
Lesson 3: Planning Your Budget

OBJECTIVE:

Students will calculate and create their budget.

COMMON CORE STANDARDS

1. Fluently add, subtract, multiply, and divide multi-digit decimals using the standard algorithm for each operation.

ACTIVITY:

Worksheet 3, Planning Your Budget

TEACHER NOTES AND INSTRUCTIONS:

1. Copy off the worksheet for lesson 3. If you are using the student packet, found in the back of this book, you will want to make sure each student has a complete copy of the packet. Students will want to keep this worksheet for future reference.
2. Pre-read the worksheet for lesson 3. Many of the amounts are based on survey data. If you feel the amounts are not indicative of your economic area, they may be adjusted.
3. Read the following to the students:

Before you can buy a house or even a car, you have to know just how much money you have and how much you can spend on certain items. That's called a budget. Let's create a special budget just for you.

4. **Activity 1:** Follow along the worksheet with the students. Go over the student worksheet for lesson 3.



WORKSHEET 3: PLANNING YOUR BUDGET

First and Last Name _____ Period _____

Date _____

Activity 1: Read the paragraph below and fill out the worksheet according to the each direction.

Your goal is to live alone. That's being self-sufficient. But if you decided that you needed a roommate, then you and your roommate must now work together. For this activity, make sure you have a pencil as you might be erasing a lot. The trick is that you can't spend more money than what is coming in. If you don't make enough money, you might want to apply for government assistance. You must see your teacher (the government) for assistance. Assistance is \$300 per month plus \$100 per child.

To simplify things, we've create a great chart to help you figure your budget. Write down the answers to the questions in the column on the right.

<p>a) First write down you and your spouse's combined net monthly income. If you live alone or have a roommate, write down just your net income. That's the answer to number 13 in the previous lesson.</p>	
<p>b) First let's figure out how much you can spend on housing expense. Housing expense includes everything that's involved in having a roof over your head. Electricity, phone, renter's insurance and anything else that you're responsible for should be included. We won't be buying a house yet as you don't have a down payment. Instead, we will rent an apartment. The general rule for renting is to not spend more than 33% of your total monthly take home (your net) on housing⁶. If you have a roommate, you will be splitting the rent so divide the answer by two.</p>	
<p>c) You will probably want to eat. You and your spouse or can share the expenses for this. You will have to decide with your roommate if each of you will buy your own food or if you will share the cost of groceries. A good rule of thumb is to not spend more than 14% of your net income on food. That includes eating out. Calculate how much you can afford for food.</p>	
<p>d) So now that you have a place to live, you will want a car. Your will need to get a loan and make payments for your car. Again, a rule of thumb is not to spend more than 14% of your net income on car allowance⁶. That includes insurance and licensing as well. If you are married, you can figure 14% of your joint net income and divide that number by two to figure out how much you each can afford for a car. If you have a roommate, each you and your roommate must calculate what you can afford for car allowance by each person figuring 14% of their net income.</p>	

e) Although you have medical or maybe even life insurance deducted out of your paycheck, there are always other types of insurance such as additional medical, other life policies (especially if you have children) or house warranty insurance. This is typically 5% of your gross pay.	
f) You'll have credit card debt for miscellaneous items such as clothing and household goods. A rule of thumb is that this should not exceed more than 9% of your gross income.	
g) You want to be able to go to the movies with your friends right? Your entertainment budget shouldn't exceed 5% of your gross income.	
h) Unfortunately we all get sick and we will have medical deductions even if we have insurance. The insurance doesn't pay for all the costs as there are deductibles that have to be paid for each visit. This typically shouldn't be more than 5% of your income.	
i) What about clothes? You can't just wear the same thing forever so we need to figure that in also. Remember, this doesn't just include you and your spouse, but it also includes your children as well. Clothing is about 5% of our net income.	
j) There's a lot more to budget planning that might come up such as vacations, household maintenance, car repair and other things that are not regular bills. We will call these items miscellaneous. Unfortunately people usually have a lot of miscellaneous items so that leaves 10% left for those amounts.	
k) Now add up lines 2-10. Does this equal line 1? If so, you have successfully balanced your budget. If not, you better change something so that it does. That's called debt.	

Notice anything interesting about the percent amounts? If you calculated your budget correctly, it should equal your gross income as the percents all add up to 100%!

l) Let's suppose you want to spend more or less on certain items in your budget. You can do so by simply adding and subtracting other amounts in order to keep your budget even. If lines 1 and 11 equal the same, then your budget is balanced!

m) ☺ Want more ideas on balancing a budget? Check out http://www.trimmydebt.com/welcome_budget_short.aspx. You can put in amounts to figure your budget. Be sure to surf the internet for other budget calculators.

- n)  The information for this lesson was taken from <http://www.thelaboroflove.com/forum/dollar/12.html> . Surf the net to find other budget examples. Do they differ?
- o)  See if your parents will show you some of the bills for electricity, phone, gas, garbage and other household costs. What are the total costs for these services?