Creating a Spending Plan

A lesson on money management for grades 6–8
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Lesson description

In this lesson, students will learn how to develop a spending plan. The lesson begins with students considering what they would do if they won $50. Students then work in pairs or small groups to evaluate a sample spending plan for an adult. In doing so, they discover key terms and concepts, such as income and expenses. The class discusses the difference between fixed and variable expenses as well as financial needs and wants. Students then work together to create a spending plan for a teenager and discuss how making financial decisions with another person can be challenging.

Objectives

Students will be able to:

• Identify the parts of a personal budget, including income and expenses (fixed and variable)
• Distinguish between financial needs and wants
• Prepare a personal budget

Lesson at-a-glance

<table>
<thead>
<tr>
<th>Section</th>
<th>Purpose</th>
<th>Approximate time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Introduce the presenter and the topic of the lesson</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Activity: Money decisions</td>
<td>Students consider what they would do if they won $50 in a contest and share responses</td>
<td>10–20 minutes</td>
</tr>
<tr>
<td>Activity: What’s in a spending plan?</td>
<td>Students examine a sample spending plan and learn key terms</td>
<td>15–15 minutes</td>
</tr>
<tr>
<td>Activity: Teen spending plans</td>
<td>In pairs or small groups, students brainstorm income sources and expenses for a fictional teen</td>
<td>10–20 minutes</td>
</tr>
<tr>
<td>Closing</td>
<td>Students are encouraged to use spending plans to manage their money</td>
<td>5 minutes</td>
</tr>
<tr>
<td><strong>Total time</strong></td>
<td></td>
<td><strong>45–65 minutes</strong></td>
</tr>
</tbody>
</table>
Prepare

Materials: Arrive prepared.
- A small slip of paper, index card, or sticky note—one per student
- Sample adult spending plan handout—one copy per student
- Evaluating a spending plan handout—one copy per student
- Evaluating a spending plan answer key and facilitation guide—one per facilitator
- Teen spending plan handout—one copy per student
- Creating a Spending Plan post assessment—one for each student (OPTIONAL)

Background: Understand the topic.
A spending plan is a way for people to track and plan their income and expenses. Another term for a spending plan is a budget. Many people prefer to call them spending plans because it has a more positive connotation—a plan for how to spend your money. On the other hand, some people consider a budget to be punitive.

When developing a spending plan, students should consider expenses which are expected and regular or fixed as well as those that are variable. Some spending plans—including those in this lesson—also have sections for expenses which are necessities, and which are not. This is also called needs or wants.

In this lesson, students are asked to develop a budget for a fictional teen. Because student circumstances vary so widely with regards to income and expenses, this approach allows students to create a budget that resonates with them and which they believe would be realistic.

Vocabulary: Use grade-appropriate definitions.
- **Budget**: A financial plan used to forecast and track income and expenses; also known as a spending plan
- **Expense**: Use of finances to purchase goods or services; expenses can be fixed or variable.
- **Fixed Expense**: A regular, predictable expense or expense category, such as a mortgage payment or rent
- **Income**: Money a person receives; can be earned, such as through a job or unearned, such as through investments or gifts.
- **Net income**: The amount of money a person earns after taxes are subtracted; also known as take-home pay.
- **Spending plan**: A financial plan used to forecast and track income and expenses; also known as a budget
- **Variable Expense**: An expense or expense category that is irregular and/or cannot be precisely predicted, such as entertainment or clothing
Delivery: Decide on the format.

This lesson can be conducted with an entire class or in small groups. For each activity, there are several facilitation options provided. Be sure to review the options in advance and determine which one will work best given the setting, number of facilitators, etc. In some cases, the facilitation option you select will influence the number of handouts needed.

Differentiation: Be aware of your audience.

When conducting a lesson on money management, it is important to consider the students and their experiences. Be prepared to acknowledge the range of experiences and backgrounds. Touch base with your classroom teacher in advance to inquire about the student population you will encounter. Below are several examples of situations you may encounter.

- Some students may have parents who regularly track their expenses and/or discuss finances with their children. Students without these experiences may have a harder time drawing connections to the material.
- There may be students whose families receive income from a variety of sources outside of employment. Some examples include rental properties, business ownership, and investments. Other examples include government programs, alimony, and child support.
- Some students’ families may have experienced challenging financial situations including being unable to meet monthly expenses with current income. Avoid judgment about such situations.

Tips for PwC facilitators: Make the most of your time in the classroom.

Before facilitating this lesson for the first time, consider the following:

- Read through the entire lesson in advance.
- Touch base with the classroom teacher to make sure you know when to arrive, the process for entering the building, the room setup, photo release protocol, and any available technology. For example:
  - Where should you park? Where should you enter the building? Will find your own way to the classroom or will someone meet you?
  - What is the room set up (individual desks, tables and chairs, etc.)? Will you have access to a whiteboard?
  - Are you allowed to take photos during the lesson? Remember, you are required to get specific written consent from parents/guardians before taking photos of minors. How will you handle the students whose parents/guardians have not given consent?
  - If you opt to use the post-assessments, should students take it using paper and pencil or online with school-provided devices? Will the teacher want to collect the assessments and forward the results, or should you collect them?
- If you will be presenting with another facilitator or team, consider each person’s strengths when deciding who will lead various sections of the lessons, how students will be organized during the lessons, and who is responsible for preparing the materials.
- Remember that adults in most high schools are addressed formally using their title (Mr./Mrs./Ms.). Plan to address the teacher and any of your colleagues in this manner, even if you would normally call each other by first names.
Educator insights: Adapt this lesson for your classroom.

PwC is pleased to offer these lessons for use by classroom teachers to support or augment their financial education efforts. Please recognize that the materials were designed for employees to use as facilitators when visiting a class. Therefore, some sections (such as the introduction) may be unnecessary. Feel free to adapt the materials in whatever way makes the most sense for your classroom including the optional extension activities at the end of the lesson.

Teach

Opening (5 minutes)

- Thank the teacher and introduce yourself to the class. Explain to the students that PwC is a professional services firm that is committed to providing all students with financial literacy education through its program, Access Your Potential®. In simple terms, explain what you do at PwC and how it relates to what the students will be learning during the lesson.

- Let students know you are there to help them learn more about money management.

- Tell students that before getting started with the lesson, you want to find out what type of money managers they are.

Activity: Money decisions (10–20 minutes)

Set up

- Distribute a small slip of paper, index card, or sticky note to each student.

- Tell students that you are going to share with them a scenario and ask them a question. They will write their answers on the piece of paper without discussing it with anyone.

Implementation

- Provide students with the following scenario and question:
  - Imagine you just won a contest and the prize is $50 in cash. How much of that $50 would you spend within one or two weeks?

- Direct students to form a line with people who answered $0 or the lowest amount on one end and $50 or the highest amount on the other.

- Allow time for students to stand up, compare answers, and form a line.

- Ask students with high answers (those who would spend most or all of the money) questions, such as:
  - How would you spend your money?
  - Would it make a difference if you have won $20 or $100 instead?
  - Does the fact that you won the money make a difference as opposed to earning it for doing work?

- Ask students with low answers (those who would save most or all of the money) questions, such as:
  - Why are choosing to save most of your money?
— Do you have a particular savings goal in mind?
— Do you tend to save money when you receive it?

Conclusion

• Share with students that some people tend to be natural savers. When they get money, their first thought is to save it. Others enjoy spending money they receive more than they do saving it.
• Let students know that good money managers try to find a balance between the two (saving and spending).

Activity: What’s in a spending plan? (10–15 minutes)

Set up

• Ask how many students are familiar with the concept of a budget or spending plan. Let students know that the two terms can be used interchangeably.
• Invite students who are familiar with the concept to share what they know.
• Inform students that they are going to work with a partner to review a sample spending plan for an adult who has a job, rents an apartment, and lives on his or her own.

Implementation

• Distribute a copy of the Sample adult spending plan handout and Evaluating a spending plan handout to each student.
• Direct students to divide into pairs or small groups to examine the sample spending plan and answer the questions.

Conclusion

• Call on pairs or small groups to share their responses.
• Use the Evaluating a spending plan answer key and facilitation guide to lead a discussion of each question. Make sure students understand the key terms and concepts, including earnings, net income, fixed and variable expenses, wants and needs, and the importance of a balanced budget.

Activity: Teen spending plans (10–20 minutes)

Set up

• Tell students that people’s spending plans are often very different. One reason is because of age. Teens, for example, have much different expenses than a family with young children or a retired couple.
• Inform students that they will be working in the same pair or small group to brainstorm income sources and expense categories that might be found on a teen’s spending plan.

Implementation

• Distribute a copy of the Teen spending plan handout to each student.
• Invite students to consider what expenses and income a teen might have. They should decide how old the teen is for whom they are developing the budget along with things like the person’s interests.
• Direct students to fill in the spending plan and make sure they consider whether each expense would be fixed or variable and a necessity or non-necessity.
• Let students know that it is okay to guess about amounts.

Conclusion
• Ask for volunteers to share some of their income sources and expenses.
• Discuss whether it was easy or hard to agree on expenses with another person. Would it be easier or harder to develop a spending plan for just one person (i.e., for yourself alone)?
• Share with students that many people find themselves having to make joint financial decisions at some point in their lives. When they are young, it might be with a parent. As they get older they might have a roommate or a spouse.
• Challenge students to consider what would happen if people who have to develop a spending plan together have very different approaches to money management. For example, how would someone that would have saved all $50 in the opening activity do with someone who would spend it all?

Closing (5 minutes)
• (OPTIONAL) Distribute a copy of Creating a Spending Plan post assessment to each student. Direct students to answer the questions. Inform them that they do not need to put their name on the assessment unless the teacher wishes to keep a copy for grading purposes.
• Thank the students and the teacher for letting you come and talk to the class about money management.
Extend

Teacher-led follow up ideas

Bulleted list of ways the educator can extend the lesson once the facilitator leaves. Each list will include a mention of a corresponding module from the Digital Classroom, such as:

- Use the Can I Afford a Phone? module in the intermediate level of the Earn Your Future® Digital Classroom (https://app.pwcfdnearyourfuture.org/) to help students learn even more about risk and insurance. This resource made possible by the PwC Charitable Foundation, Inc., is designed for students in grades 3–12 and can be delivered in multiple formats (classroom, small group, or individually) and has accompanying educator resource guides to assist in delivery. Students can engage with financial literacy concepts through innovative self-paced modules featuring custom videos, animations, and interactive activities. A free teacher login is required to access the modules.

- Direct students to create a pie chart showing the breakdown of expenses in the budgets they created. Challenge them to consider how viewing the breakdown visually is different than seeing it in the table format.

- Invite students to survey their peers about the most frequent expenses. What are the most common responses?

- Challenge students to research tools such as spreadsheets, apps, and websites that help people create spending plans or budgets. Which would they choose and why?

Connect

Standards correlation

This lesson is correlated to the National Standards for Financial Literacy from the Council for Economic Education available at http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/. Standards are classified as primary or secondary. Primary standards are addressed directly and thoroughly. Secondary standards are addressed indirectly or partially.

<table>
<thead>
<tr>
<th>Primary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying goods and services:</td>
<td></td>
</tr>
<tr>
<td>• Planning for spending can help people make informed choices. A budget is a plan for spending, saving, and managing income.</td>
<td></td>
</tr>
<tr>
<td>• A budget includes fixed and variable expenses, as well as income, savings, and taxes.</td>
<td></td>
</tr>
<tr>
<td>• People may revise their budget based on unplanned expenses and changes in income.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secondary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying goods and services:</td>
<td></td>
</tr>
<tr>
<td>• People may revise their budget based on unplanned expenses and changes in income.</td>
<td></td>
</tr>
</tbody>
</table>
### Creating a Spending Plan

#### Sample adult spending plan handout

<table>
<thead>
<tr>
<th>Income (money coming in)</th>
<th>Expenses (money going out)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (after taxes)  $2,500</td>
<td><strong>Fixed expenses</strong></td>
</tr>
<tr>
<td></td>
<td>Rent $1,000</td>
</tr>
<tr>
<td></td>
<td>Car payment $200</td>
</tr>
<tr>
<td></td>
<td>Insurance $125</td>
</tr>
<tr>
<td></td>
<td>Savings $100</td>
</tr>
<tr>
<td></td>
<td><strong>Variable expenses</strong></td>
</tr>
<tr>
<td></td>
<td>Necessities</td>
</tr>
<tr>
<td></td>
<td>Electric bill $60</td>
</tr>
<tr>
<td></td>
<td>Gas bill $95</td>
</tr>
<tr>
<td></td>
<td>Groceries $200</td>
</tr>
<tr>
<td></td>
<td>Gasoline for car $60</td>
</tr>
<tr>
<td></td>
<td>Cell phone $95</td>
</tr>
<tr>
<td></td>
<td>Clothing $50</td>
</tr>
<tr>
<td></td>
<td>Emergencies $60</td>
</tr>
<tr>
<td></td>
<td><strong>Non-necessities</strong></td>
</tr>
<tr>
<td></td>
<td>Cable TV and internet $95</td>
</tr>
<tr>
<td></td>
<td>Video streaming service $10</td>
</tr>
<tr>
<td></td>
<td>Music streaming service $10</td>
</tr>
<tr>
<td></td>
<td>Entertainment $35</td>
</tr>
<tr>
<td></td>
<td>Hair and/or nails $35</td>
</tr>
<tr>
<td></td>
<td>Eating out $100</td>
</tr>
<tr>
<td></td>
<td>Vacation fund $170</td>
</tr>
</tbody>
</table>

**Total** $2,500  **Total** $2,500
Creating a Spending Plan

Handout

1. How much money does this person earn in one month after taxes are subtracted (called a person’s net income)?

2. What do you think is the difference between a fixed expense and a variable expense?

3. Do you agree that all of the categories listed under necessities are actually things a person needs? If not, which one(s) is not a need?

4. The spending plan is balanced. What do you think this means?
Creating a Spending Plan

Handout | Answer key and facilitation guide

1. How much money does this person earn in one month after taxes are subtracted (called a person’s net income)?

   The person’s net income is $2,500 per month.
   Multiplied by 12, this gives an annual or yearly net income of $30,000. This is roughly equal to how much a person would earn if he or she has an hourly wage of $25 per hour.

2. What do you think is the difference between a fixed expense and a variable expense?

   A fixed expense is an ongoing expense that does not change much. Because of this, fixed expenses are predictable.
   Variable expenses frequently change—either in the amount or the frequency.
   What might be a fixed expense for one person could be a variable expense for another. For example, if a person has a cell phone plan with unlimited data, their bill is usually the same each month. Another person might have a plan that charges him or her if the data limit is exceeded.

3. Do you agree that all of the categories listed under necessities are actually things a person needs? If not, which one(s) is not a need?

   Answers will vary.
   Ask students why some people might disagree on what are necessities or needs and what are non-necessities or wants.
   Point out that the fixed expenses are not divided into these categories. Ask students if they think they should be or if all fixed expenses are automatically necessities.

4. The spending plan is balanced. What do you think this means?

   A spending plan or budget is balanced when the income matches the expenses.
   Ask students, which would be worse, if the income is greater than the expenses or if the expenses are greater than the income? Answer: If the expenses are greater than the income, then the person is spending more than he or she is making. This is a problem because it usually leads to debt and makes it much harder for a person to save money for things like emergencies or larger expenses. A spending plan or budget can help students set aside savings as a periodic expense—while it may not be the same every month, it can be an expected and repeated expense, similar to a fixed expense. Recording savings as an expected expense can help students develop money management skills.
# Creating a Spending Plan

## Teen spending plan handout

<table>
<thead>
<tr>
<th>Income (money coming in)</th>
<th>Expenses (money going out)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed expenses</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td></td>
<td>Variable expenses</td>
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<tr>
<td></td>
<td>Necessities</td>
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<tr>
<td></td>
<td>Non-necessities</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
</table>
Creating a Spending Plan

Post-assessment

Section 1: Please select the correct answer for each of the following questions.

1. When you write down the money you have coming in and the money you have going out, it is called a
   a. savings goal
   b. salary
   c. spending plan
   d. financial report

2. An example of a fixed expense is
   a. an airplane ticket
   b. eating out
   c. a car payment
   d. school supplies

3. Money earned from a job or other sources is called a/an
   a. income
   b. expense
   c. emergency fund
   d. budget

4. Your friend Adam earns $20 each week from mowing lawns in the summer and shoveling snow in the winter. Before the end of each month, he always runs out of money, and he can’t afford to pay all of his expenses, including his cell phone bill, clothes, and music. What advice would you give Adam?
   a. Increase fixed monthly expenses
   b. Increase variable expenses
   c. Reduce income
   d. Reduce unnecessary variable expenses

Section 2: Please choose the number on the scale that best indicates how strongly you agree or disagree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I understand the basics of creating a spending plan.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I feel confident making decisions about spending my money.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I am interested in learning more about money management.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Section 3: Circle your grade level.
K  1  2  3  4  5  6  7  8  9  10  11  12
Creating a Spending Plan

Post-assessment | Answer key

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