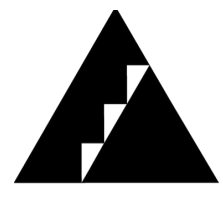


WEEKLY MIDDLE SCHOOL LESSON

#KEEPLARNING



Junior
Achievement®
of Oregon & SW Washington



Week Five: Budgeting

Overview: This lesson introduces what a budget is, the purpose of a budget, and has students create their own personal budget.

A budget plays a dual role; it is a record of income and expenses, but it is also a plan for spending and saving. Helping students grasp the benefit of keeping a budget that leads to financial security is difficult because they have seldom see the practice in action.

Preparation: Review the activity and session materials. Make sure your students have all the needed materials to complete the lesson.

Recommended Time: 30-45 mins

Materials: Computer/Tablet with Internet
Printer (Optional)
Blank Paper
Writing Utensil

1) Presentation: Begin the lesson by asking your students, "What does it mean when someone says they are living paycheck to paycheck?" About 69 percent of Americans don't have enough money saved to pay their bills for six months should they lose their job, according to a 2017 survey by financial services company Bankrate. In addition, 24 percent have no cash savings in case of an emergency. If these people lost their jobs, what are some of the possible consequences?

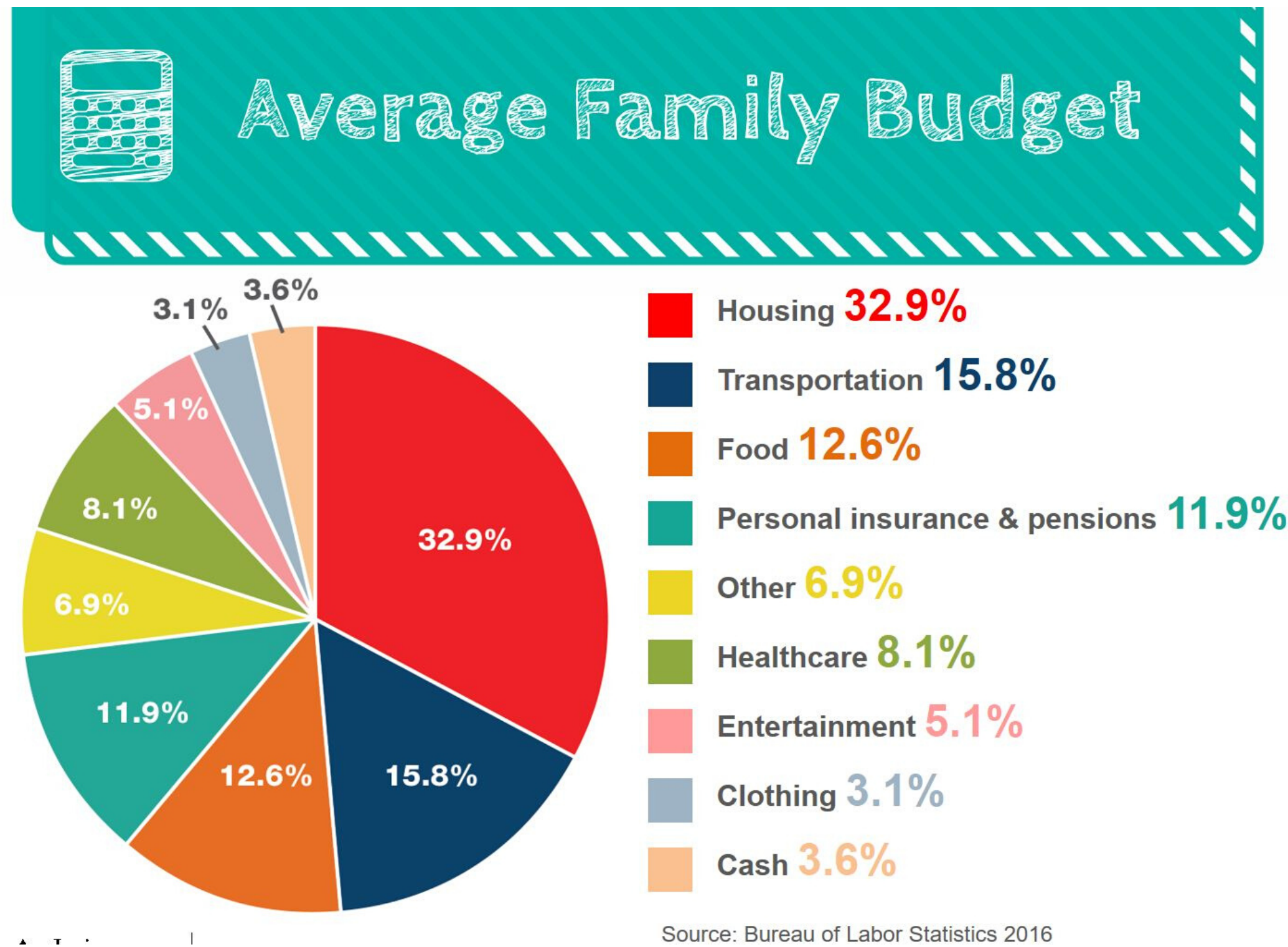


Junior
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Middle School
Week Five

Emphasize that a budget is an important tool to track saving and spending so a person can reach a goal. A budget is a record of income and spending and a plan for managing money. Budgets have categories into which spending can be recorded or estimated to help manage money. Share with students that although the family budget presented on the slide below is “average,” it may not be typical. The numbers presented there represent national averages which are based on information from very different situations, such as high income families, single–income families, and families with many children or only one child.



2) Watch: Have your students watch the video of [Budgeting for Teens](#).

3) Discussion: After you watch the video, ask the following questions. You can ask them verbally or have students write out their answers.

1. What is a key component to budgeting? Savings
2. What types of things do you currently spend your money on? Coffee, snacks, presents, cell phone bill, etc
3. Are these needs or wants?

4) Presentation: Explain to your students that one of the first steps in creating a budget is to determine how much money is available. In a monthly budget, this is accomplished by figuring net monthly income (NMI) and adding it to any other sources of income. NMI is the amount of monthly income left over after all deductions (taxes) have been taken (sometimes referred to as take-home pay). The next critical step is to define spending categories and priorities. Money is first allocated to a savings account and to essential goods and services such as housing, food, and clothing.

The remaining amount can then be divided into categories that are desired but not essential, such as video games, trendy clothing, snack food, etc. This is called discretionary income. Discretionary income is the money available after monthly bills are paid and basic living needs are met. The primary rationale for a budget is to track spending, prevent overspending and relying on credit, and encourage saving for future goals.

5) Activity: Personal Budget Ask your students how easy or difficult they think it will be to maintain their current lifestyle once they are living on their own. Let them know, they will complete a project that will help them determine whether they are ready to support themselves after high school and what kind of lifestyle they might expect to have.

Directions:

1. Students' first assignment is to find a job they could realistically be hired for with a high school diploma. They can conduct online job searches or use the chart below. They may only "take" a job if their education and previous job experience meet the job posting requirements. Alternatively, as their teacher, you can assign jobs and salaries to your students. The job can be located anywhere in the state in which they currently live.
2. After students have identified a job and wage, they will forecast expenses. For this activity, tell students they each work 40 hours a week. They will need to use an **online calculator** and figure out their taxes.
3. Students should select **The Personal Budget Worksheet**. Their initial budget plan should include: savings, housing, renter's insurance, utilities, food, transportation, clothing, entertainment and medical. Students may add other categories, like a cell phone, parking fees for work, furnishings for their apartment, or personal hygiene expenses. They will need to research expenses not expressly noted on the Personal Budget Worksheet. Students should not include debt as part of their budget.

Occupation	Hourly Wage	Occupation	Hourly Wage
Fast-food worker	\$9.81	Waiter/Waitress	\$10.01
Coffee shop attendant	\$10.72	Dishwasher	\$9.81
Host/hostess	\$10.72	Housekeeping	\$11.84
Office cleaning	\$12.02	Animal care	\$11.13
Usher, ticket taker	\$10.85	Recreation attendant	\$11.80
Bar porter, bellhop	\$12.55	Retail sales worker	\$11.24
Cashier	\$10.11	Production assembly	\$15.31
Food-processing worker	\$12.69	Driver/sales worker	\$14.06
Light truck/delivery services	\$14.06	Parking lot attendant	\$11.70
Child care worker	\$10.72	Home health aide	\$11.67
Health care orderly	\$13.23	Teller	\$13.52
File clerk	\$15.14	Receptionist	\$13.65
Warehouse worker	\$12.44		

4. This worksheet will give students an outline of the average percentage spent in each category.
5. In the budgeting process, they should allocate 100 percent of their income to budget categories.
6. Students will need to research realistic housing and transportation in the community that they "live and work."
7. After completing the first page of the Personal Budget, students should share their budget with their teachers, parents and/or other classmates and receive feedback on the reasonableness of their budget plan and job choice, given each person's background and interests.
8. Optional - To add a level of complexity, students should make assumptions about what may happen over the course of four months - for example, buying furniture or being involved in a car accident. You may want to suggest some life events that would affect their budget, such as getting a raise, receiving an inheritance, or incurring medical bills because of an accident. They will fill out page 2 of the Personal Budget to show potential changes over time.

6) Discussion: Ask students the following questions. You can ask them verbally or have students write out their answers.

1. What are the main purposes of a budget? Answer: track spending, prevent overspending, allow for saving to achieve goals
2. What amount of money should be used to calculate a budget? Answer: net monthly income, not gross income
3. When you have allotted money for all your bills and needs and paid yourself first by putting money aside, you might have a little money left over. What is this money called? Answer: discretionary income
4. What the biggest surprise when you researched actual costs associated with living on your own?
5. Do you see a benefit to having a budget to help you reach your goals?
6. Has this exercise changed the way you plan to manage your money in the future?

The Money JAR - We all have to buy food. Whether it's from the supermarket, the farmers market, or from a restaurant, facing the cost of food is a daily challenge for many. [Click here](#) to listen to this week's podcast episode on **Food Budgeting**.

Bonus Activity: Budget Challenge

Extended Activity: Ongoing for One Week

Materials: Computer/Tablet with Excel (optional)

Blank paper

Writing utensil

Envelope

Cash for Food for the week

Activity: Ever thought about asking your family if you could be in charge of managing your household budget for a week?

Have your students talk with their guardians about being in charge of the decision-making for household purchases in one spending category - food. The student is in charge of menu planning, grocery shopping, and deciding what the family eats. The prize is: any money the student doesn't spend above the cash budgeted amount is theirs to keep.

To begin: The student will need to talk to their family about their household budget and find out how much is budgeted for food. The students should receive the budgeted amount of money in an envelope at the beginning of the week. They will need to track all of their planning and purchases on a sheet of paper or by creating an excel spreadsheet. At the end of the week, whatever money is leftover is theirs to keep and hopefully save. If going to the store is not an option right now, students can still help with the grocery and meal planning. When it is a bit safer, students can try again and complete the entire process