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Concept 43 – Household Budgets Companion Activity

Teacher Key

A household budget is a plan to manage money by monitoring your income and tracking your expenses. Budgets can be written out using paper and pencil, or you can create one using budgeting apps or websites where the technology will guide you. A monthly budget (the most common type) lists all of the income a household brings in each month and the expenses that the household must pay each month. Using a budget helps people keep track of their spending, live within their means and plan for future expenses.

1. Either have students navigate to Econ Express Concept 43 or you navigate there and project for everyone to see.
2. Distribute a copy of the budgets (below, page 2) to each student OR to groups of students.
3. Explain the problem of being over budget and point out the negative savings.
4. Explain the concept of fixed and variable expenses so students will understand in the next section why certain expenses cannot be changed.
5. Give the groups 10 minutes to discuss ways the changes they think this person should make to change their budget.
6. Have groups call out there numbers and you record them in to the live budget on Econ Express so everyone can see. This is also an opportunity to discuss why changes were made. Groups will usually make wildly different suggestions give you the chance to point out how “personal” budgets can be.
7. Some students may enter numbers too low for certain categories – which is fine on their paper. However, when you go to enter them into the site, you may get blocked. Explain why it is unlikely to have things like $0 spent on food or transportation in this country.
8. Review the two student questions at the bottom when you feel you have conducted significant discussion on the budgets themselves.

Answers to student questions:

1. Why could you not change some expenses? ***Some expenses are fixed month to month through contracts, payment agreements, or even legal reasons. Mortgages or rent, car payments, alimony and child support are all things that typically have fixed payments.***
2. What real-life factors might complicate this process? ***Accidents, unplanned health expenses, equipment or mechanical failures, changing prices, new tax policies, losing a job, going back to school, etc. Budgets are great tools, but they cannot always account for the complexities and uncertainties of life.***

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Practice Activity: The budget on the left is $710 over budget, resulting in negative savings. Make some suggested changes by putting NEW numbers in the budget on the right and making the new calculations to create savings.

|  |  |  |  |
| --- | --- | --- | --- |
| **Income** | | **Expenses** | |
| Net Monthly Salary | $2,550 | Rent and Insurance | $750 |
| Teaching Spanish classes at community center (optional, up to $100 a week) | $0 | Utilities/Phone/Home Internet | $275 |
|  | | Car Payment and Insurance | $425 |
|  | | Student Loan Payment | $250 |
|  | | Gas ($30 per fill up) |  |
|  | | Food (groceries and eating out) |  |
|  | | Subscription services (streaming, video games, music, website etc) |  |
|  | | Entertainment (concerts, sporting events, theater,etc.) |  |
|  | | Vacation/Travel/See Family |  |
|  | | Clothing |  |
|  | | Gym Membership |  |
|  | | Other (tithing, charity, gifts, extra money for student loan) |  |
| **TOTAL INCOME** |  | **TOTAL EXPENSES** |  |
|  | | **SAVINGS** | $ |
| Budget Balance: | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Income** | | **Expenses** | |
| Net Monthly Salary | $2,550 | Rent and Insurance | $750 |
| Teaching Spanish classes at community center (optional, up to $100 a week) | $0 | Utilities/Phone/Home Internet | $275 |
|  | | Car Payment and Insurance | $425 |
|  | | Student Loan Payment | $250 |
|  | | Gas ($30 per fill up) | $120 |
|  | | Food (groceries and eating out) | $597 |
|  | | Subscription services (streaming, video games, music, website etc) | $112 |
|  | | Entertainment (concerts, sporting events, theater,etc.) | $212 |
|  | | Vacation/Travel/See Family | $200 |
|  | | Clothing | $250 |
|  | | Gym Membership | $19 |
|  | | Other (tithing, charity, gifts, extra money for student loan) | $50 |
| **TOTAL INCOME** | $2,550 | **TOTAL EXPENSES** | $3,260 |
|  | | **SAVINGS** | -$710 |
| Budget Balance: -$710 | | | |

1. Why could you not change some expenses?
2. What real-life factors might complicate this process?