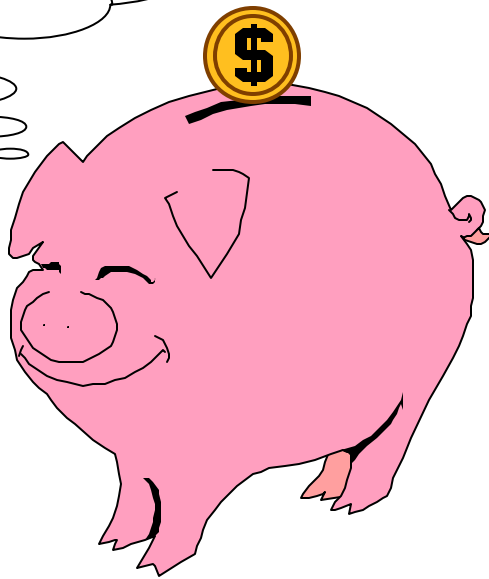


# PROJECT F.U.N.D.S

*(Fun Understanding Nickel  
and Dime Savings)*



**CHILDREN'S AID SOCIETY**

**Created by: Tanya A. Ramos**

Workshop II: 2 sessions

## **Creating a Budget**

For use with Middle School Students



# PRESENTATION OUTLINE:

## Creating a Budget.

### OVERVIEW

*Students will work individually using hypothetical information, to develop a personal budget for a working person. They will learn the reasons for creating a budget, the basic features of all budgets, and the use of a checking account. They will practice use of a checking account, to pay bills most commonly found in a budget, practice writing checks and create a realistic budget for themselves.*

### **OBJECTIVES: Students will:**

- Explain why budgets are important.
- Give examples of items found in a budget.
- Explain the concept of opportunity cost and identify the opportunity costs associated with balancing a budget.
- Describe the purpose of a checking account.
- Recognize that checks are written against funds deposited in a checking account.

### **Suggested Reading:**

- A Penny Saved by Neale S. Godfrey.
- The Toothpaste Millionaire by Jean Merrill.
- The Kid's Guide to Money: Earning it, Saving it, Spending it, Growing it and Sharing it.

## Lesson # 1

**TIME NEEDED:** Approximately 45 minutes

**GOALS:** Children will be introduced to the idea of budgeting money.

**OBJECTIVES:** Students will begin to understand what the "Budget" means.  
Students will make a list of things people need to budget for.  
Students will begin to understand why a budget is important.  
Students will understand the difference between fixed and discretionary expenses.

**MATERIALS NEEDED:** Chart paper and markers (for teacher) or blackboard and chalk and Handout I, "Skit", Handout II, "Maria's monthly expenses", Handout III, "Budget Worksheet".



## Lesson # 2

- TIME NEEDED:** Approximately 45 minutes
- GOALS:** Children will understand what it means to have a balanced budget.
- OBJECTIVES:** Students will understand the terms: balanced budget, shortage, surplus and opportunity costs.  
Student will create their own personal budgets.
- MATERIALS NEEDED:** Chart paper and markers (for teacher) or blackboard and chalk, handout IV, "Personal Budget".

### INTRODUCTION

- Today we are going to learn about a "**balanced budget**"? What do you suppose it means? Have students provide options available to bring a budget into balance.
- Help students see how in the last activity they worked on balancing Maria's budget. They were involved in weighing income and expenses, in order to bring her budget into balance. (*A budget is balanced when income equals expenses and savings.*)
- A **shortage** means that you do not have enough income. What options do you have to bring it into balance? (*i.e. cut expenses, increase income, and use savings.*)
- Increased income is called a surplus, what options do you have to bring it into balance? (*Increase savings and or increase expenses.*)

### **ACTIVITY**

- Ask students if they receive allowance. For those students who do not receive allowance, they will be urged to make up a realistic amount for use in the next activity.
- Explain that their allowance will be considered their "income".
- They will use their income to make up their own budgets.

### **Exploration:**

- Distribute budget sheets and have students create their own individual budgets. Tell students that the average American saves only 5-6% of their monthly income and that their goal should be to beat that amount! (Give examples of what 5-6% translates to for individuals in different income

brackets. Encourage students to save 10% of their allowance. Remind students that at that rate they will be saving more than the average American.)

- Ask students to list all their expenses on their budget sheets. Students will determine how much of their allowance they will allot for savings.

**Assessment:**

- Allow students to share their budgets.
- Were you able to get a balanced budget? Did you have a surplus or a shortage? Were you able to save?
- Define opportunity cost, and have the students give some examples. (Opportunity cost; goods and services that must be given up in order to obtain other goods and services. Ex. *The opportunity cost of a movie is the CD I want to buy. The opportunity cost of studying for my exam is not going out with my friends.*)

## Lesson # 3

- TIME NEEDED:** Approximately 45 minutes
- GOALS:** Students will understand how a checking account works.
- OBJECTIVES:** Understand why people use checking accounts.  
Understand the different sections on a check.  
Understand how to write a check.  
Understand that checks are written against funds kept in the account.
- MATERIALS NEEDED:** Chart paper and markers (for teacher) or blackboard and chalk and Handout V, “Check Writing, and Handout VI, “Check Writing Cycle”.

### *CHECKING*

- ◆ Ask students: What is a checking account? (*People often want to keep their money in a safe place, but they also want to have convenient access to it, and they want to be able to spend it freely. Checking accounts offer the use of a checkbook and a debit card.*)
- ◆ Why do banks offer checking accounts? (*Banks offer checking accounts so their customers have easy access to their money without carrying large amounts of money with them. Tell students that writing a check only allows a person to spend what he/she has in the bank. It is a convenient way to pay for something, but it is **not** a form of credit.*)

### **Activity:**

- Let’s look at some checks! What do you notice? Give students some time to take a close look and name the various sections they see. Let them create their own language temporarily. Observation may include: a blank box, lines, the name of the bank, numbers, the person’s name, etc.
- After students had some time to look at the checks, introduce the appropriate vocabulary for the different sections and make connections to the student’s initial observations.
  - **Date line:** Record the date that you write the check. Postdating, or using a future date, will not delay it from being subtracted from your account.
  - **Payee line:** Record the name of the person or the business to whom the check is written.

- **Dollars line**: Write the amount of the check in words and the cents as a fraction of 100. Draw a wavy line in the remaining space so no one can add more words. Do not erase an error on a check. Either write a new check or correct the check and write your initials next to the error. Tear up the old check or write VOID on it.
- **Memo line**: record what the payment is for.
- **Signature line**: sign your name as it is printed on your checks. Do not sign a check until it is ready to be used.
- Don't write checks for more than the amount of money in your checking account. Tell students that writing a check only allows a person to spend what he/she has in the bank. It is a convenient way to pay for something, but it is **not** a form of credit.
- Do not sign a blank or incomplete check.

### **Exploration:**

- Tell students that after reviewing how to create a budget, it is only appropriate to discuss how to pay the bills most commonly found in a budget.
- Distribute check writing handout. Students will practice balancing a checkbook for a married couple: Melinda and Andre.
- Students should work in pairs for this activity.
- Allow 20 minutes for this activity.

### **Assessment:**

- What did you learn by writing out the checks.
- What things do you have to remember to do each time? (must write the date, the amount in words and numbers, to fill in the memo section and sign the check)
- What skills did you find are important in balancing a checkbook?
- What was Melinda and Andre's remaining balance in their checking account after paying all of their bills? (\$315.50).

## **SUMMARY AND REVIEW**

- ◆ People create budgets to keep their income and expenses in balance.
- ◆ A budget helps people from spending more money than they earn.
- ◆ There are two main types of expenses: Fixed and Discretionary.
- ◆ A balanced budget is when income equal expenses and savings.
- ◆ An income shortage, you need to cut expenses, increase income, or use savings to balance your budget.
- ◆ An income surplus enables you to increase your savings or your expenses.

- ◆ Opportunity costs are the goods and services that must be given up in order to obtain other good and services.
- ◆ A checking account provides convenient access to your money. Checking accounts offer the use of checkbook and a debit card.
- ◆ Checks allow a person to spend what he/she has in the bank. It is a convenient way to pay for something, but it is not a form of credit.