**Budget Basics Instructions**

**DIRECTIONS**

1. Ask students how much money a middle school student needs to "live" each month. Record responses on the board. Ask students to identify how they spend money (answers may include clothing, entertainment, savings, etc.). Finally, ask students how they obtain the money they spend. Answers may include allowance from parents, chores, jobs, gifts, etc.

**2.** Write the following sample student monthly expense and income information on the board (examples can be modified as appropriate for your class):

**Entertainment $15 (one $10 movie/month plus $5 popcorn)**

**Monthly Allowance $40**

**Music/Game Downloads  $20 (16/month @ $1.25)**

**Pay from walking neighbor's dog  $10 (four ten-minute walks per month)**

**Snacks $10**

1. Ask if this student has enough money to meet the monthly expenses. (Yes.) Ask how this can be determined. (Identify and group together **income** items and **expense** items, calculate totals, and compare the totals.) Indicate that the student has income of $50 per month and expenses of $45. Indicate that the difference of $5 can be categorized as "savings."

**4.** Next rewrite the income and expense items in the form of a monthly **budget**:

|  |  |
| --- | --- |
| **Income** | **Expenses** |
| Allowance $40 | Entertainment $15 |
| Dog Walking Pay $10 | Music $20 |
|  | Snacks $10 |
| **Total Income $50** | **Total Expenses $45** |
|  |  |

**5.** Ask students how to show the $5 difference between income and expenses. (Show as "savings" under expenses and change "total expenses" to $50, equal to income.)

**6.** Indicate that this is called a **budget**. Ask students why it might be useful to keep a budget. (Answers might include: keeping track of expenses, making sure expenses don't exceed income, helping set financial goals, etc.) To demonstrate, ask the class how this student could increase monthly savings for a large purchase in the future. Answers will vary but should include increasing income and/or cutting expenses.

**7.** Ask students what percentage of monthly expenses is savings (5/50 = 10%). Demonstrate how to calculate percentage if necessary. Ask the percentage of expenses for snacks (20%), music (40%), and entertainment (30%). Demonstrate to students that the expense categories add up to 100%.

**8.** Ask the class whether or not the dog walking income is money the student can count on. (No, the family might go on vacation, decide to walk the dog themselves, etc.) Then ask what would happen if the family paying for the dog walking moved away and there was now no dog walking income? (Answers might include: find another family that wants its dog walked, cut expenses, etc.) What would happen if a second family wanted its dog walked and dog walking pay increased to $20? (Answers might include that the student could spend and/or save more.)