

# *Planning and Money Management*

## Spending and Saving

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 learn about the components of a personal budget, including income, planned saving, taxes, and fixed and variable expenses. Students will identify a financial goal and develop a budget to manage spending to achieve financial goals.

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

6-8

## ***Lesson time***

55-70 min

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# ***Pre-visit prep***

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

## ***Student learning objectives***

Students will:

- Identify the parts of a personal budget, including income, expenses (fixed and variable) and savings
- Understand the relationship between spending practices and reaching financial goals
- Learn the advantages of setting financial goals
- Recognize that saving money can enhance financial well-being
- Prepare a personal budget
- Distinguish between financial needs and wants
- 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 by asking questions like: “Think of a time when you’ve wanted to buy something or 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***

- Overhead projector, if available in class

### ***Student (one for each student)***

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- Handout AA – Budget Template
  - Handout A – A Balanced Budget
  - Handout B – An Unbalanced Budget
  - Handout C – Budget Chart
  - Handout D - Disaster Preparedness File

## *5 Minute Prep*

# *Background*

As many Americans know, it's very easy to spend your way into trouble. Last year, millions of people in the U.S. were forced to declare bankruptcy because they owed much more money than they could pay. Some of these situations couldn't be avoided, because of serious illness or other extraordinary circumstances. But many people constantly get into trouble because they follow a pattern of spending much more money than they earn. Teaching young people to budget their money and make a plan for their spending is an important step in helping them to avoid the pitfalls that could lead to financial ruin in the future. Making a budget each week or month—and sticking to it—is a major part of financial responsibility.

# *Vocabulary*

- **Emergency fund:** Money that is put aside for unanticipated expenses
- **Expenses:** Money spent for goods and services
- **Financial goal:** An objective for which one puts aside money to achieve
- **Fixed expense:** A cost of goods or services that is paid regularly
- **Income:** Money earned from a job or other sources
- **Salary:** Money one receives in return for work
- **Saving:** Setting aside of income for future spending
- **Savings account:** A bank account in which you deposit money for future spending
- **Variable expense:** A cost of goods or services that changes in amount from week to week or month to month

# *Sources*

Background information and vocabulary adaptations based on information from:

- \*Council for Economic Education 2011 Survey of the States
- National Standards in K-12 Personal Finance Education; Jump\$tart Financial Literacy Standards
- It's My Life: Managing Money, PBS Kids GO!; <http://pbskids.org/itsmylife/money>
- Money Comes and Goes: <http://www.econedlink.org/>
- Financial Planning Association:  
<http://www.fpanet.org/LifeCrisis/PreparingforaDisaster/DisasterPreparednessMakesSenseforFinancesToo/>

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# 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're going to explore Spending and Saving Money today. Are you ready?

### Activity A – Making decisions about money (5 minutes)

**Say:** I'm going to start by telling you about a girl about your age named Megan. Megan earns about \$20.00 a week for doing chores around the house for her parents. One Friday, Megan's mom gives her the \$20.00. The next day, Megan goes to the mall with her older sister and sees a CD she wants in a music store. The CD costs \$18.99—practically all the money Megan has earned for the week.

**Continue by saying:** Megan thinks about it. If she buys the CD, she won't have money for anything else that week. But she *really* wants the CD. What would you do if you were Megan?

**Allow** several students to respond.

**Then say:** Well, as you can see, there's a difference of opinion. But one thing we've learned is that Megan's decision will have consequences. If she buys the CD, she won't have money for anything else. If she keeps the money, she won't have the CD that she wants so badly. Every decision you make about money has benefits, costs, and consequence for the future—even a decision as small as this one.

**Ask:** Is there a way that Megan could have the CD and allow herself money on hand for the rest of the week?

**Accept** several student responses. If students do not come up with the answer within two or three responses,

**Ask:** Well, how about if Megan saves up for the CD? Maybe she puts aside \$5.00 this week and another \$5.00 the next three weeks until she has enough for the CD.

**Continue by asking:** What would be the advantage of that?

**Accept** several student responses, which should include the fact that Megan can eventually get the CD, but she will still have money for other expenses as well.

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**Then state:** That's right. If you plan the way you spend your money, you can often have money for the things you want and still have money for the things you need. Usually, that means making a budget.

**Ask:** Who knows what a budget is?

**Accept** student responses. If anyone is correct, state that the answer is correct and repeat what the student says. If students don't arrive at the correct answer,

**Say:** A budget is a plan for spending the money you have. It takes into account how much money you are going to receive over a certain period and how much you are going to spend.

**State:** Now, we're going to learn how to make a budget.

## ***Activity B – What's in a budget (15 minutes)***

### ***Materials***

Student (one for each student)

- Handout A – Sample Budget Template
- Handout AA – Blank Budget Template

**Say:** A budget is basically just a spending plan.

**Ask:** What do you think you need to know to make a spending plan?

**Accept** several responses from students and list them on the board.

**Say:** Yes, these are all part of making a spending plan, or budget. But there are just two basic things you need to know: How much money will you earn for a certain period—your income. And how much money will you spend—your expenses.

**Distribute to each student** a copy of Handout AA –Budget Template.

**Say** (as students look at the handout): When you have a budget, the money you take in (your income) should equal the money you pay out (your expenses).

**Say:** First let's look at income, which is listed on the left side of the sheet. Where might "income" come from? I'll give you an idea to start you off. You might get a salary from a part-time job. Salary is money you are paid for a job. What else might bring you money? (List students' responses on the board, such as chores, babysitting, cutting grass, or shovelling snow.)

**Tell students** to write each of the items you write on the board on their sheets under "Income."

**Say:** You might also get money to spend from gifts. Maybe your grandmother gives you \$10.00 for your birthday one day. That also could go under income for that week.

**Ask:** What else? (Accept responses.)

**Say:** If you add all the money from these sources up, this would equal your total income for whatever period we're focusing on—a week, two weeks, and so on.

**Now say:** You're going to spend money during this period. Expenses are listed on the right side of the sheet. (Draw students' attention back to the sheets.) As you can see, there are two kinds of expenses. There are fixed expenses,

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which are the ones that occur regularly each period. For example, your parents probably pay rent or a mortgage for the place where you live. That's a monthly fixed expense. What's a fixed expense you might have?

**Accept** students' answers, such as a fee for a cell phone, and write them on the board.

**Continue:** Give me some other fixed expenses a person might have.

**Accept** student responses, and have students list those under Fixed Expenses on their sheets.

**Say:** Your income *has* to cover these expenses.

**Have** students look at the sheet again.

**Say:** There are also variable expenses. These are expenses that change in amount from week to week or month to month. There are two types of variable expenses—necessities and non-necessities. For example, food is a variable expense that is a necessity. Your family has to buy food each week, but the amount of money you spend changes depending on what you buy. Entertainment—things like going to the movies or attending sporting events—is a variable expense that is a non-necessity. The amount changes depending on what you do. This expense is a non-necessity because you don't *have* to go to the movies or attend a baseball game.

**Ask:** Can you name some other *necessary* variable expenses?

**List** correct ones on the board as students brainstorm them (clothing, transportation, postage stamps, medical expenses). Have students list them on their sheets. Then have students list a few variable expenses that are non-necessities (CDs, DVDs, eating out, chew toy for the dog, treats like candy bars).

**Distribute to each student** a copy of Handout A.

**Say:** This is the monthly budget of the Muir family. Have a look at the way they have budgeted their money.

**Ask:** What do you notice about the total income and total expenses for the month? (Students should notice that they are both the same amount.)

**Say:** That's right; both are the same amount of money. We say this budget is balanced, because income equals expenses. The Muirs don't spend any more than they take in.

**Draw students'** attention to the line for Savings.

**Say:** Notice that the Muirs include Savings as a part of their fixed expenses.

**Ask:** Why do you think that is the case? (Accept student responses.)

**Then say:** That's right. You need to save for emergencies. You also need to save to meet future goals—like buying a bicycle that's very expensive.

## **Activity C – Balancing a Budget (10 minutes)**

### **Materials**

Student (one for each student)

- Handout B – An Unbalanced Budget

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**Give students** Handout B. Allow students a minute or so to look it over.

**Ask:** How is this budget different than the one you saw before?

**Students should notice** that the budget is not balanced. There is less money coming in than is going out.

**Ask:** How can someone cope when they owe more money each month than they make?

**Students** respond with several ideas.

**Write** any ideas that are correct on the board.

**Say:** There are two ways to deal with this problem. First, income can increase. But that's not always very easy to do. The more likely way to deal with the problem is to decrease expenses. In other words, spend less.

**Tell students** to look at the budget again.

**Ask:** If this family wants to cut expenses, in which part of the budget should they look? Should it be the Fixed Monthly Expenses?

**Give students** a chance to answer.

**Say:** No, fixed expenses must be paid each month.

**Ask:** Where else might you look for expense cuts?

**Students should** respond that the variable expenses are the way to go.

**Say:** There are two types of variable expenses: necessities and non-necessities. Can they eliminate the necessities, such as the electric bill, the phone bill, or the household food bill?

**Students answer** that they can't.

**Say:** Right, but they *can decrease* some of them, can't they? The family pays \$70 for its phone bill. Could that be cut?

**Students answer** that they could talk less on the phone or get a cheaper phone plan.

**Ask:** Where else could the family cut back under Necessities?

**Possible student answers:** Conserve electricity by turning off lights when not in use or conserve gas by turning down the heat or using the air conditioner less. The family could look for sales or coupons at the food store, stop charging items on the credit card, or decide *not* to buy a new grill or have the house painted.

**Draw students' attention** to the Savings line on the budget.

**Ask:** What about the savings? How about the emergency fund? Those aren't bills, and nothing would happen if those were eliminated. Should they do that?

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

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**Say:** They can eliminate the savings or the emergency fund during a month when money is really tight. But always try to maintain these items in your budget, because savings is important in helping you to attain long-term goals—like saving money to buy a computer, a bicycle, or an expensive piece of clothing. An emergency fund can come in handy for the family if a sudden extra expense arises—such as unexpected repairs that must be made to the house after storm damage.

**Last, have students look** at the variable expenses that are non-necessities.

**Ask:** Could the family save some money here?

**Students** should answer that they could.

**Say:** Yes, the family can save a lot here. This is all stuff they want, but they don't need it. So if they want to cut their budget, this is the best place to start.

**Discuss** with students the differences between income and expenses in this budget, which is \$383. Have students look at the budget, and make their own suggestions on how to bring it into balance.

## ***Activity D – Making a budget with financial goals (10 minutes)***

### ***Materials***

Student (one for each student)

- Handout C – Budget Chart

**Give each student** Handout C, which is a blank budget sheet.

**Say:** I want each of you to make your own rough budget for a week. Just to review, on the left side under income, you're going to list all the sources of money you have for the week. If your only source of money is an allowance, put that down.

**Continue by saying:** On the right side of the budget sheet, I want you to list your fixed expenses, and your variable expenses—both necessities and non-necessities.

**Say:** I want you to also include savings for a financial goal you want to reach. A financial goal is something you put aside money for that is too expensive to buy with one week's income—something you would like to save up and buy one day. It could be a trip, a musical instrument, new clothing, a DVD player—anything at all. Estimate how much it would cost, and how much you will put aside for it each week. Include a line for that in your budget as well. You might not know exact amounts for everything. So estimate as best you can. It doesn't matter if the numbers you write down are exact. You'll have a few minutes to finish. Try to balance your budget now.

**When students are done,** collect the budgets. Choose a couple of examples to project so that the whole class can see them at once. [If the technology is not available, the facilitator can reproduce one or two on the board.]

**As a class,** discuss the budgets you've chosen. Have students name the different types of income and expenses. Ask students to critique the amount of money allotted to each line item, including savings. Look at the financial goal that has been chosen, and discuss how long it will take to reach it.

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## **Activity E – 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 D – 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.

**Distribute to each student** a copy of Handout D. **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 (5-8 minutes)**

**Say:** Today we learned about the importance of making a budget. We also discussed the parts of a budget, and how to balance a budget.

**Ask** students to share what they learned today.

**Use** the following questions to prompt students, if necessary.

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## Student Prompts:

- What is a budget?
- What are the two main parts of a budget?
- What are the different types of expenses?
- Why is it important to save money in each budget?
- How do you balance a budget, and why is a balanced budget important?
- Why is it useful to have financial goals?
- Why is it useful to have a list of important items to grab if an unexpected disaster or accident occurs?

**After the discussion, say:** Thank you for allowing me to spend this time with you today. I enjoyed it, and I hope you learned something useful. Knowing how to budget your money will make it easier for you to handle money now, and more importantly, at a time years from now when you are working and have a much higher income. It will also help you set goals that will allow you to get many of the things you want to make life more enjoyable—both now and in the future.

# *Evaluation/assessment of student learning*

## *During lesson/in-class*

- Each student completes the budget handouts and the activities

## *Ideas for post-lesson assessments*

- Each student talks with family members about their own household's budget
- Each student writes a "Top Five" list of tips that anyone can use for creating a good budget

# *Extensions/enrichment*

- Have each student develop a personal budget for a whole month.
- Have students create an "emergency preparedness" list for kit preparation, in addition to their emergency budget, to utilize during times of natural disaster (i.e., storms, power surges).
- Students can use the "Saving Calculator" (<http://www.themint.org/kids/saving-calculator.html>) at the "The Mint" website to set a savings goal and plan how to reach it.
- Invite students to look into the United States budget to see how government money is spent. What does the government spend most of its money on? Where does its income come from? Is the U.S. budget balanced?

Students can go to the Money section of the "It's My Money" web pages (PBS Kids GO!) at (<http://pbskids.org/itsmylife/money/index.html>). There they can take a look at sections on Making Money, Spending Money, and Managing Money. Under Managing Money, there are worksheets students can use to create their own budgets and savings plans.