

PROJECT 5: CREATING A BUDGET

INSTRUCTOR OVERVIEW

Budgeting is an approach to allocating financial resources to maximize the satisfaction one gets from life.

INSTRUCTIONAL OBJECTIVES

Even if students don't have a full-time job, they still have spending power. In this lesson, students will:

- Distinguish between fixed and variable expenses as well as planned and unplanned expenses
- Analyze expenses
- Develop a budget
- Evaluate how well a budget is kept based on expenses and income for a one month period

CENTRAL QUESTION OR PROBLEM

What is my plan for sensible spending based on my income?

ASSIGNMENT RESOURCES

Students should use the handouts and spreadsheets provided.

ASSIGNMENT LENGTH

One month

NOTES

- Once students have completed the expense-tracking project, they will need to begin to create their budget. When you hand out the daily budget-tracking worksheet (Student Handout 5C) they tend to complain. I am a little more flexible the second go-around. I will not check their worksheet, but they will need to complete the Excel spreadsheet with the evaluating budget target worksheet (Student Handout 5B) and their budget tracking worksheet (Student Handout 5E).
- Expense categories and totals should be carried over from the Project 1 Expense Tracking piece (Student Handout 1C). Have students review these costs and see if they need to be revised. If so, have them put the new dollar amount in the revised amount column (in Student Handout 5B). If they have revised the dollar amount, they need to create a strategy for how they will make the new number work. For example, I will make coffee at home instead of stopping at a coffee shop. It is very interesting to hear the feedback of how they develop their strategies. One student informed me she was going to bring her lunch to school to offset what she was spending eating out.
- These pieces work together to help students understand where they are spending money, identify if there are areas they should cut back, and incorporate their prioritized financial goals

from Project 2 into their budget. They may realize that they don't have enough in their budget to meet their expenses. They will then need to make hard choices or reallocate funds.

PROJECT 5 ASSESSMENT

CREATING A BUDGET RUBRIC

This project has a total value of 20 points.

| | |
|---|--|
| The student did not follow directions (minus 2) | |
| The student completed their budget form. (plus 10) The student attempted to complete the form but they were not thorough. (plus 5) The student did not attempt. (0 points) | |
| The essay was well written. The essay displays clear facility in the use of grammar, mechanics, usage and spelling. The essay is generally free from errors. (plus 6) The essay contained a few mistakes. The essay displays facility in the use of grammar, mechanics, usage, and spelling, though it may contain errors. However, these errors do not overly detract from the overall success of the message. (plus 4) The essay contained many mistakes. The essay displays serious deficiencies in the use of grammar, mechanics, usage, and spelling. The essay contains an accumulation of serious errors in any and/or all these areas. (plus 2) | |
| The essay answered all questions thoughtfully. The essay contains details that support the author's responses. (plus 4) The essay answered most questions but lacked detail. (plus 3) The essay was vague and lacked detail. (plus 1) | |
| Total | |

PROJECT 5 OVERVIEW: CREATING A BUDGET

WHAT IS MY PLAN FOR SENSIBLE SPENDING BASED ON MY INCOME?

Budgeting is an approach to allocating financial resources to maximize the satisfaction one gets from life. Even if you don't have a full-time job, you still have spending power. In this assignment, you will:

- Distinguish between fixed and variable expenses as well as planned and unplanned expenses
- Analyze your expenses, create spending targets, and develop a strategy to reach targets
- Evaluate how well a budget is kept based on expenses and income for one month
- Establish a sensible spending plan to meet financial plans and achieve goals

Now that you have completed tracking your expenses, you can start to develop your budget.

A budget is a document used to record both planned and unplanned expenses and income over a period of time. Your budget represents the major mechanism through which your financial plans are carried out and goals are achieved.

ASSIGNMENT INSTRUCTIONS

- Using the monthly expense totals from the expense-tracking project (Student Handout 1C), record your total expenses in the Evaluating Your Budget Target worksheet. (Student Handout 5B)
- Review the variable expenses to see if you have spent too much or too little in each category. After reviewing each category, determine a dollar amount to target. In the next column, indicate strategies you will use to reach your target spending. For example, you could spend less on gas by consolidating errands. You could also shop around for car and renters insurance if you feel that you are paying too much.
- Once you have determined a spending target for each category, key them into the **Target** column of the Budget Tracking Worksheet (Student Handout 5E).
- Track your expenses for another month to see if the targets are in-line with spending. Use the worksheet provided (Student Handout 5C) to track daily expenses, then update your Budget Tracking Worksheet (5E) weekly. At the end of the four weeks, you will need to determine if you had a surplus or deficit in your spending targets.
- You may need to adjust your targets for the next budgeting cycle until you have reached a sensible spending plan.
- Once you have completed the budget project, complete the reflective essay (Student Handout 5F) and determine if you have created a sensible plan for spending.

PROJECT 5 ACTIVITY

EVALUATING YOUR BUDGET TARGET WORKSHEET

Use the totals from the 30-day expense-tracking exercise in Project 1 to fill in the "Monthly Total" column.

| Expense Categories | Monthly Total | Monthly Target | Strategy to Reach Revised Target |
|---------------------------|----------------------|-----------------------|---|
| Groceries | | | |
| Dining Out | | | |
| Gas | | | |
| Entertainment | | | |
| Car Payment | | | |
| Car Repair | | | |
| Car Insurance | | | |
| Gifts | | | |
| Rent | | | |
| Renters Insurance | | | |
| Health Insurance | | | |
| Utilities | | | |
| School | | | |
| Clothing | | | |
| Credit Cards | | | |
| Loans | | | |
| Pet Expenses | | | |
| Savings | | | |
| Hair/Nails | | | |
| Fees or Dues | | | |
| Other | | | |
| Total | | | |

PROJECT 5 ACTIVITY

30-DAY EXPENSE TOTALS WORKSHEET

| | | | |
|-------------------|----------|--------------|----------|
| Groceries | \$ _____ | Cell Phone | \$ _____ |
| Dining Out | \$ _____ | Credit Cards | \$ _____ |
| Gas | \$ _____ | Loans | \$ _____ |
| Entertainment | \$ _____ | Pet Expenses | \$ _____ |
| Car Payment | \$ _____ | Savings | \$ _____ |
| Car Repair | \$ _____ | Hair/Nails | \$ _____ |
| Car Insurance | \$ _____ | Fees or Dues | \$ _____ |
| Gifts | \$ _____ | Other | \$ _____ |
| Rent | \$ _____ | | \$ _____ |
| Renters Insurance | \$ _____ | | \$ _____ |
| Health Insurance | \$ _____ | | \$ _____ |
| Utilities | \$ _____ | | \$ _____ |
| School | \$ _____ | | |
| Clothing | \$ _____ | Total | \$ _____ |

PROJECT 5 ACTIVITY

30-DAY BUDGET TRACKING WORKSHEET

| Expense Categories | Week 1 | Week 2 | Week 3 | Week 4 | Total | Target | Surplus/Deficit |
|---------------------------|---------------|---------------|---------------|---------------|--------------|---------------|------------------------|
| Groceries | | | | | | | |
| Dining Out | | | | | | | |
| Gas | | | | | | | |
| Entertainment | | | | | | | |
| Car Payment | | | | | | | |
| Car Repair | | | | | | | |
| Car Insurance | | | | | | | |
| Gifts | | | | | | | |
| Rent | | | | | | | |
| Renters Insurance | | | | | | | |
| Health Insurance | | | | | | | |
| Utilities | | | | | | | |
| School | | | | | | | |
| Clothing | | | | | | | |
| Credit Cards | | | | | | | |
| Loans | | | | | | | |
| Pet Expenses | | | | | | | |
| Savings | | | | | | | |
| Hair/Nails | | | | | | | |
| Fees or Dues | | | | | | | |
| Other | | | | | | | |
| Total Expenses | | | | | | | |
| Total Income | | | | | | | |

PROJECT 5 ACTIVITY

CREATING A BUDGET ESSAY

In a one- to two-page reflective essay, typed and double-spaced, answer the following questions. Make sure you proof the essay for grammar and word usage mistakes.

- After the second month of tracking expenses, did you make any changes to your spending habits?
- Were there areas that you spent too much money? How do you plan to compensate for that in the future?
- Do you feel that you have developed a plan for sensible spending that you can stick with?
- Were you able to work your financial goals into your budget? Did you have to make any compromises?