

UNIT FOUR

Budgeting

LEARNING OBJECTIVES:

At the end of this Unit, students should be able to:

- *Effectively manage their money*
- *Explain basic budgeting concepts*
- *Identify the main parts of a Budget*
- *Create a Personal Budget*

INTRODUCTION

This Unit exposes students to the importance of budgeting and planning towards achieving their goals. It links the importance of prioritising and separating needs from wants. It is about basic money management.

QUESTION

Ask students ***'What is a budget?'***

Write answers on the board

Indicate that ***'A budget is a plan for managing your money'***. It is an estimate of income and expenses over a period of time. With a personal budget, you can get a better idea of how you spend your money.

It is an excellent money management tool that helps you achieve your financial goals. It is especially important if:

- You find that your money is not meeting all your needs
- You don't know where your money is going
- You have problems paying off your debt
- You don't save regularly
- You want to find ways to make your dollar stretch further

A budget helps you see clearly:

- How much money you receive,
- How much you spend and
- How much you save/ or can save.

The first step to a Budget is tracking your expenses.

ASK STUDENTS – *'What is your income? Money that comes to you in the form of a paycheque, an allowance, money for extra chores, presents, windfall (lump sum) eg. Inheritance.*

Ask students 'What are your expenses?'

Expenses are anything you spend your money on. To track your expenses, you will need to write down every dollar you spend.

Budgeting

UNIT FOUR

Allow students to make a list of all their expenses and write them on the board.

Explain that expenses can be fixed, variable or periodic.

Fixed expenses are expenses that occur every month and cost the same amount of money every month. Examples include the repayment of a loan, hire purchase payments, mortgage, a car payment or a house payment.

Variable expenses are expenses that usually occur every month, but the amount of money that you spend on them may change, depending on usage. One example of a variable expense could be gasoline or food – groceries, coffee, take-out meals, entertainment expenses, electricity or phone bills.

Periodic (or occasional) expenses are expenses that do not occur each month but possibly every few months. One typical periodic expense could be an insurance bill. Car insurance, for instance, usually is paid on an annual basis. Clothing, gifts or vacations can also be considered occasional.



Refer students to the activity 4.1, Expenses Sheet, in the student workbook.

Ask students what they observed from this exercise? Refer to their needs vs. wants. Are there things they can cut back on?

Explain to students that in order to create their personal budget they need to track their expenses, or spending, for at least a month, and the longer the better. They should keep all their receipts, as this will help them to track their expenses. They should also log their non-cash spending/transactions, which include spending from a debit or credit card.

This will give them insight into where their money is going, and also help them determine where they might be able to spend less and save more. By tracking their expenses, they will be able to better plan for their future needs.

Before they start making their budget, encourage students to think about their financial goals. Ask them the following: Do you need to pay off a debt? Do you need to save for an item? Do you want to start saving for your retirement?



Refer students to activity 4.2, Mapping your personal budget, in the student workbook.

Lead a short discussion:

What surprised you? What did you learn? How many of you had a surplus/deficit?

Explain that they can save a surplus to invest and make their money grow. However with a deficit they'll have to cut their expenses to better manage their income.

UNIT FOUR

Budgeting

Budgeting helps to cut down on spending and increase savings. It also helps to reallocate funds in order of priority.



Refer students to activity 4.3, Budget Worksheet, in the student workbook. This can be done as an assignment.

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about budgeting.

Review the items which students listed with the class. Points should include:

- Elements of a Budget – Budget; Savings; Income; Expenses
- Types of Expenses: Fixed; Variable; Occasional
- The difference between an expenses sheet and a Budget worksheet
- Benefits of doing a Personal Budget Worksheet

