State of New Jersey Department of Education

Rutgers New Jersey Agricultural Experiment Station

Spending Plan/Budget: Your Financial Road Map

LESSON DESCRIPTION (Background for the Instructor)

In this lesson, students will learn about the process of creating a spending plan (a.k.a., budget), which is a plan for spending and saving future income. Specific topics that will be included are needs versus wants, prioritizing the spending of a limited income, opportunity costs, and differences in household spending by age, geographic location, and other factors. Students will also prepare a personal spending plan.

The lesson includes five activities that instructors can select from. In these activities, students will:

- Participate in the *Needs Versus Wants: Vote With Your Feet* activity and answer debriefing questions
- Complete *The Bean Game* activity in small groups and answer debriefing questions
- View the YouTube video *Budget and Opportunity Cost* and answer debriefing questions
- Develop a personal budget using the online *High School Student Budget Worksheet* web site
- Conduct a *Web Quest* to learn about average American household budgets and the local cost of expenses that are found in household budgets (e.g., rent, transportation, utilities, etc.)

The lesson also contains 10 assessment questions (5 multiple choice and 5 True-False), learning extensions (i.e., suggested learning activities beyond the scope of the lesson plan), and references and resources.

INTRODUCTION (Background for the Instructor)

A spending plan (a.k.a., budget) is a plan for spending and saving money in the future. In other words, a projection of what you will earn (income) and where the money will go (savings and household expenses). A spending plan provides direction for future spending so there is enough income to pay expenses.

Yes, "spending plan" is a fancy word for "budget." However, it is a more positive term because it includes the word "spending." Most people like to spend money. The word "plan" also emphasizes that people are in control of their money, rather than the other way around. The word "budget," on the other hand, is often perceived negatively (e.g., deprivation) and discourages people from taking financial control.

Spending plans provide a number of advantages:

- They force people to make choices in the way they spend money and to prioritize needs (things that are necessary for life such as food and shelter) and wants (things that are nice but not absolutely necessary)
- They help people live within their income if the plan that is written down and followed in real life
- Savings for financial goals such as a vacation, a new car, or retirement can be included as an "expense"
- They can reduce worrying/stress, out-of-control feelings, and family fights about money

There are three sustainable ways to get monthly cash flow in line in a spending plan so that household expenses (including savings) are less than or equal to income: increase income, reduce expenses, or do a little of both. This is very similar to losing weight, which can be accomplished by eating less, increased physical activity, or doing both. Occasional "windfalls" such as cash gifts or the proceeds of a garage sale or eBay auction are also helpful but can't be counted on for regular income.

To prepare a spending plan/budget, make a list of what you earn and spend. Household earnings include net (after-tax) income, benefit payments (e.g., Social Security, unemployment, disability), child support, public assistance, self-employment income, interest on savings and investments, and other income sources.

Once you total monthly income, do the same for expenses. Using spending records as a guide, make a list of relatively stable *fixed expenses* such as housing (rent or mortgage) and car loan payments and insurance premiums. Next, make a list of *variable* (*flexible) expenses* such as food, transportation, and gifts. Finally, make a list of *periodic (occasional) expenses* paid less frequently than monthly and divide the annual cost by 12 to arrive at a monthly cost. For example, $4,000 of annual property taxes costs $333 monthly.

Be sure to include money for financial goals as a monthly "expense." For example, if you lack an emergency fund of at least three months' expenses, include a "line item" in the spending plan to gradually build up cash reserves. Another high priority is "automated" savings plans, such as a 401(k) and 403(b) plans. Even a small amount of savings (e.g., $20 per paycheck) will grow substantially over time.

Spending plans should balance the "bottom line." In other words, income should equal expenses, including savings. It generally takes several attempts to get the numbers to balance out. This is perfectly normal and to be expected. If you are working the numbers by hand, use a pencil with a good eraser.

Two keys to developing a successful spending plan are using realistic figures for each expense category (e.g., food) and an easily manageable record-keeping system. Below are five common budgeting systems:

1. **Computer Programs-** Many computer programs (e.g., *Quicken*) print a summary of differences between planned and actual spending. They also provide a cumulative summary to see exactly where money goes for an entire year and the percentage of income spent in each category (e.g., rent, 35%).

2. **Envelope System-** Money is placed into envelopes for various expense categories. When an envelope is empty, spending in that category ends unless "transfers" are made (e.g., $50 from food envelope to utilities envelope). An advantage of the envelope system is easy access to money. A disadvantage is the possibility of loss or theft, due to keeping money at home, and lack of interest paid on "savings."

3. **Spreadsheet System-** Three columns are listed in an Excel Spreadsheet or on a sheet of paper: "Description of Income/Expense," "Target Amount," and "Actual Amount." "Target amount" is anticipated income and expenses while "actual amount" lists what really happened. This method provides a comparison of planned and actual figures so that adjustments can be made, if needed.

4. **"Running Balance" System-** Using a calendar with paydays marked, and a list of monthly and occasional (e.g., quarterly property tax) expenses, a projection is made of income and expenses for a three- to six-month period. "Extra" paychecks (e.g., a month with five weekly paydays) and occasional expenses are inserted as they occur. The ending balance is carried forward into subsequent projections.

5. **Reserve Accounts-** Many people establish special accounts as a "parking place" for earmarked money. An example is reserves for occasional expenses such as holiday gifts, tuition, and property taxes. The annual cost for each expense is divided by 12 and saved monthly. Other common reserve accounts are money set aside monthly for home maintenance and emergencies (e.g., unemployment).

Rutgers Cooperative Extension has several online resources to assist with spending plan/budget preparation. For a worksheet that can be completed with a pencil and hand-held calculator: http://njaes.rutgers.edu/money/pdfs/fs421worksheet.pdf.

For a spending plan/budget spreadsheet that uses pre-programmed Microsoft Excel® software to make income and expense calculations with a computer: http://njaes.rutgers.edu/money/templates/Spending-Plan-Template.xls.

OBJECTIVES

Students will be able to:

- Define the terms "needs" and "wants" and distinguish between them with real world examples.
- Determine criteria to make budgeting decisions and prioritize household expenses.
- Define the term "opportunity cost" and provide real world examples of spending plan trade-offs.
- Track personal expenses and develop a personal spending plan/budget using an online calculator.
- Demonstrate an understanding of average U.S. household expenses and the cost of local goods and services (e.g., rent transportation, utilities, etc.).

NEW JERSEY PERSONAL FINANCIAL LITERACY STANDARD

- Standard 9.1.12.B4: Analyze how income and spending plans are affected by age, needs, and resources. See http://www.state.nj.us/education/aps/cccs/career/FLFAQ.htm#gradcredit and http://www.state.nj.us/education/cccs/2014/career/91.pdf for information about Standard 9.1

TIME REQUIRED

45 to 180 minutes (depending upon student progress and content depth and number of activities used)

MATERIALS

- YouTube Video (1.05) *Needs vs. Wants* (Institute for Financial Literacy): https://www.youtube.com/watch?v=fUtmoRThaC8
- *Needs Versus Wants: Vote With Your Feet* activity handout
- *Need* and *Want* Signs for the *Needs Versus Wants: Vote With Your Feet* activity
- *The Bean Game* activity (pages 44-47 from *Building a Healthy, Wealthy Future*, University of Kentucky): http://www2.ca.uky.edu/agcomm/pubs/fcs5/fcs5451/fcs5451.PDF. Direct link: http://www2.ca.uky.edu/agcomm/pubs/fcs5/fcs5446/fcs5446.pdf.
- *The Bean Game: How Did You Decide?* activity handout and zip lock bags that contain 20 beans
- YouTube Video (8:14): *Budget and Opportunity Cost* (CACEconomic Education): https://www.youtube.com/watch?v=HfIERxQmZD4
- *Budget and Opportunity Cost Video Questions* activity handout
- *High School Student Budget Worksheet* (CollegeinColorado.org)*:* https://www.cicmoney101.org/Calculators/Budget-Worksheets/High-School-Student.aspx
- *Web Quest: How Much Do People Spend?* activity handout and *How American Household Budgets Vary* (Bank of America): https://www.bankofamerica.com/deposits/manage/average-family-budget.go
- *Spending Plan/Budget Quiz* (ASSESSMENT)

Teachers are encouraged to use as many of the student learning activities as time permits to provide a fuller understanding of spending plans/budgets. The activities can also be used for extra credit assignments, homework, or after-school activities.

PROCEDURE

1. Ask students if they have ever participated in a club (e.g., scouts, 4-H, church group) or sports team that had a budget. Ask them to explain how the budget worked and why the organization had a budget. Also ask students what would happen if organizations do not have a budget and what other entities have budgets (e.g., local, state and federal governments, local recreation programs, churches, etc.).

Answers will likely vary. Students may have good stories to share about the groups that they belong to and how these groups raise and spend money. Students will also likely indicate that budgets estimate a fixed amount of money for organizations to operate with and that the group/team leaders have to make decisions about what to spend money on and what they cannot afford. The same is true for individuals and families.

2. **Activity 1:** Ask students to define the words "Needs" and "Wants" in their own words. Then show the YouTube video *Needs vs. Wants* (https://www.youtube.com/watch?v=fUtmoRThaC8) to provide some examples of items that fall into each category and how needs and wants are related to spending plans. Things that people view as needs and high priority wants are more likely to be included in budgets.

   Next, ask for two volunteers to hold a *Need* and *Want* sign at opposite ends of the classroom and distribute the *Needs Versus Wants: Vote With Your Feet* activity handout. Explain that students will be doing a "polarity activity" and will be asked to walk to one side of the classroom or the other to indicate whether they view items as a need or a want. If they are undecided, they can stand in the middle of the classroom. There is no "right" or "wrong" answer as long as students can defend their decision. It is not uncommon for one student's "want" to be another person's "need." Debrief items on the list, point out interesting trends (e.g., gender differences, with males and females making similar or different choices), and ask students to explain their decision-making process.

3. **Activity 2:** Download *The Bean Game* from University Kentucky publication FCS5-451 at http://www2.ca.uky.edu/agcomm/pubs/fcs5/fcs5446/fcs5446.pdf. Have students form small groups and give each group a spread out 3-page game board and a zip lock bag with 20 beans. Give each student a copy of *The Bean Game: How Did You Decide?* activity handout to take notes on.

   Summarize the instructions found in the University of Kentucky publication. In Round 1, each small group will receive a 20 bean "budget" to spend. Students should review the game board and place their beans in the shaded areas of the game board. Note that items in each spending category may be free or cost 1, 2, or 3 beans. Additional expenses that are not listed can be added in the "Extras" box.

   Round 2 is similar to situations where people experience a reduced income. Perhaps their work hours or overtime pay are cut or they lose their job. Now each small group has only a 13 bean (being used as a symbol for dollars) budget and needs to remove seven beans from the game board. Following Round 2, debrief the following questions on *The Bean Game: How Did You Decide?* activity handout.

   How did your group decide to distribute your bean "budget" in Round 1 and Round 2?
   Answers will vary among students. Gently probe to explore their decision-making criteria. Remind students about previous discussion about needs versus wants and ask how that affected their decisions.

What were the easiest and the hardest expenses to give up?
Again, answers will vary among students. Explore whether students were able to identify less expensive substitutes for budget items that they gave up (e.g., thrift shops for buying clothing).

Did you spend all of your beans before your basic needs were met in Round 1 or Round 2?
Answers will vary among students but they will probably indicate that they ran out of beans before meeting basic needs in one or both rounds. Explain that many American households are in this situation and ask what people do to survive. Answers might include receiving public benefits such as SNAP, staying in a homeless shelter, moving in with relatives, selling possessions, and downsizing.

Did you include a bean for savings? Why or why not?
Answers will vary. Ask students: What happens when people have no money in savings and live "paycheck to paycheck"? Possible answers include not being able to fix things, not being able to get health care, being sued by creditors, wage garnishment, and not being able to achieve financial goals.

Did you include beans for insurance? Why or why not?
Answers will vary. Ask students: what happens when people have no auto or health insurance? Possible answers could be being sued by others in the accident and owing court mandated judgments, not being able to pay medical bills or get health care, and fines and penalties (both auto liability insurance and health insurance are required by law).

What did you learn about needs and wants and budgeting?
Answers will vary. Students will probably state that people only have a limited amount of money to spend and may have to make some difficult (and painful) decisions. Needs will generally take priority over wants because they are things that people can't do without, such as food and a place to live.

4. **Activity 3:** Distribute the *Budget and Opportunity Cost Video Questions* activity handout. Show the video *Budget and Opportunity Cost* and ask students to work together in small groups to answer the debriefing questions. Below are answers to the questions:

What is the meaning of the phrase "To Choose is to Refuse" at the beginning of the video?
This phrase means that people have to make choices (sometimes difficult ones) from among various alternatives. When people choose (decide) to spend their money (or time) in a certain way, they forgo the opportunity to spend it differently. In other words, if they choose Option A, they are refusing other options (B, C, etc.). Even doing nothing is a choice because the alternative is to take some type of action.

What is opportunity cost?
Opportunity cost is the value of the next best alternative to the option that is selected when someone makes a decision. In other words, what people could have done instead of what they decided to do. Opportunity costs exist whenever people have to make choices involving scarce resources such as money and time.

Give a recent example in your life where you considered the opportunity cost of a decision.
Answers will vary among students. They will probably discuss trade-offs that involved time or money.

What are the pros and cons of living with your parents like Derek and Ginny plan to do?
Economic advantages of living with their parents for a longer period of time are that the characters, Derek and Ginny, will be able to maintain positive cash flow and not have to severely restrict their lifestyle. Their parents would provide free (or low-cost) rent room and board. If they elect to move out and rent an apartment, however, they would need to pay a high percentage of their currently limited income for housing expenses. Even with many expense reductions, it would be hard to make ends meet. There could also be other advantages such as strengthened relationships with parents and/or siblings.

Disadvantages of living with their parents might include reduced privacy, having to follow parents' rules (e.g., curfews), limited personal living and storage space, and the potential for family conflicts.

What strategies did Derek and Ginny identify to reduce living expenses to improve their cash flow?
Strategies that were mentioned in the video include: selling Derek's car, bicycling to work and school, reducing fast food purchases, reducing telephone costs, not buying new clothes, not dry cleaning clothes, dropping premium cable and Internet service, not buying newspapers or magazines, fewer haircuts, decreasing savings from 10% to 5% of pay, and living with parents longer to avoid having to pay for rent.

What is the most important thing that you learned from this video?
Answers will vary among students. They will probably discuss the concept of opportunity cost or some of the specific examples of ways to cut household expenses, including living at home as a young adult.

5. **Activity 4:** Direct students to the *High School Student Budget Worksheet* from CollegeinColorado.org: https://www.cicmoney101.org/Calculators/Budget-Worksheets/High-School-Student.aspx.

   There are two options to complete the worksheet. Students can fill it out online or download the Excel file and use the spreadsheet. Using either method, ask students to create a personalized budget using the most accurate numbers that they have for their income and expenses (suggestion: ask students to track their income and expenses for at least a week prior to the activity so they have realistic numbers).

   Debrief the activity by asking students what they learned from the activity about their personal spending habits. For example, did some amounts seem higher or lower than they would have thought? If time permits, ask students to calculate their spending categories by percentage of total spending (e.g., 25% for food, 15% for gas, 20% for clothing, etc.) and draw a pie chart that depicts these percentages.

6. **Activity 5:** Distribute the *Web Quest: How Much Do People Spend?* activity handout and either a hard copy of, or the web link to, *How American Household Budgets Vary* from Bank of America): https://www.bankofamerica.com/deposits/manage/average-family-budget.go.

   Ask students to answer the questions on the handout about the numbers in the infographic. These numbers are average spending figures for U.S. households for total monthly expenses and for various individual expense categories at different ages. Answers to the questions are shown below.

   Then ask students to pick a household expense category (e.g., transportation, utilities, rent) and search online to find local prices for these goods and services. For example, they might investigate the cost to rent local apartments or what a train or bus ticket to commute to New York City or Philadelphia costs.

What is the range of average monthly U.S. household budgets by age category from lowest to highest?
From $2,531 (under age 25 group) to $5,044 (age 45-54 group).

In what age group do household budgets have their biggest spike in spending?
The biggest spike in spending comes in the age 25-34 age group. After completing post-secondary education (e.g., a college degree or trade school certification), many young adults gain traction in their careers. This boosts their income- and spending- significantly. Those lacking post-secondary education credentials may not experience much of an increase, however, and may struggle to make ends meet.

Which household expense increases throughout people's lifetime?
Health care is the only expense shown in the infographic that does not peak and plateau but, rather, steadily increases with age. People tend to require more medical services and prescription drugs as they get older. If their incomes decline as they get older (as they do for many people), health care expenses will consume an increasingly larger share of their budget at older ages.

What are the major financial concerns of young adults under age 35?
The infographic says the major concerns of young adults are paying down debt and building savings.

Why do people spend the most on food expenses between ages 35 and 54?
If they have children, this is likely the time period when their children are living at home so there are more mouths to feed. If they are young and single or a couple without children, or are older and widowed or a couple without adult children living at home, their food expenses will be less than larger families.

Why do people spend the most on transportation expenses between ages 35 and 54?
They are likely in their peak earning years and may have children living at home. Their jobs may require significant travel or they may decide to move to the suburbs and commute to a job in a city to be able to afford a home and/or to have high quality schools for their children.

Why do housing expenses increase in middle age and decrease after age 55?
People in middle age often trade up from a small "starter home" or condo that they bought in their 20s or 30s to a larger home with more space (e.g. bedrooms, storage), especially if they have a growing family. Conversely, people age 55 and older are often interested in buying smaller homes (downsizing) to reduce home maintenance costs, property taxes, and other expenses. The difference between the sales price of a larger house and the cost of a smaller one can be used as a pool of savings for retirement.

What two age groups have the highest education budget?
Not surprisingly, there are two age groups that spend the most for education: those under age 25, for their own education, and those ages 45-54, for their children's education.

In what age group do people save the most for retirement?
Retirement savings increases steadily from the under age 25 group through age 45-54, where it is highest and then starts to decline at age 55+. Savings more than doubles between under age 25 and ages 25-34.

CLOSURE

Ask students if they have any remaining questions about needs and wants and spending plans/ budgets. Remind them that perceptions about needs and wants will vary among individuals and that a budget provides direction for future spending and saving.

A budget is a lot like a blueprint that an architect uses to construct a building. It is a blueprint for personal financial decisions and reflects a person's perceptions about needs vs. wants. If an architect's blueprint is not followed, a building could fall down. Likewise, if a budget is not followed, expenses can exceed income, resulting in financial distress (e.g., unpaid bills, calls from creditors, shut off electric service).

GLOSSARY

Cash Flow- The relationship between income and expenses. Cash flow can be positive (income greater than expenses), negative (income less than expenses), or flat (income equal to expenses).

Fixed Expenses- Household expenses that are typically the same amount for an extended period of time and are paid on a regular (typically monthly) basis. Examples include car loan payments and rent.

Gross Income- The amount of income earned before payroll deductions, such as FICA tax for Social Security and Medicare and state and federal income tax, are withheld.

Net Income- The amount of income remaining after payroll deductions are subtracted from gross income.

Periodic (Occasional) Expenses- Expenses that are paid less frequently than monthly. Examples include quarterly property taxes, water bills, and insurance premiums and tuition payments paid twice a year.

Spending Plan (Budget)- A plan for spending and saving future income. Complete spending plans typically have four sections: net income, fixed expenses, variable expenses, and periodic expenses.

Variable Expenses- Household expenses that vary from month to month. Examples are food and clothing.

LEARNING EXTENSIONS

If time permits, the following activities can be used to extend the depth of this lesson:

- Incorporate material from *Budget Planning and Budgeting Lessons* from MoneyInstructor.com: https://www.moneyinstructor.com/budgeting.asp.

- Incorporate material from *Budget Basics* from Scholastic: http://www.scholastic.com/browse/lessonplan.jsp?id=1561.

- Have students do the budget simulation using materials in the *Real-Life Budget 1* lesson from Rounds to Success: https://secure.cfwv.com/images/wv/PDFs/RTS/Facilitators_Guides/Grade_7-12/G9_7-12_MoneyMatters1.pdf.

- Incorporate material from the *Budgeting* lesson plan from the Utah Education Network: http://www.uen.org/Lessonplan/preview.cgi?LPid=28945.

- Incorporate material from the *Bring on the Budget* lesson plan from We are Teachers: http://www.weareteachers.com/lessons-resources/details/bring-on-the-budget.

- Have students, individually or in small groups, complete the *If My Life Started Today Web Quest* activity: http://mathninja.org/wp-content/uploads/2013/05/If-My-Life-Started-Today-Webquest.htm.

- Have students, individually or in small groups, use the *Personal Budget Web Quest* activity to create a budget for someone at a future age. The activity includes step-by-step instructions with links for additional information, a pre-formatted Excel spreadsheet, and a rubric to grade the assignment: http://mrsprester.com/webquests/budget/.

- Have students brainstorm possible ways for people to (legally) increase income and reduce expenses.

ASSESSMENT: *Spending Plan/Budget Quiz*

Instructors are encouraged to use the questions below for content review or as a pre-and/or post-test to determine gains in student knowledge about spending plans/budgets after teaching this lesson.

Correct answers to the multiple choice and True-False questions are shown in boldface type.

Multiple Choice Questions

1. A spending plan is also called a
   a. Financial plan
   b. Budget
   c. Blueprint
   d. Income statement

2. If your income is less than your expenses, you have
   a. Positive cash flow
   b. Negative cash flow
   c. Flat cash flow
   d. No cash flow

3. An expense, like rent, which stays the same each month is called a
   a. Fixed expense
   b. Variable expense
   c. Transfer expense
   d. Periodic expense

4. Food eaten out in a restaurant is usually a
   a. Fixed expense
   b. Transfer payment
   c. Need
   d. Want

5. An example of a variable expense is
   a. Rent payment
   b. Car payment
   c. Electric bill
   d. Monthly bus pass

True-False Questions

1. Cash flow is the relationship between a person's income and expenses **(TRUE: Cash flow is calculated by comparing the total amount of a person's net income with the total amount of their combined fixed, variable, and periodic expenses. Cash flow can be positive, negative, or flat)**

2. Savings can't be planned ahead and can only take place if there is any money left over at the end of the month. **(FALSE: People should include savings in their spending plan/budget as an "expense" and follow the advice of financial planners to "pay yourself first")**

3. To eliminate negative cash flow, you should decrease income and increase expenses **(FALSE: It is exactly the opposite. Negative cash flow means that people are spending more than earn. The way to reverse this is to increase income and reduce expenses. People can also do a little of both)**

4. Developing new skills is a way to increase income **(TRUE: Generally speaking, when people learn more through training courses and degree programs, the earn more because they provide additional value to employers. Economists refer to this a "developing your human capital")**

5. College tuition is an example of a fixed expense **(FALSE: Fixed expenses are regular expenses that are paid at regular time intervals, typically monthly. College tuition is an example of a periodic expense; i.e., an expense that is paid less frequently than monthly. Students (or their parents) typically make college tuition payments two or three times a year for the fall, spring, and summer semester. In addition, college tuition is typically not a set amount for too long because colleges have been increasingly raising tuition and fees in recent years)**

REFERENCES AND RESOURCES

Calculate Your Repeated Expenses Calculator. eXtension: http://articles.extension.org/share/FSA/budget_calculator.swf.

Creating a Budget. University of Wisconsin-Extension: http://fyi.uwex.edu/toughtimes/budgeting-in-tough-times/.

Creating and Sticking to a Budget. University of Arkansas Cooperative Extension Service: https://www.uaex.edu/publications/pdf/FSFCS204.pdf.

Hunter, J. (2012). *Building a Healthy, Wealthy Future: The Bean Game*. University of Kentucky: http://www2.ca.uky.edu/agcomm/pubs/fcs5/fcs5446/fcs5446.pdf.

Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hart, M.M. (2016). *Focus on Personal Finance*. New York, NY: McGraw Hill Education.

Needs Versus Wants: Vote With Your Feet

Two volunteers will hold signs that say *Need* and *Want* on opposite sides of the classroom. Stand in the middle of the room in between the two signs.

As different items are described, decide whether each item is a need or a want and move to that end of the room to cast your “vote.” If you are undecided, remain in the center of the room.

After everyone has made their decision about where to move, you will be asked to discuss the rationale behind your choices.

There is no “right” or “wrong” answer as long as you can defend your decision about which items are needs and wants.

- Apartment/house
- Cable TV/premium channels (e.g., HBO)
- Car
- Cell phone
- Coat
- Computer
- Credit card
- Internet access
- Lottery tickets
- Name brand athletic shoes (e.g., Nike, Adidas)
- Newspaper
- Paper towels
- Telephone (landline)
- Television
- Water (bottled)

NEED

WANT

The Bean Game: How Did You Decide?

Instructions:

1. Complete *The Bean Game* activity with your small group.

2. Complete the questions below and participate in the class discussion.

How did your group decide to distribute your bean "budget" in Round 1 and Round 2?

What were the easiest and the hardest expenses to give up?

Did you spend all of your beans before your basic needs were met in Round 1 or Round 2?

Did you include a bean for savings? Why or why not?

Did you include beans for insurance? Why or why not?

What did you learn about needs and wants and budgeting?

Budget and Opportunity Cost Video Questions

Instructions:

1. Watch the *Budget and Opportunity Cost* video.

2. Complete the questions below in a small group and participate in the class discussion.

What is the meaning of the phrase "To Choose is to Refuse" at the beginning of the video?

What is opportunity cost?

Give a recent example in your life where you considered the opportunity cost of a decision.

What are the pros and cons of living with your parents like Derek and Ginny plan to do?

What strategies did Derek and Ginny identify to reduce living expenses to improve their cash flow?

What is the most important thing that you learned from this video?

Web Quest: How Much Do People Spend?

In a small group, analyze the infographic about U.S. household spending and answer the following questions:

What is the range of average monthly U.S. household budgets by age category from lowest to highest?

In what age group do household budgets have their biggest spike in spending?

Which household expense increases throughout people's lifetime?

What are the major financial concerns of young adults under age 35?

Why do people spend the most on food expenses between ages 35 and 54?

Why do people spend the most on transportation expenses between ages 35 and 54?

Why do housing expenses increase in middle age and decrease after age 55?

What two age groups have the highest education budget?

In what age group do people save the most for retirement?

In a small group, select a major household spending category (e.g., transportation, utilities, rent) and search online to find up to three local prices for these goods and services. Complete the table below:

Name of Product or Service ____________________________________	**Cost and Description** **(e.g., a 1-Bedroom Apartment)**
Vendor #1	
Vendor #2	
Vendor #3	

Spending Plan/Budget Quiz

Multiple Choice Questions:

Circle the correct answer from among the four answers provided.

1. A spending plan is also called a
   a. Financial plan   b. Budget
   c. Blueprint   d. Income statement

2. If your income is less than your expenses, you have
   a. Positive cash flow   b. Negative cash flow
   c. Flat cash flow   d. No cash flow

3. An expense, like rent, which stays the same each month is called a
   a. Fixed expense   b. Variable expense
   c. Transfer expense   d. Periodic expense

4. Food eaten out in a restaurant is usually a
   a. Fixed expense   b. Variable expense
   c. Transfer expense   d. Periodic expense

5. An example of a variable expense is
   a. Rent payment   b. Car payment
   c. Electric bill   d. Monthly bus pass

True-False Questions:

Mark "T" for True or "F' for False in the space before each question.

_____1. Cash flow is the relationship between a person's income and expenses.

_____2. Savings can't be planned ahead and can only take place if there is any money left over at the end of the month.

_____3. To eliminate negative cash flow, you should decrease income and increase expenses.

_____4. Developing new skills is a way to increase income.

_____5. College tuition is an example of a fixed expense.

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