

Financial Literacy – Grades 6 -8

What can I afford?

In this lesson, students will learn about expenses, savings and budgeting. They will analyze various expenses and work through a budgeting exercise.

Time Allotment: 20 minutes

Discussion

Teacher: In this session we are going to be talking about expenses, savings and teaching you how to budget. Think about when you are older and maybe living on your own, what's an expense that you might have?

Let students answer

Teacher: An expense is the cost required for something, or money spend on something. What are some other expenses you might have?

Let students answer

Teacher: Expenses could be things you need like groceries, gas for your car, car insurance, but it could also be things you want like tickets to a concert or new clothes. Now let's talk about savings, do you know what a savings account is?

Let students answer

Teacher: A savings account is money you put away for a rainy day, or some large expense. What are some things you might save money for?

Let students answer

Teacher: You could save money for things you need like car insurance or medical bills, but you can also save money for things you want like a trip or a new cell phone. Now let's talk about budgeting. Do you know what budgeting is?

Let students answer

Teacher: A budget is an estimate of how much money you take in and how much money spend in a period of time. The key part of a budget is that you want the money take in, like a money from a job, to be greater than you expenses. Why do you think that's important?

Let students answer

Teacher: If you have more expenses than your income you will not be able to pay all your bills. So it's important to take in more money than you spend, and when you spend money you need expenses are more important than you want expenses. Can someone tell me why that is important that you need expenses should be paid before you want expenses?

Let students answer

Teacher: If you need to buy gas for your car and you want concert tickets, what might happen if you spend your money on concert tickets instead of gas for your car?

Let students answer

Teacher: You won't have any money left to spend on gas for your car, which is a problem. What's one thing you could do so you can have gas for your car AND the concert tickets?

Let students answer

Teacher: You could budget to save money over time to pay for your concert tickets, that way you have money for gas and concert tickets. But that requires some work and planning, doesn't it. And some self control and discipline. Well let's work through a plan to budget both expenses.

Activity

Hand out worksheet and work through as a group.

Teacher: The goal of this worksheet is to balance your budget, so you can pay for your needs but also save money to pay for the concert tickets you want. Remember your income has to exceed your expenses in order for your budget to balance. First let's talk about income. What are some ways you could make money?

Let students answer

Teacher: You could get a job, or maybe do chores for an allowance. In this worksheet, let's say you have a babysitting job. You babysit, 2 evenings a week and make \$50 each week. So where would we write in that money on the worksheet?

Teacher: Now, let's talk about the expenses you have every month. Let's say you have a car, and you are responsible for paying for gas in your car, is that need or want? Let's say you fill up your car twice a month and each time it costs you \$30 to fill up your car. What would we put in the gas money expense? (\$60)

Let students answer

Teacher: We would write in \$60 for the gas expense. Now let's say you are responsible for payment of your cell phone plan, your cell phone costs you \$20 a month. Where would we write that in? Is your cell phone a need or a want?

Teacher: Now let's talk about lunch money. Let's say you and your friends go out to lunch twice a week and each time it costs you \$10. What is that weekly expense? (\$20), so what is that monthly expense? (\$80) Is lunch money a need or a want?

Teacher: Now let's talk about those concert tickets, let's say the concert tickets are \$50. Are the tickets a need or a want? Where would we write in that expense?

Teacher: Now let's add up our income and our expense totals. What's our income total? (\$200) What's our expense total? (\$210) Oh no! So what's the problem?

Teacher: Our expenses are greater than our income! What are some ways we could fix this problem?

Let students respond.

Teacher: We could make more income, how could we do that?

We could have less expenses? How could we have less expenses? (eat out less with friends).

Now let's fix this problem and adjust our budget. Let's say you eat out less with friends this month, if you ate out one less time what would that new expense number be?

So now what happens to your budget?

It balances!

Budgeting Worksheet

In this activity, we will work on a monthly budget to cover your expenses. Remember the priority is your needs and your wants are secondary.

Income _____ - Expenses _____ = _____

Monthly Budget

Income	
Income Week 1	
Income Week 2	
Income Week 3	
Income Week 4	
Total Income	
Expenses	
Gas for car	
Cell phone plan	
Lunch Money	
Concert Tickets	
Total Expenses	

Budgeting Worksheet – ANSWER KEY

In this activity, we will work on a monthly budget to cover your expenses. Remember the priority is your needs and your wants are secondary.

Income _____ - Expenses _____ = _____

Monthly Budget

Income	
Income Week 1	\$50
Income Week 2	\$50
Income Week 3	\$50
Income Week 4	\$50
Total Income	\$200
Expenses	
Gas for car	\$60
Cell phone plan	\$20
Lunch Money	\$80
Concert Tickets	\$50
Total Expenses	\$210

Monthly Budget - FIXED

Income	
Income Week 1	\$50
Income Week 2	\$50
Income Week 3	\$50
Income Week 4	\$50
Total Income	\$200
Expenses	
Gas for car	\$60
Cell phone plan	\$20
Lunch Money	\$70
Concert Tickets	\$50
Total Expenses	\$200

