

**Title:** Why Don't I Ever Have Any Money?

**Grade Ranges**

     K-4

     5-8

  X   9-12

**Subject Tag:**

Family and Consumer Science

Social Studies: Social Science: Economics

**Synopsis:**

In this activity students become sensitive to how they spend their money to meet their needs and wants. They analyze their current spending patterns to identify trends. They work in teams to apply recommended spending guidelines to typical take-home pay scenarios. From this multi-step process, they develop an appreciation for the benefits of planning for the allocation of their limited resources — money.

**Keywords:**

needs, wants, money, income, spending patterns, spending habits, budgets, limited resources, resource allocation, discretionary spending

**Body:**

**Class Session #1:**

Establish focus by asking students to think carefully about the following situations and to answer to themselves.

1. Suppose you walk out to your car and find that it has a flat tire and cannot be repaired. Do you have money to purchase a new tire without borrowing from your parents?
2. Suppose a good friend walks up to you with two tickets to a concert that you really want to attend. Because the tickets were in such demand, they cost \$75 each. You just have to pay your friend for the ticket. Do you have the money?
3. Suppose you have a job that pays you once a month. Suppose it's the 15<sup>th</sup> of the month. How do you stand financially? Are you broke? Do you find you always have to borrow from your friends and family between paychecks?

*Note: If the examples above are not relevant to your students, exchange to make more appropriate. The key is to ask questions that will get the students to focus on how they feel about their current money situations.*

After sharing the scenarios, ask students questions to answer silently:

1. Do you feel good about your current finances?
2. Would you like to feel better about how you manage your spending?

Explain that today everyone is going to think about how he or she spends their money and how they might do a better job in managing their money. Stress that by better management, they will be prepared for emergencies, such as the need for a new tire; for spur-of-the-moment opportunities, such as the concert tickets; or just have enough money to live comfortably between paychecks.

Ask if anyone can define “budget.” Encourage responses, and be sure everyone understands that a budget is a personal plan for how a person will spend their income, both short and long-term.

Ask if anyone has a budget. Don't be surprised if someone in the class does have a budget. If they do have a budget, ask if they created it or if someone else (e.g., a parent) prepared it for them. If any students do have a budget, ask at least one of them to explain how the budget is set up. Avoid having students reveal the amount of money their budgets allow. Instead, have students talk about things like how often they set their budget, their income source, spending restrictions, budget categories, and so on. Chances are that their budgets are somewhat limited in scope.

Overall, have students with budgets share how they decide on where to spend (how to allocate) their money. Ask some students without budgets the same question. As a class, briefly discuss whether or not a budget limits spending or allows people to be better prepared for whatever comes their way. This brief discussion is also a good place to introduce the idea of wants vs. needs. Have students define these terms and connect these definitions to the discussion on budgets.

Close the discussion by telling students that for the next two class periods, they will become better money managers.

Distribute handout one, "My Money" to each student. Review the instructions. Tell them to take a few minutes to complete the handout. Provide no more than five minutes because it is probably a guessing game for most. If you see that most are finished, call time earlier than expected.

*Note: This handout should either be printed double-sided or sufficient copies made for each student to have two copies — later in the lesson, they will need a second copy of the chart for their assignment.*

Explain that the financial specifics on their handout should remain confidential, but encourage discussion of the exercise by asking the following questions.

- Are you surprised at the amount of money you spend each week? Why or why not?
- Did you identify a spot (maybe several spots) where you are spending more (or less) money than you thought? Why do you think this happens?
- Did anyone have items listed in the "other" category? What are some examples of "other" expenses?

Continue the discussion by turning from spending to earning. Ask students how many of them have a job. Encourage discussion by asking them to share where they work, their hours, and what they like or don't like about their jobs. Ask if they are pleased with their current pay scale. Ask students how many of them receive an allowance. Again, encourage discussion by asking who provides the allowance, are there responsibilities that go with the allowance, etc.

Finally, remind students that no matter where they receive money, the amount is limited. Ask how many would like to be better managers of their money. The response to this should be a "no brainer" for most students.

Tell students to turn the handout over to the clean side (or distribute a second copy). Tell them that as an assignment before the next class (or some designated time), you would like them to stop and think every time they start to spend money. They should ask themselves, "Do I really need to spend this money?" Encourage them to be honest about their decisions. Explain that although they have made estimates of their spending for today's discussion, they are to keep an accurate account of where and how much they spend.

**Class Session #2:**

Open the lesson by asking the following questions.

- Are you more aware or less aware of how and where you spend your money? Why or why not?
- How close were you with your estimates in spending that you made in the last class session?
- Were there any surprises?

Explain that although they made estimates before, there are actually recommended guidelines that financial managers provide to give individuals assistance in deciding how to spend (budget) their money.

Distribute the handout two, “Spending Guidelines.” Explain that these are recommendations for a family budget but also can be applied to an individual’s budget. Review the chart, making sure students understand the categories. Have students look at the figures carefully and think what such percentages would mean in a typical paycheck, maybe even their own paycheck.

Divide students into teams of three or four students each. Provide each team with a sample take-home pay for a month. The take-home pay samples can run the span from low to medium to high incomes, such as:

- \$1,280. (equivalent of \$8/hour pay scale)
- \$1,920. (equivalent of \$12/hour pay scale)
- \$2,400. (equivalent of \$15/hour pay scale)
- \$4,000. (equivalent of \$25/hour pay scale)
- \$6,400. (equivalent of \$40/hour pay scale)
- \$7,200. (equivalent of \$45/hour pay scale)
- \$8,000. (equivalent of \$50/hour pay scale)
- \$9,600. (equivalent of \$60/hour pay scale)

Tell the teams to apply the guidelines on the handout to determine their impact on the sample pay. Designate one student to be the reporter, one to be the recorder, and two to assist with the mathematics computation.

For simplicity’s sake in this exercise, rounded numbers are used for the sample pay, plus no payroll deductions have been included – which is a point that can be made once the teams have figured the impact of their percentages. (Knowing that there are additional impacts on take-home pay should be an eye-opener on the need for careful management of limited resources.)

Provide sufficient time for teams to complete their computations. Call time. Have team reporters present their findings. If possible, have a multiple column chart on the board or flipchart for the team reporters to use in reporting their computations.

	\$1,280.	\$1,920.	\$2,400.	\$4,000.	\$6,400.	\$7,200.	\$8,000.	\$9,600.
Housing								
Transportation								
Food								
Insurance & Pensions								

Personal taxes								
Entertainment								
Apparel products & services								
Health care								
Miscellaneous								
Savings								
Education								
Personal care								
Cash contributions								
Reading								

When all teams have reported, ask students to look at the completed chart and talk about what they see from the full analysis and also what they see from individual pay computations. Use the following questions to encourage the discussion.

- If you currently have a job, can you identify yourself in the list of sample pay? If so, do you agree with the spending guidelines?
  - Why or why not? If not, in what areas would you feel you needed to adjust the recommended percentages?
- Based on your lifestyle and values, suppose there is not a need for a particular category of spending. What would this mean to your planned allocation? (*That amount can be applied to another category, e.g., savings.*)
  - Do such categories exist? What are they? (If students identify categories to eliminate — such as savings — challenge their decisions to be sure they are not trying to find easy solutions.)

Bring closure to the lesson by challenging students to think about not only their present job incomes but also what type of wages or salary they will need to make to support their desired lifestyles.

**Objectives:**

Students will understand the concept of resource allocation by analyzing their current budgets (if they exist) and developing a budget based on recommended spending guidelines.

**Standards:**

**NY: Family and Consumer Sciences 3.1.** Resource Management. Students will understand and be able to manage personal resources of talent, time, energy, and money and make effective decisions in order to balance their obligations to work, family, and self. They will nurture and support positive relationships in their homes, workplaces, and communities. They will develop and use their abilities to contribute to society through pursuit of a career and commitment to long-range planning for their personal, professional, and academic futures. They will know and access community resources.

**NYC: A3a.** Gather information to assist in completing project work. **A5a.** Work with others to complete a task.

**CT: Economics 1.** Limited Resources. Students will demonstrate that because human, natural, and capital resources are limited, individuals, households, businesses, and governments must make choices. **Technology Education 3.** Career Awareness. Students will become aware of the world of work and its function in society, diversity, expectations, trends, and requirements.

**NJ: Cross-Content Workplace Readiness 3.** All students will use critical thinking, decision-making, and problem-solving skills.

**Time Required:**

Two class periods with sufficient time between sessions to complete assignment.

**Technology and Materials Needed:**

1. Board or flip chart
2. Prepared charts on board, flip chart, or transparency, if selected as option for delivery
3. Sufficient copies of handouts one and two:
  - My Money (two per student)
  - Spending Guidelines (one per student)

**Related Links:**

**Personal Budget Webquest**

[www.geocities.com/sbzinak/webquest](http://www.geocities.com/sbzinak/webquest)

The objective of WebQuest is to allow people to set up budgets that allow them to live the type of life they would like. Targeted budget areas include finding a house, finding a car, developing a budget, and finding a career that matches income needs.

**Assessment Criteria:**

Were students able to recognize personal spending trends and habits?

Were students able to complete the computations?

Were students able to recognize the relationship between spending trends and allocation of resources?

**Recommended Lesson Plan Review Date:**

**Review Comments:**

Check Web sites.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### MY MONEY

**Instructions:** Think about how you spend your money each week. In the second column, if you do not know the exact amounts, make a guess as to how much you believe you are spending on a weekly basis. Total the column. Once you have completed the second column, look back at the amounts you entered for each category. Are there categories where you would be willing to spend less? If so, enter a minus (-) sign. Are there categories where you feel you need to spend more? If so, enter a plus (+) sign. If there are categories that you feel should remain the same, leave that space blank.

<b>Spending Category</b>	<b>How much do I currently spend per week in this category?</b>	<b>I would be willing to spend more (+), less (-) or the same (leave blank) in this category.</b>
Food		
Clothing		
Music		
Entertainment		
Transportation (Gas for car, bus/subway fare, etc.)		
Car Payment		
Gifts		
Savings		
Other (List)		
<b>TOTAL</b>		

\* If you do not purchase a type of item every week, think about how much you spend on it in a month. Then divide that number by four to get an approximate weekly amount, and put the that number in the appropriate space.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### SPENDING GUIDELINES

CATEGORY	GUIDELINE PERCENTAGES	SAMPLE TAKE-HOME PAY  Amount: _____
Housing	28.9%	
Transportation	24%	
Food	10.8%	
Personal insurance & pensions	9.1%	
Personal taxes	5.7%	
Entertainment	4.5%	
Apparel products & services	4.3%	
Health care	3.9%	
Miscellaneous expenses	2.3%	
Savings	2.3%	
Education	2.1%	
Personal care products & services	1.0%	
Cash contributions	.6%	
Reading	.5%	
<b>TOTAL</b>	<b>100%</b>	