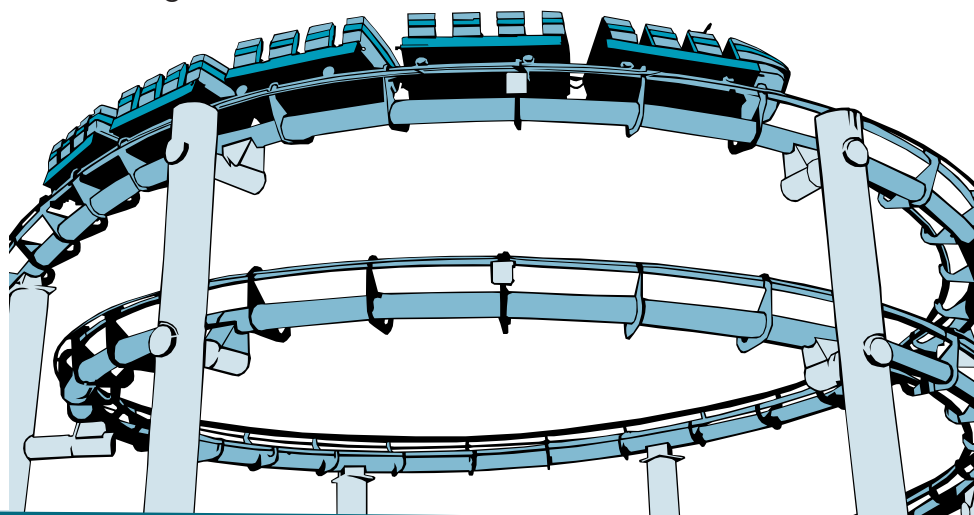
One of Chris' neighbors has offered to pay Chris \$5 per week to pick up branches in his yard, and another will pay Chris \$3 a day to feed her cats. Before the trip was announced, Chris had been keeping a budget that had room for expenses and savings. Now Chris needs to adjust this budget in order to go on the trip. Chris' budget is:

## WEEKLY INCOME:

Allowance	\$5
Babysitting	\$12
Total	\$17

## EXPENSES:

Art supplies	\$5
Game add-ons	\$3
Bird-sanctuary donation	\$2
Snacks	\$4
Savings	\$3
Total	\$17



**DIRECTIONS** Develop a plan for Chris over the next four weeks to increase income and reduce expenses to pay for the trip.

# Planning for a Big Expense

## Dear Parents,

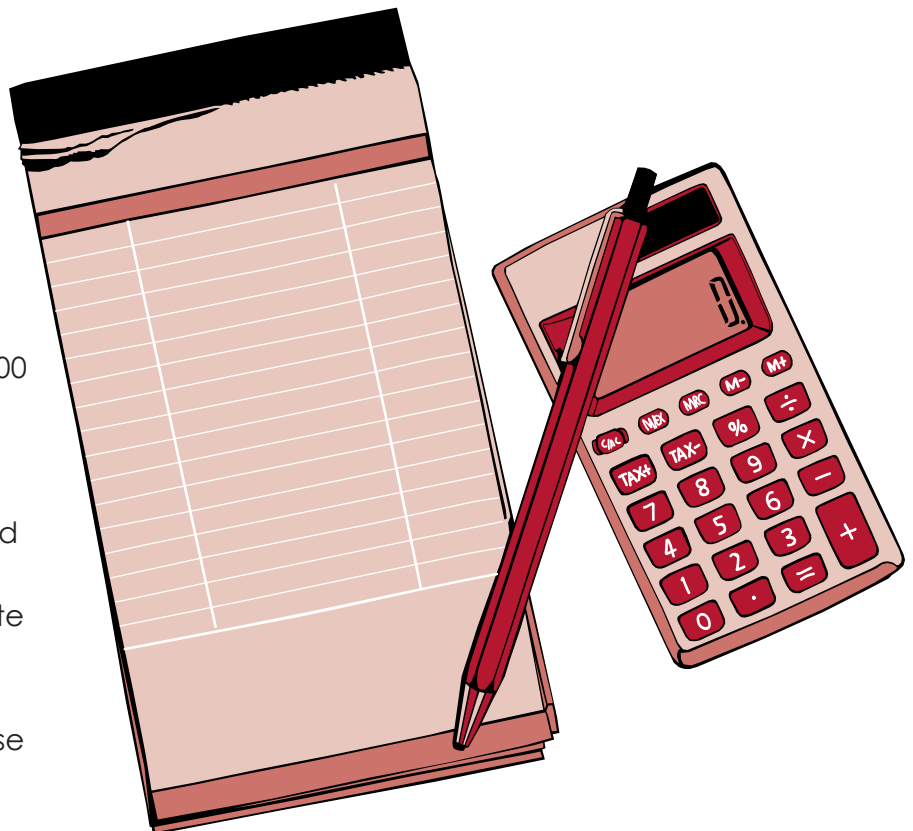
Your child has been learning about budgeting to meet a financial goal. Keep the learning going with this family finance activity. Work with your child to help complete the activity below, then apply these lessons to something your child wants to save up for.

### ACTIVITY

Taylor's room needs an updated design from the now-embarrassing teddy bear look that has been there since Taylor was a young child! Taylor did some research to find ways to update the room, but was discouraged to discover it would cost more than \$1,000. So Taylor looked around and, by finding sale items and used lamps, estimated the wallpaper and furnishings could be changed for \$500. Taylor's parents are in favor of the project, but can't contribute financially right now.

Each week, Taylor receives \$10 for helping with special chores around the house and \$15 for helping a neighbor with yard work. Taylor spends \$5 weekly on comic books and another \$10 on snacks. Taylor sets aside \$3 each week for the local food bank and keeps the rest in a savings account, which now totals \$70. Another neighbor has asked Taylor to start working in her yard for \$15 a week.

1. On separate paper, create Taylor's weekly income and expense budget. List all sources of income and expenses in two columns.
2. Figure out how much Taylor has to save and what expenses need to be cut, so that in 20 weeks Taylor has \$500 to spend on the room.
3. Now it's your family's turn! Make a budget for a big-ticket item your child wants (such as a room upgrade, a new tablet, or concert tickets). Create columns for income, expense, and savings. Discuss ways your child can earn income, comparison shop, or use gift money to reach the goal in the least amount of time.



# Planificación de un gasto importante

## Estimados padres:

Su hijo(a) ha estado aprendiendo acerca de la preparación de presupuestos para alcanzar una meta financiera. Permítanle seguir aprendiendo con esta actividad sobre finanzas para toda la familia. Trabajen con su hijo(a) para ayudarlo(a) a completar la actividad a continuación, y luego apliquen estas lecciones a algo para lo que su hijo(a) desee ahorrar.

## ACTIVIDAD

La habitación de Taylor necesita un diseño renovado que actualice el estilo "ositos de peluche" que ahora la avergüenza y que ha estado allí desde que Taylor era una niña pequeña. Taylor investigó un poco para encontrar maneras de renovar la habitación, pero se desanimó al descubrir que costaría más de \$1000. Entonces, Taylor buscó en varios lugares, encontró artículos de oferta y lámparas usadas, y calculó que el empapelado y el mobiliario podrían cambiarse por \$500. Los padres de Taylor están de acuerdo con el proyecto, pero en este momento no pueden financiarlo.

Cada semana, Taylor recibe \$10 por ayudar con tareas especiales en la casa y \$15 por ayudar a un vecino con el jardín. Taylor gasta \$5 por semana en revistas de historietas y otros \$10 en bocadillos. Taylor aparta \$3 cada semana para el banco de comida local y guarda el resto en una cuenta de ahorros, que ahora tiene un total de \$70. Otra vecina le ha pedido a Taylor que empiece a trabajar en su jardín por \$15 a la semana.

1. En una hoja aparte, creen un presupuesto con los ingresos y los gastos semanales de Taylor. Anoten todas las fuentes de ingresos y gastos en dos columnas.
2. Calculen cuánto tiene que ahorrar Taylor y qué gastos debe recortar para que en 20 semanas tenga \$500 para gastar en la habitación.
3. ¡Ahora es el turno de su familia! Elaboren un presupuesto para un artículo costoso que su hijo(a) desee (como la renovación de su habitación, una nueva tableta o boletos para un concierto). Creen columnas para los ingresos, gastos y ahorros. Analicen las formas en que su hijo(a) puede obtener ingresos, comparar precios o usar el dinero de regalos para alcanzar la meta en la menor cantidad de tiempo.

