

# *Planning and Money Management* Financial Plan

PwC's *Earn Your Future*™ Curriculum

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# ***Introduction***

*“The reality is that all children don’t know the basics of saving and investing. It’s a skill they need to be successful in our economy.”*

-Education Secretary Arne Duncan, April 2011.

Recent history underscores the immediate need for youth to develop skills in math and financial literacy, and yet, current data shows there is a lack of access to curricula for students to learn:

- A 2011 survey conducted by American Express found that a majority of parents with children in high school or college gave schools below-average or failing grades in teaching responsible spending.
- A 2012 survey by Junior Achievement and Allstate Foundation showed 23 percent of teens are uncertain about their ability to budget successfully.
- Despite the fact that 13 states mandate personal finance coursework as a high school graduation requirement, there is no national legislation mandating that it be a requirement in schools.\*

The enclosed lesson plan about financial literacy is designed to increase students’ proficiency in financial literacy. Your expert knowledge and real-life examples, coupled with this one- hour lesson plan aligned to national standards in personal finance education, will fill a critical gap in our current education system, and better prepare the next generation of leaders to make sound financial decisions and be productive citizens.

We applaud your efforts to bolster students’ understanding of concepts critical to the health of our economy and stability of our nation. Furthermore, we thank you for serving as an ambassador for PwC, reinforcing our commitment to helping students improve their skills in financial literacy and to youth education overall.

## ***Lesson description***

Students will learn about the components of a personal budget, including income and fixed and variable expenses. Utilizing a case study, students will develop, monitor, and modify a financial plan for a family. Lastly, students will learn about disaster preparedness as relates to financial information and records protection.

## ***Grade(s)***

9-12

## ***Lesson time***

55-70 min

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# *Pre-visit prep*

- Review the 5-minute prep to familiarize yourself with the lesson topic, vocabulary and common misconceptions.
- Obtain the lesson materials listed under the “Materials” section below.

# *Student learning objectives*

Students will:

- Reflect on their own personal budgets and list sources and uses
- Discuss what a budget is and the role it serves in planning and reaching financial goals
- Review a sample budget to understand and analyze line items and categories
- Create a new budget plan
- Articulate goals related to budgeting and financial planning
- Be able to create an emergency kit including personal and financial information

# *Teacher tips*

- Facilitator should allow students to ask questions as needed.
- Be aware that students’ experiences with budgeting, spending and saving exercises will vary greatly. Facilitator can invite group discussion based by saying something like: “Think of a time when you’ve wanted to save your money to buy something that you thought was really important to you. How did you develop a plan to save enough money to buy that item?” If personal stories emerge, those should be allowed, even if that means adjusting the lesson flow.
- Classroom management tip: If noise level gets out of control, raise your hand and say “If you can hear me, raise your hand.” As nearby students see and hear the prompt, they will raise their hands, and a wave of awareness will bring the room back to attention.

# *Materials*

For up to 30 students, obtain ahead of time:

## *Class/group*

- Chart paper & markers

## *Student (one for each student)*

- |                                           |                                          |
|-------------------------------------------|------------------------------------------|
| • Handout A – Sample Monthly Budget Items | • Handout D – Family Background          |
| • Handout B – Blank Budget Templates      | • Handout E - Disaster Preparedness List |
| • Handout C – City Index Comparison Sheet | • Handout F - College Budget Worksheet   |

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## ***Group (one for each group)***

- Handout A – Sample Monthly Budget Items- Answer key

# ***5 Minute Prep*** ***Background***

With current news focused on budget forecasting, budget cuts, budget changes, and budget implications, there is certainly a lot of attention being paid to our national budget issues. Our nation's \$3.5 trillion budget has to pass through the same kind of scrutiny, analysis, and decision-making that families exercise on their own budgets.

Moreover, as the country as a whole wrestles with budget issues, families do as well. The recent fiscal crisis has pressed more and more families to scrutinize spending while trying to maximize income. The basic math of budgeting – balancing money coming in with money going out, and, ideally, creating a savings reserve – hasn't changed since humans started trading goods and services.

The main spending categories for families are food, housing, transportation, health care, and education. Day-to-day expenses vary based on income, lifestyle, life goals, family size, and other factors. In recent years, families have generally spent a smaller portion of their household budgets on food, while spending relatively more on housing and transportation.

Budgeting can and should be a family activity: 52% of teens who participated in a 2007 Capital One back-to-school survey say they are eager to learn more about money management and budgeting.

## ***Vocabulary***

- **Budget:** A financial plan used to forecast and track income and expenses
- **Expense:** Use of finances to fulfil and one-time or ongoing obligation; expenses can be fixed or variable
- **Fixed Expense:** A regular, predictable expense, such as a mortgage payment or rent
- **Variable Expense:** An expense or expense category that is not fixed and can't be precisely predicted; budget planning is something used to limit or constrain variable expenses
- **Debt:** A payment or obligation owed to another person or an institution, such as credit card debt
- **Interest:** A fee, often a percentage of principal, paid in exchange for borrowing money; also, funds earned on investments or on interest-bearing accounts
- **Investment:** A financial holding that is purchased with the expectation of increased value; investments can be secured or unsecured, and the expected value of return on one's investment is usually dependent on the degree of risk involved
- **Savings:** Funds not spent and set aside, often on a regular basis, for later use
- **Scholarships and Grants:** Outright gifts of money that are, often times, based upon need. Sometimes, however, they are awarded for academic excellence and promise or for special achievements or abilities.
- **Loans:** Significant part of most financial aid packages. They must be repaid, but most often not until after you graduate. Interest rates are competitive with other types of loans. The payback period on college loans varies from two or three years up to 20 years.
- **Work study:** A part-time job on campus. For instance, you might work in the library or as a resident advisor, lifeguard or food-service worker. Jobs are arranged through the financial aid office.

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# Sources

Introduction, background information and vocabulary adaptations based on information from:

- \*Council for Economic Education 2011 Survey of the States
- Bureau of Labor Statistics, Monthly Labor Review, *A century of family budgets in the United States*
- Congressional Budget Office: <http://www.cbo.gov>
- <http://www1.extension.umn.edu/family/youth-and-money/>
- Financial Planning Association:  
<http://www.fpanet.org/LifeCrisis/PreparingforaDisaster/DisasterPreparednessMakesSenseforFinancesToo/>

## Pre and Post Assessments

Before beginning the lesson, facilitators should introduce themselves and **distribute** the Pre-Assessment to the students. If time allows, consider conducting a mini icebreaker before the Pre-Assessment.

Note: It is highly recommended that facilitators read the questions aloud to the students and encourage students to select answers as they move through the questions. Reassure the students that the assessments are not graded tests or quizzes, and they do **not** need to put their names on the assessments. The assessments are a tool to measure classroom comprehension of a given module and gauge effectiveness of instructor delivery.

**Collect the Pre-Assessments** once completed.

Facilitators should teach the lesson to the students and administer and collect the Post-Assessment at the end of class, **keeping in mind the same considerations outlined above**. Again, students do **not** need to put their names on Post-Assessments.

## Lesson activities

### Greeting

**Say:** Hi everyone! My name is ----- . Thanks for letting me join your program today. We are going to talk about budgeting and budget planning.

**Ask:** What's the most recent thing you spent money on?

**Allow** a few students to answer and let the conversation flow for a few minutes as a warm-up to the lesson.

**Ok:** Great – thanks. See? It's sometimes hard to remember what you spent your money on, right? Well, that's why people make budgets.

**Ask:** What's a budget? Where have you heard that word before, and what do you think it means?

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**Allow** several students to answer. Share the definition, if needed. Also, use a prompt like: “Have you heard about budgeting in the news lately?” to spur discussion about the national budgeting process if that doesn’t come up naturally.

## ***Activity A – Sources and uses (10 minutes)***

### ***Materials***

Class/Group

- Chart paper
- Markers

**Say:** We’re going to do a group brainstorm that relates to budgeting. Usually, a budget has two sides. There’s an income or revenue side, and an expense side. If we think of it as “accounting,” it’s like an equation where the income side has a plus and the expense side has a minus. Like this:

**Do:** On the chart paper, put a big “+” on the left side and a big “-” on the right side.

**Say:** Let’s do a group brainstorm about what kinds of things go on the plus side, and then we’ll brainstorm about the kinds of things that go on the minus side.

**Ask:** So, what kinds of things are sources of income or revenue? Where do people get money from?

**Do:** Collect answers and write them down on the left side of the sheet. (Depending on paper size, might need a separate sheet for the two brainstorms.) “Job” will undoubtedly come up as an answer. If so, affirm that answer and tell people that, for nearly all families, income from work is the primary source of funds.

After a few minutes,

**Say:** Now we’re going to shift to the other side of the equation.

**Ask:** What are things people spend money on? You can start with some of the things you mentioned earlier.

**Do:** Collect answers and list them on the right side of the sheet.

After a few minutes,

**Say:** Ok, good work.

**Do:** Stand back and let class look at the lists they generated.

**Say:** Now we’re going to look closely at a sample family budget and you’ll have the chance to build your own budget. Let’s go.

## ***Activity B – Build a budget (40 minutes)***

### ***Materials***

Group (one for each group)

- Handout A – Sample Monthly Budget Items- Answer key

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Student (one for each student)

- Handout A – Sample Monthly Budget Items
- Handout B – Blank Budget Templates
- Handout C – City Index Comparison Sheet
- Handout D – Family Background

**Do:** Distribute **Handout A** - Sample Monthly Budget Items and **Handout B** - Blank Budget Templates.

**Say:** Here's sample budget items and some blank budget templates.

**Say:** Let's break into groups of about four people per group.

**Do:** Help the students arrange themselves into groups.

**Say:** Now, look at the sample budget items and the blank budget template. We're going to talk about this as a group for a few minutes before you get started on your activity.

**Ask:** What do you notice on the blank budget template?

**Allow** students to reflect on the categories in the budget.

**Say:** In your groups, talk through each item in the budget and think about what it means. Decide whether it's a fixed predictable expense or whether it's a variable expense. A fixed predictable expense is an expense that remains about the same and can be predicted month to month. A variable expense is an expense that changes month to month and can't be predicted.

**Do:** Write these two terms on the board so students can refer to them.

**Say:** Also, for expenses, they can be considered necessities or non-necessities. Depending on the person, necessities and non-necessities can differ. As a group, during the next activity, you'll have to decide how you'd classify various expenses into these categories as well.

**Say:** Classify each item from Handout A, into the appropriate categories (fixed, variable, necessities, non-necessities) by completing the blank budget template (Handout B).

**Say:** Also, talk about any ideas you might have for whether the amount the family spends on each item could be less – or maybe you think it should be more. You'll have a few minutes to talk things over and then we'll review together.

**Ask:** All set? Ok, go.

After about 7-8 minutes,

**Say:** Ok, about one more minute left.

After another minute,

**Say:** Time's up.



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**Ask:** What did you come up with? Can I have someone from each group tell everyone about what you talked about and what ideas you had about the budget?

**Allow** each group to share their ideas. If time allows, facilitate some Q&A amongst the groups. Pass out **Handout A- Answer key** to each group so they can compare the budgets they created with the suggested solution.

**Say:** That was great. But, that was based on a budget that was already done. Now, you're going to work in your groups to come up with a new budget for a new family. The sheet I'm about to give you explains one family's background. Once you have read the family background, think about all the things you discussed for this first budget, and apply these ideas to the new budget you will make for this family.

**Do:** Distribute **Handout B** – Blank Budgets and **Handout D** – Family Background.

**Say:** Your group will have about ten minutes to work out your budgets and then we'll hear from each group. So, get started!

**Do:** While the groups are working, create a large-scale version of the blank budget template and display it in the front of the class. This could be on chart paper or on a blackboard. Groups will later enter their data in different colors as they present, so the whole class will have a record of their discussions and decisions.

After about 8 minutes,

**Say:** Time's almost up.

After another minute,

**Say:** Time is up. Did you work out a plan that you feel good about? (Pause)

**Say:** Before we wrap up, here's a little twist. Your family is about to move!

**Do:** Distribute **Handout C** - City Index Comparison Sheet

**Say:** This list compares lots of different cities based on how much things tend to cost there. The number to the right of the city is called an "index" and it's a number that lets you easily see how the city compares to the national norm, which is, by definition, one hundred. So, an index is a proportional comparison that lets you see how a city stacks up against the country as a whole, and also how cities compare to one another.

**Ask:** Does that make sense? Do you have any questions?

**Ask:** Sometimes, things are more expensive in different cities, right?

**Say:** Well, now imagine your family is moving to a new city. Choose a city from this list – anywhere your group wants to go. Then think about the budget you just created in light of that move. You don't have to make a whole new budget, but I want you to think about which line items might change, which ones wouldn't, and how else that move might affect your budget planning. I'll give you a few more minutes to think about that.

After a few minutes,

**Say:** Time is up. Now let's hear from each group. Tell us about how you worked together to create your budget, what you put in each line and why, and then how much would it cost your family to live in a different city.

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**Say:** As you're presenting your budgets, let's have one person from each group add their numbers to our group spreadsheet. This will make it easier to review the numbers afterward and look for patterns.

**Allow** each group a few minutes to present.

If using the large spreadsheet display, it would help if each group could use its own color.

As each group presents, **ask** a few probing questions. Examples: How did you decide you needed to spend xxx on yyy? What would happen if the family's income went down for some reason? Were there parts of the budget that you disagreed about? If so, how did you handle that?

After all the groups have presented,

**Say:** Now, let's look at what we created here. (Indicate the filled-in spreadsheet.)

**Ask:** What do you notice? What patterns do you see?

**Guide** the discussion toward line items that have wide extremes. Then, probe the groups at those extremes to talk about how and why they decided on the targets they did.

If time allows, encourage students to work in their groups to find the average for each budget item in order to come up with the overall budget based on the whole class.

As discussions wrap up,

**Say:** Great job. You just learned a lot about budgeting that you'll be able to use to help you make financial decisions throughout your life.

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## **Activity C – Disaster Preparedness (10 minutes)**

*Note: If running short on time, consider skipping this activity and providing an overview of what makes up a disaster plan and why it is important.*

### **Materials**

Student (one for each student)

- Handout E – Disaster Preparedness File

**Say:** It is very important to plan for emergencies such as natural disasters (i.e., tornadoes, earthquakes, hurricanes, fires) where there could be damage to your home, or you need to prepare for your safety. You should be prepared to have an emergency kit stocked with items such as batteries, lighting, non-perishable food and bottled water.

**Say:** In addition to preparing for your physical safety, you need to plan for your financial safety as well. You should create a file that contains any financial information and documents that you may have, and keep it located in a safe place that is easy to find. You could store this data electronically; at home in a fire-resistant and waterproof safe; or can give the file to a trusted friend, relative, or attorney who lives a safe distance away.

**Ask:** Does anyone have any ideas of what type of financial information should be stored in this file?

**Accept** several responses as a basis for discussion.

**Say:** Documents like birth certificate, social security card, and passport should be accessible to confirm your identity. Your file should also contain financial records such as checking and savings accounts, and credit card information.

**Do:** Distribute **Handout E - Disaster Preparedness File**

**Say:** Take a look at this handout to get an idea for what type of information should be organized in your emergency file. This information should be easy to understand and well organized, and this should be updated as often as possible.

**Ask:** Why do you think it is important to have this financial information organized and stored like this?

**Allow** several students to respond.

**Say:** Everyone, at every age, needs to be prepared for the unthinkable. Exploring and identifying your options before a crisis occurs helps to reduce potential stress. When you are experiencing a disaster, it is difficult to think about long-term issues.

**Say:** Creating a crisis kit for you and your family -- with this personal and financial information -- will prevent you from wasting critical time in an emergency situation.

### **Closing reflections (5 minutes)**

**Say:** Now that you have an idea of how to budget for various life events, think of when you go to college - you will have to create budgets during that time also.

**Do:** Distribute **Handout F - College Budget Worksheet**.

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**Say:** All colleges and universities expect you and your parents to contribute as much as you can to the cost of your education, but they realize that college costs may strain your family's budget. They will do their best to bridge the gap between what you can afford and what the college costs.

**Say:** If you and your family will not be able to support the full cost of your education, you should apply for assistance. At many very expensive colleges and universities, one-half to three-fourths of the students receive financial assistance. Financial assistance comes in several types: grants and scholarships, based on both need and merit; loans; and work studies. Here's a blank college budget template. Begin to think how you can build a budget for your educational expenses to best get a sense of what you and your family can expect and what you can afford.

**Ask:** What's something you thought about today for the first time?

**Allow** several students to share their ideas.

**Ask:** Use some probing questions to continue the discussion for a few more minutes. Examples include: What was your favorite thing about completing the budgets? What was the hardest thing about creating budgets? Can you name one thing you want to do differently about your own budgeting and finance planning in the future?

After bringing discussion to a close,

**Say:** Thank you – you did a great job today.

Lead the class in a round of applause for a great effort.

# ***Evaluation/assessment of student learning***

## ***During lesson/in-class***

- Students generate ideas on spending
- Students reflect on sources and uses of funds
- Students review and critique the sample budget, making notes and analyzing options
- Students create their own budgets

## ***Ideas for post-lesson assessments***

- Students work with their families to review and produce actual budgets
- Students take on a research project to understand how the national budget is currently being analyzed
- Students complete online research about budgeting and planning
- Students complete research related to college costs and expenses to create their college student budget (Handout F)

## ***Extensions/enrichment***

- Students create their own profiles of a sample family and create an alternate budget based on the template from the activity.
- Students work with an adult to create an online budget template ([www.mint.com](http://www.mint.com)).
- Students choose an issue in the community and create a research project analyzing how budgetary factors affect that issue.

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