



# DIVING INTO SPENDING PLANS

## GRADE LEVEL 7-9



*“GET READY TO TAKE CHARGE OF YOUR FINANCES”*

Time to complete: 60 minutes

### NATIONAL CONTENT STANDARDS

Family and Consumer Science Standards: 1.1.6, 2.1.1, 2.1.2, 2.5.1, 2.5.4, 2.6.1, 2.6.2, 2.6.4, 3.3.2

National Council on Economic Education Teaching Standards: 3, 7

National Standards for Business Education

- Career Development:
- Economics: VI.3
- Personal Finance: II.1, III.1, III.2, IV.4

### OBJECTIVES

Upon completion of this lesson, students will be able to:

- Define income.
- Define expense.
- Define spending plan.
- Identify sources of income and expenses.
- Explore spending plan categories.

### INTRODUCTION

A **value** is a fundamental belief or practice about what is desirable, worthwhile, and important to an individual. Values are influenced by family, friends, teachers, religious affiliations, work/career, media, and experiences. They guide a person’s needs, wants, and decisions.

A **need** is something thought to be a necessity or an essential item required for life. Examples include food, water, and shelter. A **want** is something unnecessary but desired or an item which increases the quality of life. Examples include a car stereo, MP3’s, car, and designer clothes.

A **spending plan** is a financial statement used to assist with money management. Benefits of creating a **spending plan** include:

- Giving a person an understanding of where their money is going
- Tracking income and expenses
- Helping a person to meet financial goals
- Helping people live within their income

A spending plan has two main components: income and expenses. **Income** is money earned. It can come from many sources including, but not limited to; wages or salaries, tips, withdrawal of money from savings, interest earned on savings accounts, scholarships and monetary gifts. An **expense** is money spent. Examples of expenses may include entertainment (video games, DVD’s, movies), food, housing, insurance, and automobile costs. The five largest categories of expenses in a spending plan are; housing, transportation, food, insurance and saving.

In this lesson, students will briefly review the definition of values, needs and wants and how they affect financial decisions. They will identify the difference between income and expense, explore the benefits of creating a spending plan and identify the main categories of a spending plan.

## BODY

*\*Before the lesson:* Prepare the Spending Plan Shake-Up activity. Additional information is provided in the conclusion section. Print one *Spending Plan Shake-Up* activity handout 2.15.1.H2 for each student. Print the *Education Cards* 2.15.1.H3 (page 10) and cut apart. Assemble bags of activity markers for each education level. In order to assemble the bags, educators may print the *Education Cards* 2.15.1.H3 on card stock, cut them apart, and have students each draw one. Once the student draws their *Education Card* 2.15.1.H3 they may draw the correct number of beans indicated. Or, educators can print the *Education Cards* 2.15.1.H3 on Avery 5160 labels, pre label the bags, and count the appropriate number of beans to be placed into individual bags.

1. Divide students into groups of five to seven and give each group an inflatable beach ball.
  - a. Have one student blow up the beach ball.
  - b. Pass out a permanent marker to each student.
  - c. Explain that a question will be asked and the student who blew up the beach ball will write a response on the ball using their permanent marker. He or she will then toss the ball to another student to write a response ensuring it has not been written by another student. This will continue as time allows until each student has written one or two responses.
    - i. If preferred, strips of masking tape can be placed on the beach ball for students to write on. Upon completion of the activity, the pieces of tape can be removed allowing the ball to be reused for multiple classes. Another alternative is to have students verbally share their response upon catching the ball without writing responses down.
    - ii. One student can also create a list on the board of the student's responses instead of the responses being written on the beach ball.
2. Ask students what they purchase with the money they have and allow time for the beach ball to be tossed around enough times for each student to write one or two responses to the question.
  - a. Examples include: snacks, coffee or other drinks, clothes, entertainment
  - b. Once all students have provided responses, ask the last student holding the beach ball to share with the class the items written on the beach ball.
3. Repeat step two asking students where they get their money.
4. Finally, ask students how they ensure they will have enough money to purchase all of the items they desire. Today in class, they will explore one financial management tool to help balance income and expenses to ensure individuals have enough income to pay their expenses.
5. Pass out the *Diving Into Spending Plans* note taking guide 2.15.1.L1 and have students complete during the PowerPoint presentation.
6. Present *Diving Into Spending Plans* PowerPoint presentation 2.15.1.G1.
  - a. Slide 1-3: Introduction
  - b. Slide 4: Values, Needs & Wants
  - c. Slide 5: Spending Plan – What Is It?
  - d. Slide 6: Spending Plan – Why Use It?
  - e. Slide 7: A Spending Plan Tracks....
  - f. Slide 8: Activity Time
    - i. Hang up the Spending Plan *Income or Expense* activity cards 2.15.1.H1 in two different locations in the room.
    - ii. Explain the activity to the students.

1. As each item is displayed on the PowerPoint presentation, the students must decide if the item is income or an expense. Each student will then walk to the correct Spending Plan *Income or Expense* activity cards 2.15.1.H1 to display their answer.
  2. Ask students to describe why they think the item is either an expense or income.
  3. State the correct response and discuss any questions.
- g. Slide 9: Income or Expense?
- i. *\*Note to educator:* This activity can be completed by the students holding up the correct activity card either income or expense. Use the *income or expense* activity cards 2.15.1.H1 to facilitate this activity.
    1. Play the activity.
      - a. Rent/House Payment – Expense
      - b. Paycheck – Income
      - c. Groceries – Expense
      - d. Internet Bill – Expense
      - e. Winning the Lottery – Income
      - f. Utilities – Expense
      - g. Putting Money Into a Piggy Bank – Expense
      - h. Hobbies – Income or Expense (depending on the hobby)
      - i. Car Repairs – Expense
      - j. Clothes – Expense
      - k. Birthday Money – Income
      - l. MP3 Players – Expense
      - m. Using Savings to Buy a Skateboard – Expense
- h. Slide 10: Spending Plan Contents
- i. Income
  - ii. Expenses – examples of typical items in a spending plan
    1. Housing
      - a. What are different places you could live?
    2. Utilities
      - a. Electricity
      - b. Natural Gas
      - c. Water and Sewer
      - d. Telephone
    3. Transportation
      - a. What are different transportation options you could use?
    4. Savings
      - a. What would you save your money to buy?
      - b. Is savings a necessary expense?
      - c. Why should you try to follow the rule of “Pay yourself first?”
        - i. Pay yourself first is defined as putting money away into a savings account or investment BEFORE you pay other bills or use for spending.
    5. Food
      - a. Where can you get food?
      - b. How do the costs differ when eating out or cooking at home?
    6. Insurance
      - a. If you own a home or automobile, insurance is required.
      - b. What other types of insurance can you get?
    7. Clothing

- a. What are different types of stores you can buy clothes at?
- b. How do the prices compare at different stores?
8. Other
  - a. What else do you spend money on?
- i. Slide 11: Spending Plan Example
  - i. Show Lee's spending plan to students and ask the questions at the bottom of the slide.
  - ii. Explain how creating a spending plan helps Lee and other people track their income and expenses to make wise spending decisions.
- j. Slide 12: Conclusion
- k. Slide 13: The End!

## CONCLUSION

Set up and play *Spending Plan Shake-Up* 2.15.1.J1. Refer to the activity instructions or PowerPoint slides 13 and 14 for further details.

## ASSESSMENT

*Spending Plans 101* worksheet 2.15.1.A1

## MATERIALS

Spending Plans 101 worksheet – 2.15.1.A1  
Developing a Spending Plan lesson plan – 1.15.2  
Diving Into Spending Plans Information Sheet – 2.15.1.F1  
Diving Into Spending Plans PowerPoint presentation – 2.15.1.G1  
Income or Expense activity cards – 2.15.1.H1  
Spending Plan Shake-Up activity handout – 2.15.1.H2  
Education Cards – 2.15.1.H3  
Spending Plan Shake-Up activity instructions – 2.15.1.J1  
Diving Into Spending Plans note taking guide – 2.15.1.L1  
Inflatable beach balls  
Permanent markers  
1 plastic zip bag (snack or sandwich size) containing 8-20 activity markers (dried beans, chocolate chips, M&M's, plastic peg, or any other item that will cover up a rectangle on the *Spending Plan Shake-Up* activity handout 2.15.1.H2) per participant

## RESOURCES

*Spending Plans* lesson plan 1.15.2  
*The Bean Activity* lesson plan 5.0.3

# DIVING INTO SPENDING PLANS

	Total Points Earned
16	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** Complete the following note taking guide with short answers. Each question and blank is worth 1 point.

Term	Definition	Examples
Value		
Need		
Want		

A spending plan is: \_\_\_\_\_

Spending plans help people:

- 
- 
- 

Term	Definition	Examples
Income		
Expenses		

Describe what you learned by playing Spending Plan Shake-up.

How can you apply what you learned to your life?



# SPENDING PLANS 101

	Total Points Earned
23	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** Match the following terms with their definition. Each letter will be used only once and is worth 1 point.

- |       |  |                  |
|-------|--|------------------|
| _____ | 1. This is a financial statement individuals can use to assist with money management.                          | a. value         |
| _____ | 2. ___?___ is money earned.  | b. need          |
| _____ | 3. Fundamental beliefs or practices about what is desirable, worthwhile, and important to an individual.       | c. want          |
| _____ | 4. Something unnecessary but desired or an item which increases the quality of life. Similar to a "wish list." | d. spending plan |
| _____ | 5. ___?___ is money spent.   | e. income        |
| _____ | 6. Something thought to be a necessity or an essential item required for life.                                 | f. expense       |

**Directions:** Answer the following questions with a short answer. Each question is worth 3 points.

7. Describe what a spending plan is.
  
8. Explain the benefits of creating a spending plan.
  
9. Explain what expenses you budgeted for while playing Spending Plan Shake-Up and why it is necessary to make a list of all expenses.

**Directions:** List four examples of both income and expenses. Each example is worth 1 point.

Income:

- 10.
- 11.
- 12.
- 13.

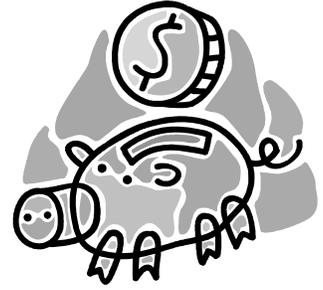
Expenses:

- 14.
- 15.
- 16.
- 17.

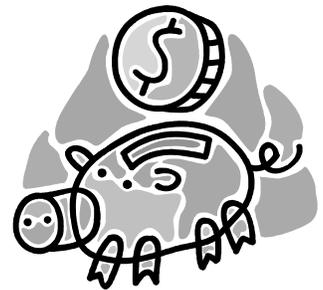
## SPENDING PLAN SHAKE-UP

1. Prepare a bag of activity markers (dried beans, chocolate chips, M&M's, any other item) for each student.
  - a. Put 8, 10, 12, 16 or 20 activity markers in a plastic zip bag.
  - b. The different number of activity markers represents different education levels.
2. Give each participant a copy of *Spending Plan Shake-Up* activity handout 2.15.1.H2.
3. Allow each student to draw an *Education Card* 2.15.1.H3 and give them the appropriate number of activity markers that the *Education Card* 2.15.1.H3 indicates. Or print the *Education Cards* 2.15.1.H3 on Avery 5160 labels, pre label the bags, and count the appropriate number of beans to be placed into individual bags.
4. Play the activity.
  - a. Participants must create a spending plan using their activity markers and *Spending Plan Shake-Up* activity handout 2.15.1.H2. Each rectangle is equal to one activity marker. All the rectangles next to desired item must be filled to have that item.
  - b. Housing, clothing, food and transportation *must* be accounted for.
  - c. Give participants about 10 minutes to create spending plan.
5. Discussion Questions
  - a. Could students afford all they needed?
  - b. Could they afford all they wanted?
    - i. Why? Why not? What could they not afford?
6. Pair students with the same education level together to compare spending choices.
  - a. Did they allocate their activity markers differently?
  - b. Does this show a difference in wants, needs, values or all three?
  - c. Was it easier for students with a higher income level to create their spending plan?
7. Ask students how they could acquire more beans.
  - a. Obtain more education.
8. Although more beans will be gained in the future, have students identify two beans they are currently willing to give up to pay for further education.
9. Discussion Questions
  - a. Why is it important for individuals to create a spending plan?
    1. Set money aside for necessary items such as housing so the money isn't spent on other items that are wanted.
    2. Track where money is being spent.
    3. Help live within income.

# Income



# Income



# Expense



# Expense



# SPENDING PLAN SHAKE-UP

**Directions:** Each rectangle is worth one activity marker, and all the rectangles next to an item must be filled in to have that item. Housing, clothing, food, and transportation *must* be accounted for.

## HOUSING



- Live with relatives
- Share apartment or house with others
- Rent a place of your own
- Buy a home

## CLOTHING



- Buy clothes at thrift shops
- Buy clothes at a discount store
- Buy clothes at department store
- Buy designer clothes

## FOOD



- Buy one snack and soda each day
- Cook meals at home; dinner out once a week
- Purchase frequent fast food lunches, weekly dinner out, and cook all other meals
- Purchase all meals away from home

## TRANSPORTATION



- Walk or Bike No Cost
- Ride the bus or join a carpool
- Buy fuel for family or own vehicle
- Buy a used vehicle
- Buy a new vehicle

## OTHER



- CDs or DVDs  Going to the movies
- Books  Concerts
- Weekly giving to charity  Sports
- Newspapers or magazines  Hair Cut, Highlight
- Hobby  Cell Phone

## SAVINGS



- Change in piggy bank No Cost
- Five percent of income
- Ten percent of income

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
No High School Education  
8 beans

**Spending Plan Shake-Up**  
High School Diploma  
10 beans

**Spending Plan Shake-Up**  
Associate Degree  
12 beans

**Spending Plan Shake-Up**  
College Degree  
16 beans

**Spending Plan Shake-Up**  
Graduate Degree  
20 beans