



Know the Lingo: Budgeting Basics (Updated 2023)

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Know the Lingo: Budgeting Basics

In this lesson, students participate in two-word sorts to differentiate between income and expenses, as well as fixed and variable expenses.

Grade Level

5–12

Concepts

Budget	Expenses	Fixed expenses
Income	Variable expenses	

Objectives

Students will be able to:

- Identify and describe steps in creating a budget.
- Classify examples of income and expenses.
- Identify examples of fixed and variable expenses.

Time Required

15 minutes

Materials

- *Why Budget?* infographic (bit.ly/budget-infographic).
- Copies of **Handout 1** that have been cut into cards (one set for each pair of students)
- Copies of **Handout 2** that have been cut into cards (one set for each pair of students)

Note: For ease of classroom implementation, copy cards on different colors of paper.

Procedure

1. Introduce the idea of a budget. Ask students to brainstorm ideas about what a budget is.
2. Refer to the *Why Budget?* infographic (bit.ly/budget-infographic). Tell students that **a budget is a plan to manage your money by monitoring your income and tracking your expenses.**
3. Refer to the *Why Budget?* infographic. Ask students to identify the steps in creating and implementing a budget. The four steps identified on the infographic are:
 - Determine income.
 - Identify expenses and track spending.
 - Develop a budget plan.
 - Put your plan into action.
4. Pair students and distribute the income and expenses cards. Tell students to sort the cards into two stacks, one stack of income and one stack of expenses.
5. Debrief the sort by asking pairs to identify potential sources of income and examples of expenses.
6. Refer to the *Why Budget?* infographic. Tell students that when they track their own spending, they should categorize their expenses into broad categories, such as:
 - School expenses
 - Activities
 - Bills
 - Entertainment
 - Food
7. Tell students that there are two important types of expenses, fixed and variable. Define fixed expenses and variable expenses, using the information below.
 - **Fixed expenses** are the same each week/month/year. It can be difficult to change fixed expenses quickly.
 - **Variable expenses** change and do not happen on a regular schedule. These expenses can be adjusted more quickly.
8. Pair students and distribute the fixed and variable expense cards. Tell students to sort the cards into two stacks, one stack of fixed expenses and one stack of variable expenses.
9. Debrief the sort by asking pairs to identify the fixed and variable expenses.
10. Tell students that implementing a budget has many benefits. A budget helps you to:
 - Understand where your money goes.
 - Find uses for your money that will increase your wealth.
 - Take control of your money.
 - Live within your means and meet your goals.

For additional activities related to budgeting, visit www.atlantafed.org/education.

Handout 1: Income vs. Expenses cards

Allowance earned by doing chores at home	Money you got in a birthday card from your aunt
Interest paid by your bank on your savings account	Scholarship that was a prize in an essay contest
Money that you earned by babysitting	Ticket to a school dance
New shirt	New cell phone
Lunch with friends	Gas for your car

Handout 2: Fixed vs. Variable Cards

Movie tickets	New game from the app store
Birthday present for your best friend	Cell phone service
Subscription to a movie streaming service (paid monthly)	Music streaming subscription
Cell phone data overage	Gym membership
Eating out	Club dues