



Kids' version

Instructor guide

Budgeting

Unit Overview

In these lessons, students in grades 4 and 5 are introduced to a basic personal budget. Students will also do computations involving 10% sales tax. At the end of the lessons, students will be able to identify basic budget concepts. In the online/CD-ROM version of the *Hands on Banking* program, there are six lessons. These are condensed into two sections in this guide:

Section 1: Needs versus Wants

People must make choices about how to spend the money they have. Students allocate a fictional weekly allowance.

Section 2: Budgets

Budgets are personal plans for spending and saving income. In this section, students have the opportunity to experience how budgets allow individuals to balance their expenses with their income. Students will do simple calculations involving percents and identify the steps to making good financial decisions.

Learning Objectives

The financial-literacy objective of these lessons is for students to recognize that because individuals have finite financial resources, they cannot have everything they want. Making a personal budget can help you plan wisely for spending your money.

The mathematical objectives of these lessons are for students to compute the sum or difference of whole numbers and positive decimals to two places, to compute a given percent of a whole number, and to estimate computations involving decimals and percents.

Alignment with Educational Standards

National Council of Economic Education and the National Association of Economics Educators and the Foundation for Teaching Economics, *Voluntary National Content Standards in Economics* (1997), Grade 4, Content Standard 2.

- “Few choices are all-or-nothing decisions: they usually involve getting a little more of one thing by giving up a little of something else.”

JumpStart Coalition for Personal Financial Literacy, *National Standards in K-12 Personal Finance Education* (2007), Grade 4 Standards:

- Planning and Money Management

National Council of Teachers of Mathematics *Principles and Standards for School Mathematics*, (2000), Grades 3-5:

- Number and Operations Expectations: “... develop fluency in adding, subtracting, multiplying, and dividing whole numbers; develop and use strategies to estimate the results of whole-number computations and to judge the reasonableness of such results; develop strategies for computing with familiar fractions and decimals; select appropriate methods and tools for computing with whole numbers...”
- Algebra Expectations: “... investigate how a change in one variable relates to a change in a second variable.”
- Problem-Solving Expectations: “Solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems.”
- Connections Expectations: “Recognize and apply mathematics in contexts outside of mathematics.”



Section 1: Needs versus Wants

People must make choices about how to spend the money they have. Students allocate a fictional weekly allowance.



Opening Questions

Use these or similar questions to start students thinking about this concept and how it relates to them:

- Describe a time when you wanted to buy something but didn't have enough money to pay for it.
- Explain ways you could save money for something you wanted to buy.
- What are examples of something you or your family *need* to buy – versus something you'd *like* to have?



Key Points

- Every month, adults have things they *have* to pay for, for example, a place to live, food, and transportation. There are also things they would *like* to spend money on – just for fun! All of these costs are called monthly **expenses**.
- Most people have a limited amount of money available, so they have to make choices about how to spend their money. They need to make decisions based on whether they *need* something, or just *want* it.
- To be a good money manager, you need to distinguish between *needs* and *wants*. One person's needs and wants may be very different from another's, but in general, *needs* are items or activities you must have in order to live. *Wants* are things you would like to have or do, but that you could live without.
- Plan how you will spend your money so you can buy what you *need* first – and if there's money left over, you can save for the things you *want*. This is called making a **budget** – a written plan for using your money.
- If you don't have enough money to buy everything you need and want, you may have to make "tradeoffs." This means choosing not to buy one thing in order to have enough money to buy another. Making tradeoffs isn't always easy. *Before* you go out to buy something, ask yourself the following questions – and be ready for tradeoffs!
 - Is it something you *need* or is it something you *want*?
 - Is it cheaper at another store?
 - Is there something similar that's cheaper and that you can live with instead?
 - Is there a better way to spend your money?
 - How can you budget your money to afford what you want?



Activity

Students use the following worksheet to practice budgeting. The teacher's copy of this activity follows the students' worksheet.



Personal Budget Worksheet

Name _____

Your Weekly Budget

Description	Income (+)	Expense (-)	\$ Available
Allowance	\$10.00		\$10.00
Snacks		\$2.00	\$8.00
Entertainment		\$5.00	\$3.00

Suppose that every week you earn \$10 in **income** for making your bed, washing dishes, and feeding the dog every day. Use the information in the Weekly Budget above to answer the following questions.

1. You want to go to a concert that costs \$20. You have to get the ticket very soon, so you decide to combine both your entertainment budget and your leftover money (your available money). How many weeks will it take you to have enough money to go to the concert?

2. This week, you didn't spend any money on snacks! Explain how you know if you will have enough money now to go to a movie that costs \$6.50?



Teacher's Copy of Personal Budget Worksheet

Your Weekly Budget

Description	Income (+)	Expense (-)	\$ Available
Allowance	\$10.00		\$10.00
Snacks		\$2.00	\$8.00
Entertainment		\$5.00	\$3.00

Pretend that every week you earn \$10 in **income** for making your bed, washing dishes, and feeding the dog every day.

1. You want to go to a concert that costs \$20. You have to get the ticket very soon, so you decide to combine both your entertainment budget and your leftover money (your available money). How many weeks will it take you to have enough money to go to the concert?

(3 weeks)

Hints

- At the end of each week, you have \$3.00 available in your budget, plus you budget \$5.00 a week for entertainment.
- If you have \$8.00 a week available for the \$20 concert ticket, how many weeks will you have to save to have enough money for the ticket?

2. This week, you didn't spend any money on snacks! Will you have enough money now to go to a movie that costs \$6.50? (Ask students to explain how they know.)

(Yes)

Hint

- Add the \$2.00 you will save (by not purchasing snacks) to the \$5.00 you budget each week for entertainment. Is the total of these two amounts enough to buy a \$6.50 movie ticket?