Middle School Activity Packet: Budget Basics

Much like reading with children from a young age can help strengthen literacy, engaging with children about money topics can be a powerful tool to help them better understand money and develop healthy habits. In fact, research shows that many money habits are set by age seven.

The Illinois State Treasurer's Office created the Money Minded Illinois program in 2018. It is a free financial literacy curriculum for teachers and school districts across the state. It was written to meet Illinois State Board of Education (ISBE) standards, and full curriculum booklets are available for download for first grade through middle school at **MoneyMindedIllinois.com.**

Activities from each grade booklet were selected to make packets for families and communities to engage with children in conversations about money. To cover a range of basics for 6th – 8th grade, we've created packets by topic. In this packet, there is a variety of **individual activities and group games about budgeting.** We hope you enjoy learning and playing together.

Check out other middle school activity packets:

- Banks & Interest
- Credit
- Risk, Investments & Insurance

You can also enhance your own personal finance knowledge by creating a free account on the Illinois Financial Wellness Hub (FinWell Hub) at **IllinoisTreasurer.Enrich.org**. The FinWell Hub offers practical tools and courses, as well as free access to Certified Personal Finance Coaches. The FinWell Hub is for adults and high school age students.

Happy learning!

Illinois State Treasurer's Office

Michael W. Frerichs
ILLINOIS STATE TREASURER

Courtney's First Job

Courtney and her friends were riding their bikes home from school. Everyone was talking about the new *Star Wars* movie that was coming out soon. They couldn't wait to go see it.

"We should definitely go opening night," said Jay. "Is everyone free? I'll get tickets."

"In!" Nikki and Courtney replied.

As soon as she got home, Courtney ran upstairs to her room to check her money jar. She kept all her money in the jar – including what she received for her birthday three weeks ago from her grandparents. She was hoping she still had some left, but her heart fell when she opened the money jar. There was only $2.00 and some change left - not enough to see a movie. She decided to ask her mom for the rest.

As soon as she heard her mom home from work, Courtney ran downstairs.

"Mom? Can I ask a favor?"

"Sure, honey. What is it?"

"Can I have some money to see Star Wars with Nikki and Jay? Please?"

Her mom paused. "What happened to all your birthday money?"

"I spent it."

"Already?? On what?!"

"Well, I went to dinner with friends, and then I saw a new video game I had to- "

"Stop right there. There is no reason why you should already be out of money. It's time for you to realize how much work goes into having money. You're going to need to get a job. I won't be giving you any more money for anything you do not need."

"What? But, Mom- "

"If you want money to do things with your friends, you're going to have to start earning it. I'd start looking for a job if I were you."

Courtney sighed. She could tell her mom was serious. The only way she was going to see that movie was if she got a job.

She climbed the stairs to her bedroom and started looking online at part time jobs. She loved dogs, so she thought working as a dog walker would be okay. But when she looked closer, she learned most people needed their dogs walked in the middle of the day when she was at school, so that wouldn't work. Same went for being a nanny. She finally came across a job at the grocery store for night and weekend shifts. Her friend Nikki worked there and seemed to like it. But the job only paid $8.25 an hour, which did not seem like much money.

"Mom, the only job I found that works with school pays $8.25 an hour. What am I going to be able to do with that? It's not enough. I'd have to work a whole shift just to be able to afford to go to the movies once!"

"$8.25? That's way more than I made at my first job. I made $1.40 per hour."

"What?! But you can't buy anything with that!"

"Things weren't as expensive back then. Even your brother made less than $8.25 a few years ago. If you really want to be shocked, you should call your grandfather."

Courtney could not believe it. So, she started calling. She started with her brother Mike who was away at college. He had only made $7.75 per hour as a lifeguard. Mike reminded her that even though it was recent, things were just a little bit cheaper a couple years ago.

She was shocked when she called her grandfather. He had only made $0.40 an hour! Courtney could not understand how he was able to feed her mom and her three aunts on that. But, again, Grandpa reminded her that goods were a lot less back in the 1940's than they are today.

Courtney sat and thought about it. While $8.25 still didn't seem like a lot to her, she knew she was going to need the job if she wanted to go see *Star Wars*. The next day, she went to the grocery store to apply for the job, and she earned her first paycheck right in time to see movie with her friends.

Annual Average U.S. Ticket Price

1948	$0.36
1954	$0.49
1958	$0.68
1963	$0.86
1967	$1.22
1971	$1.65
1974	$1.89
1975	$2.03
1976	$2.13
1977	$2.23
1978	$2.34
1979	$2.47
1980	$2.69
1981	$2.78
1982	$2.94
1983	$3.15
1984	$3.36
1985	$3.55
1986	$3.71
1987	$3.91
1988	$4.11
1989	$3.99
1990	$4.22
1991	$4.21
1992	$4.15

1993	$4.14
1994	$4.08
1995	$4.35
1996	$4.42
1997	$4.59
1998	$4.69
1999	$5.06
2000	$5.39
2001	$5.65
2002	$5.80
2003	$6.03
2004	$6.21
2005	$6.41
2006	$6.55
2007	$6.88
2008	$7.18
2009	$7.50
2010	$7.89
2011	$7.93
2012	$7.96
2013	$8.13
2014	$8.17
2015	$8.43
2016	$8.65
2017	$8.97

"Domestic Movie Theatrical Market Summary 1995 to 2019." *The Numbers - Where Data and Movies Meet*, www.the-numbers.com/market/.

History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 – 2009

Minimum hourly wage of workers in jobs first covered by				
Effective Date	***1938 Act*** [1]	***1961 Amendments*** [2]	***1966 and Subsequent Amendments***[3]	
			Nonfarm	***Farm***
Oct 24, 1938	$0.25			
Oct 24, 1939	$0.30			
Oct 24, 1945	$0.40			
Jan 25, 1950	$0.75			
Mar 1, 1956	$1.00			
Sep 3, 1961	$1.15	$1.00		
Sep 3, 1963	$1.25			
Sep 3, 1964		$1.15		
Sep 3, 1965		$1.25		
Feb 1, 1967	$1.40	$1.40	$1.00	$1.00
Feb 1, 1968	$1.60	$1.60	$1.15	$1.15
Feb 1, 1969			$1.30	$1.30
Feb 1, 1970			$1.45	
Feb 1, 1971			$1.60	
May 1, 1974	$2.00	$2.00	$1.90	$1.60
Jan. 1, 1975	$2.10	$2.10	$2.00	$1.80
Jan 1, 1976	$2.30	$2.30	$2.20	$2.00
Jan 1, 1977			$2.30	$2.20
Jan 1, 1978	$2.65 for all covered, nonexempt workers			
Jan 1, 1979	$2.90 for all covered, nonexempt workers			
Jan 1, 1980	$3.10 for all covered, nonexempt workers			
Jan 1, 1981	$3.35 for all covered, nonexempt workers			
Apr 1, 1990[4]	$3.80 for all covered, nonexempt workers			
Apr 1, 1991	$4.25 for all covered, nonexempt workers			
Oct 1, 1996	$4.75 for all covered, nonexempt workers			
Sep 1, 1997[5]	$5.15 for all covered, nonexempt workers			
Jul 24, 2007	$5.85 for all covered, nonexempt workers			
Jul 24, 2008	$6.55 for all covered, nonexempt workers			
Jul 24, 2009	$7.25 for all covered, nonexempt workers			

[1] The 1938 Act was applicable generally to employees engaged in interstate commerce or in the production of goods for interstate commerce.

[2] The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees.

[3] The 1966 Amendments extended coverage to State and local government employees of hospitals, nursing homes, and schools, and to laundries, drycleaners, and large hotels, motels, restaurants, and farms. Subsequent amendments extended overage to the remaining Federal, State and local government employees who were not protected in 1966, to certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment.

[4] Grandfather clause - Employees who do not meet the tests for individual coverage, and whose employers were covered by the FLSA on March 31, 1990, and fail to meet the increased annual dollar volume (ADV) test for enterprise coverage, must continue to receive at least $3.35 an hour.

[5] A subminimum wage -- $4.25 an hour -- is established for employees under 20 years of age during their first 90 consecutive calendar days of employment with an employer.

“History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938-2009.” (n.d.) Retrieved from https://www.dol.gov/whd/minwage/chart.htm.

Rising Costs

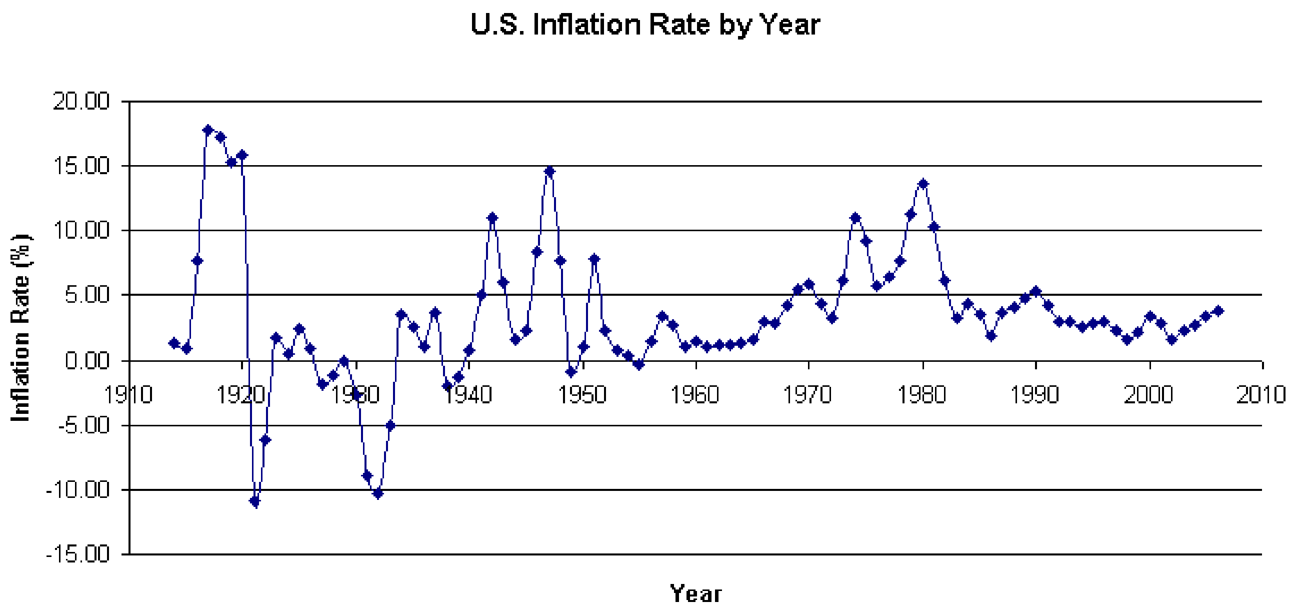
When it comes to the prices of the goods that we buy, you may have heard people complain about inflation. But what does that mean?

Inflation is an economic term, and it refers to the price of goods and services generally increasing over a period. Often, it is such a slow increase that consumers do not even notice it until years later. We know that inflation occurs regularly, and people can try to plan for increased prices throughout their life. For example, the price of milk today most likely won't be the same ten years from now. However, sometimes there is an unexpected sharp rise in cost, and that can cause problems for individuals and businesses alike. The rising price of everyday goods and services effects everyone, but why does it happen? There are many factors that goes into inflation, but two are highlighted below: demand pull inflation and cost push inflation.

At times, there is an increased demand for products and services than the supply will allow, making the price increase. Who is demanding these goods to make the prices rise? Usually, it's households, businesses, governments, or foreign buyers. For example, during a natural disaster such as a hurricane or tornado, it is often harder to get resources such as gasoline. As a result, the price of gas increases, because there is not enough of it to meet the demand. This is an example of "demand-pull inflation."

The cost of raw goods and materials that goes into making a good or service often increases. Pretend you're building a house. You'll need lumber, windows, carpet, etc. If the cost of lumber rises, so will the cost of your house. Another example is a Starbucks latte. To make this, Starbucks needs milk. If the milk price increases, so does the price of your latte. This type of inflation is called "cost push inflation."

The Consumer Price Index (CPI) measures and keeps track of the costs of goods and services. CPI statistic is often used to identify periods of inflation.



Name: ____

Comparing Wages and Movie Prices

1. Using the two primary sources, draw a line graph to show the relationship between wages and ticket prices. You can pick any ten years you like.

Movie Ticket Price

Minimum Wage

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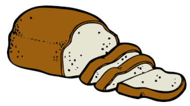
1. What does the chart show about the relationship between wages and movie ticket prices?

2. Why do you think this happens?

3. This relationship demonstrates inflation. Based on what you see, come up with your own definition of inflation.



Comparing Prices

As you have learned, inflation is the rising cost of goods. But what does that mean for the average worker? How does that impact them? Study the chart below and answer the following questions.

This chart represents the average price in the entire United States. Many of these costs change depending where you live.

	Average USA Price in 2011	Average USA Price in 2018
Gasoline, all types	$3.58/gallon	$2.77
Eggs	$1.76/dozen	$1.74/dozen
Ground beef	$3.18/pound	$3.72/pound
Chicken per pound	$1.29	$1.50
Milk, fresh, whole per gallon	$3.57	$2.90
Navel oranges per pound	$1.10	$1.41
White bread per pound	$1.44	$1.29
Electricity per KWH	$0.13	$0.14
Utility (piped) gas per therm	$1.07	$1.05
4-year public college, per year	$17,577.00	$19,488.00 (2017)
Annual Single Person Health Insurance Premium (total)	$5,571.00	$6,368 (2017)
New car	$25,498	$35,285
Housing per month	$1,400.25	$1,657.00
Average total expenditures per year	$49,705	$60,060

1. How do you think an average household budget changed from 2011 to 2018? What type of changes would a family have to make?

2. Looking at the average costs, what type of impact do you think inflation has on a household's ability to save?

3. What do you think would happen if a person made the same amount of money in 2008 and 2015?

"Databases, Tables & Calculators by Subject." *U.S. Bureau of Labor Statistics*, U.S. Bureau of Labor Statistics, www.bls.gov/data/#api.
"Digest of Education Statistics, 2017." *National Center for Education Statistics (NCES) Home Page, a Part of the U.S. Department of Education*, National Center for Education Statistics, nces.ed.gov/programs/digest/d17/tables/dt17_330.20.asp?current=yes.

What is a Budget?

A budget helps you manage your money and make good decisions. It's a plan that helps you see how much money you have coming in each month and how much money is being spent. Budgeting helps you understand exactly what you are spending your money on. Budgets are commonly used in businesses, hospitals, government, and even schools to help make good financial decisions.

For individuals, budgets track both the income they receive and the expenses or payments that need to be made. An easy way to remember it is money flows in and money flows out. A budget helps you keep track and monitor that flow. Always be sure to have more money flowing in then what is flowing out. That is managing your money wisely!

Let's look at some specific items that are commonly found in a budget. We will begin by looking at **income**. Individuals may work at one job and receive income from the work they do. Other individuals may work more than one job and receive two or three separate incomes. In a budget, you will want to track all of the income that you typically receive each month. But, there's something important to remember – focus on the money you can count on receiving each month. In some jobs, people receive additional money for extra hours they work, called overtime pay, or tips they receive for a service they provided, or commissions based on how many products someone has sold.

You want to be cautious including additional pay in your budget because it is not part of your regular income and can fluctuate up and down each month. Instead, you want to focus on the money you regularly expect to receive since extra pay is not guaranteed or constant. If you work in a job in which tips make up a lot of your pay, then you will want to determine what are the average tips you make each week and include that figure as income.

Now let's look at **expenses**. A good budget tracks the type of expenses by listing them in categories, so you know exactly how much is being spent on certain items, such as eating out or your cell phone service. A budget can also help you plan for occasional expenses that are not routine, such as a vacation. By planning ahead, you can save enough money to pay for the occasional expense.

Some common terms associated with expense include fixed and variable. A **fixed** expense is something that regularly occurs, and you don't have a lot of control over. Housing costs (rent or mortgage payments) are an example of a fixed expense. **Variable** expenses fluctuate. They can include gas for the vehicle you drive or seeing a movie at the local theatre. There are also **occasional** expenses that occur either one time or a few times throughout the year. This can be a visit to the doctor or dentist, vehicle insurance, or even repairs to your vehicle.

An easy way to start making a budget is to list fixed expenses that you know you will pay every single month. This commonly includes rent/mortgage payments, cell phone service, car payments, internet and/or cable service, and student loans. Then start looking at other types of expenses such as eating out, grabbing coffee at Starbucks, buying clothing, gas, and movies. After you have written down your other types of expenses, see if you can group them into categories. This step can help you determine if you are spending too much in one area and need to scale back or reduce that particular expense.

Once you have listed both the income and expenses, now you can analyze the information. How are your spending patterns? Are you earning more money than you are spending? Or Is more money being spent than what is being earned?

You can create a budget at any age. If you do chores around the house, mow the lawn, or babysit, then you have income coming in. Creating a budget can help you control your expenses and save up for something that is really important to you. As a teenager, your income will likely fluctuate more than when you are an adult. But if you start this practice now, it will be part of your regular routine as you incur more expenses.

Remember, budgeting helps individuals make sound decisions and manage their money. It can help you too!

Name: ______________________________________

Question: Spend or Not Spend?

There are only two things you can do with money: spend it or save it.

We're often warned not to spend more than we earn, to save for the future, and to be careful about our money. Yes, that's important, but it's also important to learn how to enjoy your hard-earned money without feeling guilty about spending.

Here are some things to consider:

- Before you spend on extras, be sure that your basic financial needs are covered (e.g., rent, food, phone, gas for your car, etc.)
- Always have an emergency fund of three to six months of expenses. You never know when your car will need brakes, you get a stain on your winter coat, or the price of peanut butter drastically rises!
- Even though you are still young, when you get a job you should immediately save a bit of each paycheck in a retirement fund. Once you do that, then it's okay to spend some of your income on an enjoyable treat.
- When you do decide to spend, it's probably better to spend on "experiences" instead of just "things." Some studies have shown that spending money on experiences like travel tends to make people happier, and for longer, than spending money on material things. Maybe that's because we get accustomed to the goods we buy, and pretty soon they don't seem so special anymore. But the experiences we have not only live on in our memories, but they even become better memories as time goes by.

Now it's your turn. Search online for items that would cost approximately $1,000. You want to find three "things" or items along with three "experiences", for a total of six. List each item on the chart. Then decide whether each item would be a good or bad spending choice.

"Spending vs. Saving: Striking the Right Balance." *Discover*, 30 Apr. 2019, www.discover.com/credit-cards/resources/spending-vs-saving.

Check on-line for three "things" and three "experiences" that would cost around $1,000. List them in the table below and explain why each would be a good or bad spending choice for you.

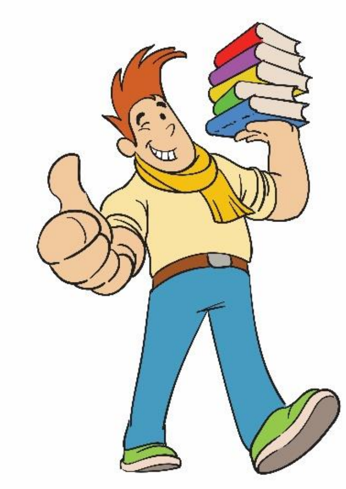
Things		
Cost	**Good or Bad Spending Choice**	**Why?**

Experiences		
Cost	**Good or Bad Spending Choice**	**Why?**

"Spending vs. Saving: Striking the Right Balance." *Discover*, 30 Apr. 2019, www.discover.com/credit-cards/resources/spending-vs-saving.

Name: ______________________________

Cash Flow Activity



What is cash flow? Think of the money you have coming in and the money that goes out. It's important to understand where you are spending money and if it is on wants or needs. Remember, you should never spend more than you earn! A common way of tracking expenses is to determine if something is a fixed cost or variable. A fixed cost is a recurring cost (generally monthly) that and generally involves needs whereas a variable cost fluctuates. Typically, a variable cost involves wants.

Have you ever been out with your friends and find that by the end of the day, you have run out of money and don't even have enough to buy something to eat? It's so easy to spend money and it adds up quickly. You might even be surprised to see where you are spending your money.

Below is a chart listing a variety of common expenses. Track every expense you have over the next week. Indicate whether the expense is for food, clothing, entertainment, or other. Place the amount you spend in the appropriate column. In the next column, indicate whether the cost is a fixed (FX) or variable (V).

After a week, add the totals of each column and this tells you how much has been spent in each category. Add all of the columns together or a grand total.

For the next step, find out how many expenses were planned and how many were unplanned. You can do this taking the grand total and counting how many expenses were planned versus unplanned. Do the same thing for fixed versus variable expenses.

Date	Item/Service	Food	Clothing	Entertainment	Other	Planned or Unplanned	Fixed or Variable
9/14	Coffee	$6.75				Unplanned	Variable
Totals							
Percent							
Grand Total for Week							

Use the information above to answer the following questions:

1. Which of the expenses were planned?

2. Which expenses were unplanned – that is, bought on the spur of the moment?

3. If you had a chance to redo anything, which expenses would you change?

4. Are there any expenses that were bad decisions?

5. Which unplanned expenses were a good decision?

6. Which sort of expense would be the easiest to decrease? A fixed expense or variable? Why?

7. Which of the expenses would be easiest for you to decrease if you needed money for an emergency purchase?

Budget Game

You have just started your first job and will have income on a regular basis! But there are also expenses that you will be incurring. There is never enough money to satisfy all of our wants. In this game, you are going to make decisions based upon what is most important to you. It will also show how personal values influence money management.

Here's how the game works: There are 12 squares. The squares with a red heading and a star indicate that you must choose that square as part of your budget. Any square with a blue heading is optional. Each square has several spending choices ranging from zero to five. You will receive 20 beans representing your income for the month. Each bean represents 1 point. Select a choice within each square and place the required number of beans in that square.

Let's cover some basics:

- A need is a necessity, like housing and food. A want can be anything and may not be a necessity. Be careful when spending on wants.
- After you have budgeted for your required or necessary expenses, set aside some money in your savings for the future. This could always be used in case an emergency expense occurs.
- Always ask yourself whether or not you really need that item before purchasing it.
- In the space next to each square, indicate whether this expense is *fixed* (meaning that it occurs every month like rent or a car payment) or is it *flexible* (such as buying tickets for a concert).
- A good rule of thumb is to use 70% to pay your current bills, 20% to save for future purchases, and 10% to invest for the long-term.

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Housing & Utilities*

Live with relatives sharing cost of utilities (no phone)	☐☐
Share an apartment or house with others, including basic utilities (no phone)	☐☐☐
Rent a place of your own, including basic utilities (no phone)	☐☐☐☐

Insurance

Auto – liability coverage only	☐☐
Auto – complete coverage	☐☐☐
Health – job-related benefit	☐
Health – basic coverage	☐☐
Health – individual plan	☐☐☐
Renters – property & liability coverage	☐

Communications

No phone	No cost
Prepaid cell phone, 4GB	☐
Cell phone with 6GB	☐☐
Cell phone with unlimited data	☐☐☐
Bundle – cell phone with unlimited data and high speed internet	☐☐☐☐

Savings

Change in piggy bank	No cost
Five percent of income	☐
Ten percent of income	☐☐
Invest for retirement	☐☐
Contribution to charities and religious groups	☐

Gifts

Make your own	☐
Purchase cards or small gifts occasionally	☐☐
Purchase frequent gifts for friends and family	☐☐☐

Furnishings*

Borrow from friends and relatives	No cost
Rent furniture or live in a furnished apartment	☐
Buy at a garage sale or thrift shop	☐
Buy new furniture	☐☐

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Recreation

Hiking, walking, visiting friends, or library	No cost
Cable TV, sports, movies	☐ ☐
Hobbies	☐
Streaming music, books, video games	☐ ☐
Concerts, vacations, spectator sports	☐ ☐ ☐

Personal Care

Soap, shampoo, toothpaste, make-up	☐
Occasional professional haircuts, personal care	☐ ☐
Regular professional hair-styling, name brand products	☐ ☐ ☐
Manicures, pedicures, or other expenses	☐ ☐

Food*

Cook at home, dinner out once a week	☐ ☐
Bring lunch to work, eat lunch out once a week	☐ ☐
Frequent fast food, weekly dinner out	☐ ☐ ☐
All meals away from home	☐ ☐ ☐ ☐
Frequently purchase coffee at a specialty shop	☐ ☐

Clothing & Laundry*

Wear present clothing	No cost
Buy at a discount or thrift store	☐
Buy at a department store or online	☐ ☐
Shop for designer clothes	☐ ☐ ☐
Do laundry at parents	No cost
Use a laundromat or dry cleaning	☐
Purchase wash machine & dryer	☐

Transportation*

Walk or bike	No cost
Ride bus or carpool	☐
Buy fuel for car	☐ ☐
Buy used car and fuel	☐ ☐ ☐
Buy new car and fuel	☐ ☐ ☐ ☐

More Choices

Books or other items	☐
Subscriptions – magazine, etc.	☐
New TV, iPad, video game console, or computer	☐ ☐

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Budget Game – Teacher's Guide

Overview:

Students need to make choices about how they will spend their money each month. This activity helps them understand the difference between wants and needs. Students can work individually or in pairs. Working in pairs helps simulate what happens when they have a roommate and their choices involves more than one person. Working individually is helpful to represent living on their own. There are two rounds to the game so another option is to have them work individually for Round 1 and then work with a partner for Round 2. Round 2 is challenging because they have a reduced number of beans for that month.

Items Needed:

- Small dried beans (enough for each student in the class to have 20 beans each)
- Handout with game board

Instructions:

- Begin with a discussion explaining wants and needs. A *need* is a necessity (such as food, shelter, water) and these items are represented by red in the game. A student cannot opt out of the required expenses. A *want* can be very similar to a *need*, but typically these items are "nice to haves" or additional purchases.
- During the discussion, ask students to provide an example of each.
- Pass out the game board and give each student 20 beans.
- **Round 1:** Students will use the 20 beans and allocate how they want to spend their monthly income (represented by the beans).
  - Round 1 discussion questions:
    - How did you decide where you placed your beans? (leads to a discussion on needs versus wants)
    - Did you find it easy to make decisions or difficult?
    - What trade-offs did you have to make?
    - Did you change your mind throughout the first round?
    - Were you surprised with the costs of any category?
- **Round 2:** Before having students clear their beans from the game card, ask how many saved money during Round 1. Students who saved during Round 1 can keep that number of beans on their card. Everyone is to remove the other beans from their cards.
  - Inform the students that they have lost their job and accepted a new position that pays less money.
  - Collect 7 beans from each student. They now have 13 beans to work instead of 20 on their budget. However, the students who saved money during Round 1 are able to keep those beans along with their 13. (Two beans are the most students would have been able to save from Round 1, bringing their total for Round 2 to 15 beans.)

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

- Round 2 discussion questions:
  - What categories did you reduce to get down to 13 beans? If they dropped insurance make certain they understand there are risks involved with that.
  - Did they use any of their savings from Round 1 in Round 2? How did that help them? Were they still able to save money in Round 2?
  - (If students were paired up in Round 2) Was it harder or easier to work with a partner in Round 2 than making the decisions yourself?

Teacher ends the activity by letting students know that most people have a set amount of income each month that is used to cover their needs and wants. It is important to create a budget and keep track of income coming into a household and the expenses being paid out.

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Impulse Buying – What is it? Why do we do it?

Have you heard the term 'impulse buying?' It means purchasing something at the spur of the moment or on a whim. It is not a planned purchase. From time to time almost all of us are guilty of impulse purchases. One of the main reasons retailers put candy, snacks, and other random items near the cash registers in the checkout lanes is to encourage you to make an impulse purchase. Many times, these items have higher mark-ups, meaning that the stores make more money when you can't resist making the purchase.

Did you know that the average American spends more than $5,000 on impulses purchases each year? That's a lot of money! Impulse purchases are not restricted solely to the small items at the checkout lane. Have you ever headed to the store to pick-up one or two items and the next then you know, you have several items in your cart?

Scientists have determined five reasons why people buy on impulse. They are:

1. **Enjoyment.** We tend to pick up things that make us happy. The thought of immediate pleasure can make us feel good – especially if we have been having an unpleasant or stressful day.

2. **Fear of Missing Out (FOMO).** Have you purchased an item because the sign said it was only there for a limited time? Or that the sale ends tomorrow? Individuals become so concerned that they are going to miss out on something, that they make an impulsive purchase.

3. **Bargains and Deals.** When consumers think they are getting a good deal on an item, they tend to purchase it. Our brain can easily be tricked into thinking that purchasing an item is a really good idea. After all, who doesn't want a great deal?

4. **Stockpiling.** Another reason people purchase impulsively is to stockpile. As humans, we tend to think that we may run out of items. If we have a bunch of items, we don't have to worry about running out. It's good to stock up on certain items in case there is an emergency, such as a blizzard or power outage, but other items we may not need so much of.

O'Brien, Sarah. "Consumers Cough up $5,400 a Year on Impulse Purchases." *CNBC*, CNBC, 23 Feb. 2018, www.cnbc.com/2018/02/23/consumers-cough-up-5400-a-year-on-impulse-purchases.html.
"The Science behind an Impulse Purchase." *Brain Fodder*, 2 Oct. 2016, brainfodder.org/science-of-impulse-purchases/.

5. **Biased Evaluation of Use.** This is another area where many people fall prey to impulsive purchases. You think you justify the purchase of an item and overestimate how often you will use it. This may happen to you around the fall and winter holidays or other seasonal times of the year. Cabinets and cupboards are always filled to the brim with things our families thought they really needed but seldom actually get used.

Since purchases like these make us feel good, they are considered emotional purchases. Scientists say this happens because the items can sometimes not only make us feel good about ourselves, but also helps minimize unhappy thoughts or self-doubt we might be experiencing. Research also shows that the worse people feel when they are near a shopping destination, the more likely they are to make an impulsive purchase.

So, what can you do to counter any impulsive purchasing tendencies? Here are some tips:

- ✓ Don't go grocery shopping on an empty stomach. You are likely to buy food you don't really need.
- ✓ Be careful walking by vending machines. They can lure you into buying something quick.
- ✓ When heading to a store, set a spending limit and stick to it. Only purchase the items you headed to the store for.
- ✓ Carry small amounts of cash. Never allow yourself to use a plastic card or mobile pay for impulse purchases.
- ✓ If you are going to be away from home for a period of time, bring along a couple of snacks and a drink. That way if you get hungry, you already have something on hand.
- ✓ Be careful with "buy one, get one" offers. Do you really need that second item?
- ✓ Pay attention to when you are most vulnerable. Once that is identified, what can you do to control your impulses?

O'Brien, Sarah. "Consumers Cough up $5,400 a Year on Impulse Purchases." *CNBC*, CNBC, 23 Feb. 2018, www.cnbc.com/2018/02/23/consumers-cough-up-5400-a-year-on-impulse-purchases.html.
"The Science behind an Impulse Purchase." *Brain Fodder*, 2 Oct. 2016, brainfodder.org/science-of-impulse-purchases/.

Name: ___________________________________

Wants and Needs Activity

Question: When is a want not a want?

Answer: When it becomes a need.

Separating needs and wants is not always easy. What may be a want this year (premium phone service) may be a need next year if your job requires it. If you are able to take public transportation to school, then a car is a want; but if your new job is not near any bus or commuter train service, a car becomes a need. The highest speed internet connection is a want if you are using it for games and videos, but if you are a gaming or video critic and create a successful (and profitable) blog, then you need the best internet connection you can get.

In each of the scenarios below, think of a situation in which a want can become a need.

1. Drinking almond milk is a want, unless … ___________________________________

   ____

2. Eating organic vegetables is a want, unless … ______________________________

   ____

3. Riding an imported racing bike is a want, unless … __________________________

   ____

4. Wearing high end basketball shoes is a want, unless … _______________________

   ____

5. Living in a downtown apartment in a big city is a want, unless … ____________

6. Going to a private university is a want, unless … ____________

Come up with your example and write it below.

Scenarios of Wants and Needs

Review each of the scenarios and answer the questions that follow.

Scenario #1: Terrell has been saving for a new laptop for the past six months. He has done his research and found a model that experts say will more than meet his needs. But new, it costs $3,000. He also found a refurbished version of the same computer with all the same features online for $1,500. The refurbished laptop comes with a warranty, and Tom has had no problems with another refurbished item he previously bought from the same company last year. Tom's third option is a different brand-new laptop that costs $1,800 and has all of the features he needs – but not all of the features he wants.

What are the wants? ____

What are the needs? ____

Which decision should Tom make and why? __________________________

Scenario #2: Maria received $500 from her grandparents for graduation. She has been wanting to buy a new watch and some new clothes before she heads off to a new school in the fall. However, she also wants to buy a new oboe that costs $1,000. Maria is pretty certain that if she continues to play the oboe in the high school band that she can qualify for a big scholarship to college. Maria thinks that if she uses her graduation money to buy the watch and clothes, she can still save enough money from summer babysitting to buy the oboe, but she's not sure.

What are the wants?____

What are the needs? ____

What decision should Maria make and why? _________________________

Adapted from: https://www.practical moneyskills.com/assets/pdfs/lessons/lev9-12/SA_Lesson11.pdf

Scenario #3: Tanya's been invited to go to a three-day trip to her friend's family cottage on a lake. The only catch is that it's a 9-hour drive and traveling for an entire weekend means she'll need lots of cash. She estimates that her share of gas, food, and activities will cost about $400. She has an $89 cell phone bill that is due at the end of the month. She also needs to buy her mom a birthday gift, which she thinks will cost $50. She has $500 in savings.

What are the wants? ____

What are the needs? ____

What decisions should Tanya make and why? ________________________________

Adapted from: https://www.practical moneyskills.com/assets/pdfs/lessons/lev9-12/SA_Lesson11.pdf

Living Within Your Means

Here are five different scenarios. Decide if the person is living within his/her means (meaning they are staying within a budget).

Scenario #1: Sam is a 4th grade teacher and earns $51,300 per year. Here is a list of her monthly expenses:

Contribution to the retirement plan	$240.00
Rent/mortgage payment	$780.00
Utilities	$340.00
Phone/cable/internet	$180.00
Food/groceries	$300.00
Car payment	$660.00
Insurance (car/home)	$188.00
Transportation and gas	$168.00
Charity	$ 92.00
Clothes	$ 66.00
Loan payments	$ 40.00
Entertainment	$240.00
Services (cleaners, hair dresser)	$180.00
Other	$166.00

What is Sam's total expenses every month? ______________________________

How much income does she have every month? ___________________________

Is she controlling her expenses and living within her means? ________________

Source: Financial Fitness for Life, Council for Economic Education

Scenario #2: Omar is self-employed and earns $60,000 per year. He has the following monthly expenses:

Contribution to retirement plan	$ 222.00
Rent/home mortgage	$ 870.00
Utilities	$ 288.00
Phone/cable/internet	$ 210.00
Food/groceries	$ 290.00
Car payment	$ 438.00
Insurance (car/rental/home)	$ 178.00
Transportation and gas	$ 105.00
Charity	$ 107.00
Clothes	$ 138.00
Loan payments	$ 368.00
Entertainment	$ 180.00
Services (cleaning, barber)	$ 150.00
Other	$ 222.00

What are Omar's total expenses every month? ______________________________

How much income does he have every month? ___________________________

Is he controlling his expenses and living within his means? ________________

Scenario #3: Juan is a pre-med student, meaning that he will be studying to become a doctor. He works part-time as a lab assistant at the university he attends. He earns $44,000 a year and has the following monthly expenses:

Contribution to retirement plan	$ 120.00
Rent/home mortgage	$ 690.00
Utilities	$ 340.00
Phone/cable/internet	$ 270.00
Food/groceries	$ 450.00

Source: Financial Fitness for Life, Council for Economic Education

Car payment	$ 150.00
Insurance (car/rental/home)	$ 264.00
Transportation and gas	$ 96.00
Charity	$ 24.00
Clothes	$ 222.00
Loan payments	$ 728.00
Entertainment	$ 198.00
Services (cleaning, hair dresser)	$ 90.00
Other	$ 180.00

What are Juan's total expenses every month? ______________________________

How much income does he have every month? ____________________________

Home much money is left over at the end of the month? ____________________

Is he controlling his expenses and living within his means? ___________________

Overall Questions:

1. Who has the most money at the end of the month? _______________________

   ____

2. Who needs to control their expenses better in order to maintain a budget?

   ____

   ____

3. Sam wants to take a vacation. What changes do you think he can make to his budget, so he can start saving money?

   ____

   ____

Source: Financial Fitness for Life, Council for Economic Education

Name: ____

The PACED Decision-Making Method

Making good decisions can become easier if you use a plan. The PACED plan is a good one to learn. PACED is an acronym:

P identify the **problem**
A list the **alternatives**
C name your **criteria**
E **evaluate** the alternatives, based upon your criteria
D make a **decision**

Here's an example ---

You have $100 to spend. There are three things you really want: a video game, new athletic shoes, a trip to the amusement park. What should you do?

Your **problem** is that you can't have everything you want.

The PACED grid can help: List the **alternatives** in the first column (game, shoes, amusement park). Name the **criteria** across the top row (fun, be with friends, long-lasting). **Evaluate** by numbering each criterion (3 means most; 1 means least). The alternative with the highest score is your **decision**. In this case, the Amusement Park has the most points (7). So, based upon the criteria you have named, the Amusement Park is the Decision.

Alternatives	**Lots of fun**	**Be with friends**	**Long-lasting**
Video game	2	2	2
Athletic shoes	1	1	3
Amusement Park	3	3	1

Your Turn: Think of a decision you need to make (what kind of sports jersey to buy with your birthday money, what kind of dessert to have at your club's next meeting, which restaurant to go to with your friends, etc.)
Share your completed grid with classmates and be prepared to defend your choice and your reasoning.

Decision to Make: ____

Alternatives			

After you have evaluated and ranked the alternatives, add up the scores. The item with the highest score is your decision.

What is your decision? ____

Why is this best decision compared to the alternatives?

____

____

____

____

____

Source: Marsha Masters, Economics Arkansas

Budgeting for Teens Activity

Money-related topics can be stressful for most people. When you are a teenager and have your first part-time job, regularly receiving money or income often leads to a variety of decisions. Should I buy the latest video game? I really want that new pair of basketball shoes. Should I be saving money for college?

There are costs associated with everything and some costs are higher than the amount of money you have on hand. When you are faced with that sort of dilemma, the choices you have are earn more or spend less. There is a strong link between earning money and spending.

Nearly every financial advisor has the same advice when doing any sort of financial planning. **Spend less than you earn**. The concept is so simple but, unfortunately, many people fall into the trap of taking on debt and don't realize the problems that can result. Typically, bad habits can be difficult to break so it's best to avoid it from the beginning.

Step 1: Earned Income

When you look at your paycheck, you will see there are two income levels: gross and net. Gross is the amount of money you earn before taxes and other deductions are subtracted. Typically, these deductions include federal and state income tax, Medicare and FICA (Social Security). Your net income is the amount of money left in your paycheck after the deductions. Some refer to net income as your "take-home pay".

Let's do a calculation and help Eduardo figure out what his net income is. He works at the neighborhood supermarket stocking shelves and bringing carts in from the parking lot. He works 25 hours per week and earns $13.00 per hour.

Eduardo's weekly gross income is ______________________

Eduardo's employer deducts the following from his paycheck:

Federal Income Tax (18%) ______________________

State Income Tax (3%) ______________________

Medicare and FICA (7.65%) ______________________

What is Eduardo's weekly net income? ______________________

https://deldhub.gacec.delaware.gov/pdf/SampleBudgetforTeens.pdf

"5 Ways Making a Budget Can Ease Financial Stress." *Mint*, 16 Dec. 2014, www.mint.com/budgeting-3/5-ways-making-a-budget-can-ease-financial-stress.

When Eduardo begins to think about managing his money, he must consider both his **net income** and expenses. **Net income** is what matters because that's how much he has available to spend.

Step 2: Developing a Budget

A budget is a great way to start off being disciplined with managing your money. Basically, a budget is a tool or plan allowing you to visually see a listing of all your income and all of your expenses – and help you spend your money wisely. You will want to compare the two numbers to determine if your expenses are greater than your income. If that's the case, then you will want to revisit how much you are spending and where to see if any adjustments can be made.

There are key areas that developing a realistic budget can help you:

1. **Build your savings**. When you don't have a budget in place, it's tempting to spend all of your money – especially if the money's in a checking account because you see it and assume it's available for use. Any money you have left over at the end of the month should be put into a savings account.

2. **Good decisions**. A budget shows you what your income and expenses are. That information is helpful when you identify ways to save money. There may be expense items that can be eliminated, such as high-priced coffee. There may be other expenses that can't be eliminated but can be reduced.

3. **Long-term plans.** Think about your plans for the future. What type of things do you hope to buy or do? A budget can help you set aside money, so you can accomplish the things you want. How much money would you need to save for a large-purchase item in the future? Perhaps a vacation or a vehicle will make the list.

4. **Becoming self-disciplined**. Most people struggle with this area and it's tough. A budget can be challenging when the first few times you work with it. However, once you stay within your budget, you will notice the routine becomes much easier.

Most importantly, a budget helps you stay within your means – spending less than you earn.

https://deldhub.gacec.delaware.gov/pdf/SampleBudgetforTeens.pdf
"5 Ways Making a Budget Can Ease Financial Stress." *Mint*, 16 Dec. 2014, www.mint.com/budgeting-3/5-ways-making-a-budget-can-ease-financial-stress.

50/20/30

When creating a budget, there are many different strategies you can use. One example that is easy to use is the 50/20/30 rule.

Step One: Figure Out Your Monthly Income

- This number should represent how much you take home ***after*** taxes.
- If you have a number of automatic deductions (insurance, retirement, etc.) add them back in. Why? It will give you a clearer picture of how your money is being divvied up to accurately budget.
- If you have more than one job, make sure you combine the paychecks of each to get the grand total you have at your disposable each month.

Step Two: 50% of your income goes to NEEDS

- Housing
- Food
- Insurance (health, life, auto, rental, home, etc.)
- Child care, if applicable
- Basic utilities
- Transportation (train/bus tickets, car payments, etc.)
- Phone
- Loan payments, including the minimum payments on any credit cards
- *ALWAYS PAY YOUR NEEDS FIRST*

Step Three: 20% Goes to SAVINGS

- *Always pay your future self!*
- Retirement: This seems like a long way off (and it is!) However, make sure you plan for your future by setting aside a little each month.
- Emergency fund: It is good to have this in case something happens, and you need some extra money.
- Savings account
- Debt repayment. Any minimum payments are a "need," but in order to get out of debt faster, you can put additional money in each month. An example of this is student loans.

Step Four: 30% of your income goes to WANTS

- These should always be paid LAST!
- Vacation
- Entertainment (going out to the movies, Netflix subscription, books, games, etc.)
- Gym membership
- Dining out
- A new outfit or gadget
- A cell phone with the largest data plan
- The list goes on and on!
- **Note: Be careful. It can be easy to confuse wants and needs. You need to carefully examine each aspect of your decision. Example: You NEED food. You WANT to go to restaurant rather than the grocery store.**
- If you ever need to cut your budget down, it should come from this category!

Step Five: Stay within your budget!

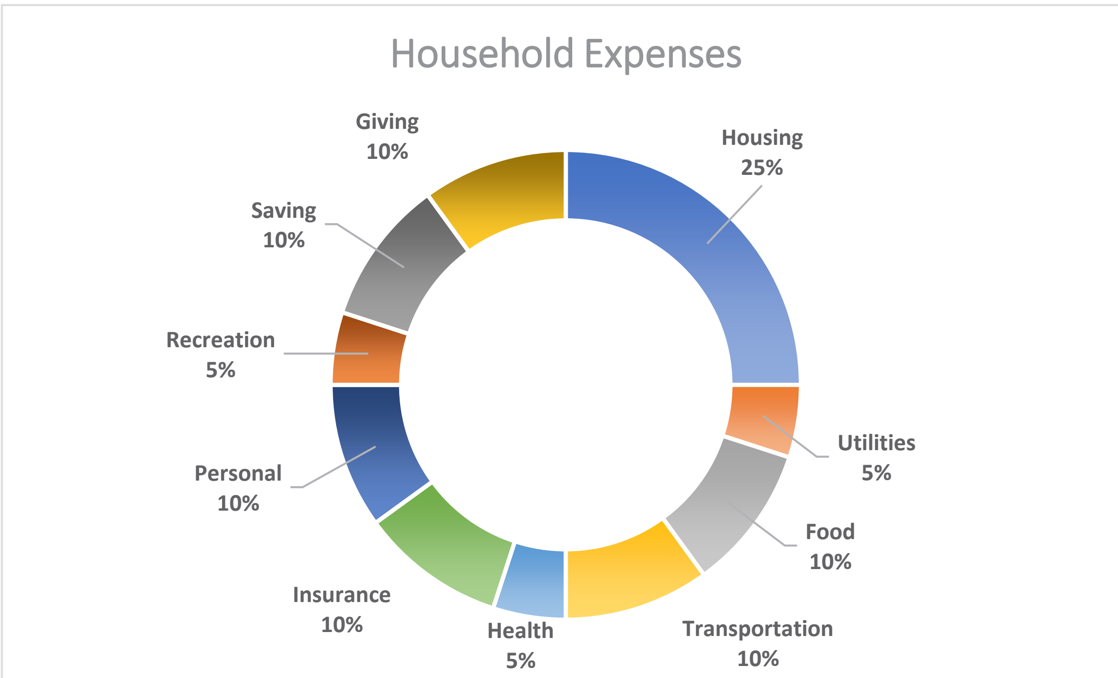
- Knowing how much you should spend in each category is easy but sticking to it is much harder. Make sure you track each month.

Name: ____

Calculating A Budgeting Activity

The chart below shows an example of monthly household expenses based on an average person. For this activity, you are to calculate the monthly scenarios based on the information provided.

Step 1: Calculate the monthly estimations based on a monthly (after tax) income of $4,000. Use each percentage to determine how much (in dollars) you would set aside each month for the various categories.



Housing: ______________________________ Utilities: ______________________________

Food: ______________________________ Transportation: ______________________

Health: ______________________________ Insurance: ___________________________

Personal Expenses: _________________ Recreation: __________________________

Step 2: Ask adults in your life what they pay on average for household expenses. Based on your independent research, is this example realistic? Why or why not?

____

____

____

"Budget Percentages." *EveryDollar*, www.everydollar.com/blog/budget-percentages.