

## #4 Learning About Spending Plans \*—Student Activities

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#### Getting Started

Financial Literacy in Action is a series of project-based learning activities for high school students using the Internet.



#### Activity #4: Learning About Spending Plans

To learn more about this project go to the next pages.

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\* Due to the fact that some of the web sites referred to in these materials use the term “budget” or budgeting, that term appears in the tutorials. However, “spending plan” is the preferred term for “budget.”



## Objectives



After completing this project you will be able to:

- Discuss reasons why spending plans are useful tools in helping families achieve their financial goals.
- Describe the necessary steps in creating a spending plan.
- Create a sample spending plan.
- Evaluate budgeting tips.

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**Projects**



Based on what you learn about spending plans in this activity, you will have the choice of completing ONE of these projects:

**Project 1**

[Create a written instructional manual >>](#)

**Project 2**

[Create an instructional manual on video cassette>>](#)

**Project 3**

[Create an on-line instructional manual >>](#)

## More Information About Spending Plans



To get more information about spending plans go to these sites:

- <http://apartments.about.com/cs/first/a/budget.htm> This site is titled “Making a Household Budget.” It starts with an article, “What Can I Afford?” which talks about the basics of spending plans. Along with the article is an interactive Excel worksheet that walks the user through the steps in preparing a spending plan. Links to these related articles are also provided: “Guilt-free Budgeting: Setting Up a Budget,” “How to Set Up a Successful Budget,” “Budgeting” and “Money and Your Family. Your Family Budget.”
- [http://www.ncfe.org/resources\\_financial\\_tools.cfm?toolid=9](http://www.ncfe.org/resources_financial_tools.cfm?toolid=9) This site has been created by the National Center for Financial Education (NCFE). It contains a calculator that will enable the user to undertake a home budget analysis. The calculator provides a separate worksheet for monthly expenses and income. By entering your income and monthly expenditures, you can see how much you have left to save and where your money is being spent. In addition, you can click the "view report" button to compare your spending plan breakdown to the targets established by NCFE, which can help identify areas for improvement.
- <http://www.extension.iastate.edu/Publications/PM1454A.pdf> This site has been created by Iowa State University. It describes the different steps in creating and managing a spending plan. You can also find a table that provides a list of some key money management needs for people in these age groups: 18-24, 25-34, 35-44, 45-54, 55-64, and 65 and over.
- <http://www.uwex.edu/ces/cty/clark/flp/documents/CapturethePowerofaSpendingPlan.pdf> This site has been developed by the University of Wisconsin. It contains suggestions for crafting a family spending plan. There are different sections on goal setting, determining fixed, and variable expenses, and charts for inputting personal data.

Project #1 Create a Written Instructional Manual



Create a four-page instructional manual, "How to create a spending plan that works for you and your family." Among the topics you should address in your instructional manual are 1) families and the need for a spending plan 2) the budgeting process; 3) creating a sample spending plan; and 4) budgeting tips.

To prepare for your project, you'll need to access the four tutorials and "More Information About Spending Plans" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to put together your instructional manual.

**Tutorials:**

- Families and the Need for a Spending Plan 9
- The Budgeting Process 10
- Create a Sample Spending Plan 11
- Budgeting Tips 12

More information about spending plans 5

**Project #2** Create an Instructional Manual on Video Cassette



Create a five to ten-minute instructional manual on video cassette, "How to create a spending plan that works for you and your family." Among the topics you should address in your instructional manual are 1) families and the need for a spending plan 2) the budgeting process; 3) create a sample spending plan; and 4) budgeting tips.

To prepare for your project, you'll need to access the four tutorials and "More Information About Spending Plans" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to put together your instructional manual.

**Tutorials:**

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Create a four-page on-line instructional manual, "How to create a spending plan that works for you and your family." Among the topics you should address in your instructional manual are 1) families and the need for a spending plan 2) the budgeting process; 3) create a sample spending plan; and 4) budgeting tips.

To prepare for your project, you'll need to access the four tutorials and "More Information About Spending Plans" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to put together your instructional manual.

**Tutorials:**

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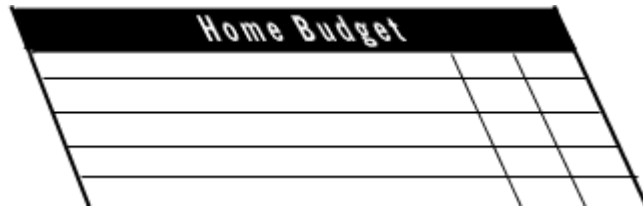
## Tutorial #1 Families and the Need for a Spending Plan



Access [http://www.rightonthemoney.org/shows/104\\_budget/show\\_104.html](http://www.rightonthemoney.org/shows/104_budget/show_104.html) Read only the section titled, “Meet the Family.”

- Discuss three important facts we learn about Melody and Aaron’s financial situation.
- Explain two reasons why Melody and Aaron would like to prepare a budget.
- Discuss two of the problems Aaron and Melody said they face in getting their budget started. To what extent are the problems in getting a budget started common to most people?
- List the questions that Melody and Aaron would like the budgeting experts to answer. Select one of these questions. How would you answer it?
- What does Aaron mean when he says that creating a budget will “free up my time?”
- What advice would you give Aaron and Melody as to how to get their family budget started?

**Tutorial #2 Budgeting Process**



Access <http://ianrpubs.unl.edu/homemgt/g1166.htm> Click on and read the section titled, “The Budgeting Process.” Answer the following questions:

- According to the reading, budgeting is “a word which usually gets negative reactions from people.” Explain this reaction to budgeting.
- Summarize, using one sentence for each, the nine steps in the budgeting process presented on this website.
- Which of the nine steps is most important? Explain.
- Describe the major differences between fixed, flexible, and irregular expenses. Explain the importance of each in creating a budget.
- What are the two best reasons to keep records?
- How is budgeting related to preparing a net worth statement?
- Write an outline for a 30-minute presentation on the budgeting process that would be given to a group of high school students.

### Tutorial #3 Your Turn to Create a Spending Plan

- Your teacher will assign you one of the positions listed on the chart below. In completing this exercise assume you are earning the salary that appears next to that position.



- Click on this link: <http://www.themint.org/earning/whereyourpaycheckgoes.php> . Then follow these instructions:
  - Scroll down the page to find the heading “Enter your income.” In the box provided enter the salary appearing on the chart.
  - Read the next few paragraphs until you get to the box labeled “Monthly salary after taxes.” Click the box labeled “Monthly salary after taxes.” An amount equal to your monthly salary, after taxes, should appear in the box.
  - Decide how much money you’ll use to start a make-believe savings account and enter that amount in the box labeled “Enter the amount you wish to save.”
  - Select a savings option from the drop down menu.
  - Click the button labeled “Add Information to Budget.”
- You should now be on the page with the title that reads at the top: “Where Your Paycheck Goes: Living On Your Own.” Click on the dollar amount to indicate the decision you’ve made as to how much you wish to:
  - pay for rent ;
  - pay for a cell phone package;
  - pay for transportation; and
  - save.
- Leave the box marked “Credit/Student Loan” as it is.

**Tutorial #3 Your Turn to Create a Spending Plan (continued)**

- Click the box labeled “Add Information to Budget.”
- You should now be on the page labeled “Where Your Paycheck Goes: Variable Expenses.” Complete the information called for on this page by clicking on the appropriate dollar amount to indicate your decisions for each of the expenses listed.
- At the bottom on the page click in the box labeled “Click here to add information to your budget.”
- You have now finished your make believe spending plan. Answer the following questions:
  - What two things did you learn about making a spending plan from this exercise?
  - Discuss two advantages of making a spending plan.
  - How can you explain why so many people do not make a spending plan?
  - Which two decisions about making your spending plan did you find most difficult? Explain.
  - Write a letter to your classmates presenting three reasons why it’s a good idea to make a spending plan.

## Tutorial #4 Tips for Developing a Spending Plan



Access [http://www.stcu.org/budgeting\\_tips.html](http://www.stcu.org/budgeting_tips.html) Answer the following questions:

- Why are Steps 1, 2, and 3 on this website called “The three steps to financial freedom?”
- One of the tips for successful budgeting is “Distinguish between wants and needs.” Why is this important?
- Discuss two other “Tips for Successful Budgeting” and explain why these tips are important for effective budgeting.
- Of the “More Tips to Cut Spending,” which would be the most effective for you? Suggest one additional technique you use to cut spending and explain why you find this technique effective.