Basic budget lesson (for 2-5 grade)

Lesson 1: Budget Basics (for grade 2-5)

In this "Plan, Save, Succeed!" lesson, participants use sample student monthly expense and income information to understand how a budget is created, and how it can be analyzed using percentages. This exercise is designed to encourage participants to consider the role saving plays in financial planning.

OBJECTIVE

- Participants will understand how a budget is created and how it can support good financial decision making. (financial literacy)
- Participants will understand that mastery of fractions, decimals, and percentages can help address real-world situations. (financial literacy and math)
- Participants will begin to consider the role saving plays in financial planning. (financial literacy)

TIME REQUIRED: 20 minutes, plus additional time for worksheet

MATERIALS

- Mini-Poster (PDF)

DIRECTIONS

1. Ask participants how much money a middle school student needs to "live" each month. Record responses on the board. Ask participants to identify how they spend money (answers may include clothing, entertainment, savings, etc.). Finally, ask participants 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 participants):

Entertainment $15 (one $10 movie/month plus $5 popcorn)
Monthly Allowance $20
Pay from walking neighbor's dog $10 (four ten-minute walks per month)
Snacks $10

3. 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 $30 per month and expenses of $25. 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 $20	Entertainment $15
Dog Walking Pay $10	
	Snacks $10
Total Income $30	**Total Expenses $25**

5. Ask participants how to show the $5 difference between income and expenses. (Show as "savings" under expenses and change "total expenses" to $30, equal to income.)

6. Indicate that this is called a **budget**. Ask participants 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 participants 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 participants 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.)

8. Now Try This! Activity: Make a list of the income you receive and the expenses you have each month and prepare a budget for yourself. If your income and expenses are equal, you aren't saving anything. Do you think this is a problem? Explain your thinking.

10. Point out the **poster front**. Discuss with participants what types of decisions involving money can help a person "plan, save, and succeed."

From Scholastic.com

Definition:

- Budget: an estimate of expected income and expenses for a future period of time
- Income: money received during a period of time from wages, interest, and other sources
- Expenses: money spent during a period of time to pay for goods or services