

Learning about budgets

Students learn about budgeting rules and then apply their understanding in an interactive budgeting activity.

Learning goals

Big idea

Following a budget helps make sure you have money for the things you need and want and still be able to save money regularly.

Essential questions

- Why are budgets important?
- How can a budget help me save money?

Objectives

- Learn different budget categories
- Understand and use the 50-30-20 budget rule

What students will do

- Learn the 50-30-20 budgeting rule.
- Visit learning stations to practice applying budgeting rules.
- Answer reflection questions.

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Executive function

 Financial knowledge and decision-making skills

Grade level: Middle school (6-8)

Age range: 11-14

Topic: Save and invest (Saving for long-term goals, Saving for short-term goals), Spend (Budgeting, Paying bills)

School subject: CTE (Career and technical education), Math, Social studies or history

Teaching strategy: Simulation

Bloom's Taxonomy level: Apply, Evaluate

Activity duration: 45–60 minutes

National Standards for Personal Financial Education, 2021

Spending: 4-1, 4-2, 8-1, 12-1

Saving: 4-1, 4-2, 8-1, 8-2

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

- While it's not necessary, completing the "Exploring savings habits" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Create budget stations around the room, one for each category: needs, wants, and savings.
- Print copies of the budget category cards in this guide (enough for each student to have a card when they're working in the budget stations) and cut them into individual cards.
 - Place the budget category cards in their respective stations.
 - There are four different cards in each category (cards 1-4).
 - Make sure each station has enough cards for the number of students who will be working in a station at one time.
 - If you make multiple sets, there will be more than one of each type. So several students will be working with the same cards.

What you'll need

THIS TEACHER GUIDE

- Learning about budgets (guide)
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STUDENT MATERIALS

- Learning about budgets (worksheet)
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- Budget category cards (in this guide)

Exploring key financial concepts

Knowing how to make a budget is an important step in reaching your financial goals. A budget is a plan for how to spend and save money. It helps you decide how much you'll need to spend on necessities, how much money you'll put aside for savings, and how much you can use for your "wants," such as eating at a restaurant

or going to a movie. It's important to remember that a budget should be made using your net income, which is the amount of money you bring home in your paycheck after taxes and other deductions are taken out. It's also important to review your budget when things change with your finances, like when you get a new job, move, or take out a loan.

Even when you're in middle school, you can still make a budget. Let's say you get an allowance or have a job babysitting or mowing lawns. There might be some things that you need that you decide to buy for yourself, such as school clothes or school supplies. You might want to do some fun things like go to the movies or go shopping with friends. And you might decide it's important to start saving to help pay for college or for some other goal later on. Creating a budget can help you manage your money so that you can do all those things.

One rule to live by when budgeting is to use 50 percent of your income for **needs**, 30 percent for **wants**, and 20 percent for **savings** for financial goals. The table below gives you a snapshot of the types of items that you might assign to each category.

Percentage of net income	Budget category	Examples of items
50 percent	Needs	Rent or mortgage payments, groceries, utilities, transportation
30 percent	Wants	Dining out, vacations, entertainment

Percentage of net income	Budget category	Examples of items
20 percent	Savings	Emergency savings, pay down debt, save for education, save for retirement

NOTE

Be sure to explain that the 50-30-20 budget rule is only one rule to live by. Not everyone can follow it. Students should decide on their own personal rule to live by that works for their financial situation. Encourage students to set simple guidelines for their spending that can help them reach their savings goals.

Teaching this activity

Whole-class introduction

- Let students know that this activity will help them understand what it means to follow a monthly budget and why it's important.
- Explain that a monthly budget is a spending plan that outlines how you'll save or spend the money you earn that month.

- Distribute the “Learning about budgets” worksheet.
- Tell students that we often organize budgets into three categories: Needs, wants, and savings.
- Ask students to brainstorm what each category might mean.
- Explain that it’s common to create budget rules to help you manage your money.
 - Explain that an example of one budget rule uses 50 percent of your monthly budget for needs, 30 percent for wants, and 20 percent for savings.
- Ask students to come up with a few examples for each category (below are some examples).
 - Needs: Mortgage or rent, utilities, food, medical expenses, car insurance
 - Wants: New video game, specialty coffee, cell phone
 - Savings: Money for an unexpected event, a large purchase, or retirement
- Be sure students understand key vocabulary:
 - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
 - **Long-term goals:** Goals that can take more than five years to achieve.
 - **Needs:** Basic things people must have to survive (such as food, clothing, and shelter), resources they may need to do their jobs (such as reliable transportation and the tools of the trade), and resources to help build and protect their money and property so they can meet future needs (such as emergency savings and insurance).
 - **Savings:** Money you have set aside in a secure place, such as in a bank account, that you can use for future emergencies or to make specific purchases.
 - **Short-term goals:** Goals that can take a short time, or up to five years, to reach.
 - **Wants:** Upgrades and other things that would be nice to have but aren’t necessary for living, income, or protecting what you have.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual and group work

- Describe the budget activity for students.
 - Explain that they’ll have a budget of 100 points to spend.

- Their goal is to make spending choices that follow the 50-30-20 budget rule, where they can spend up to 50 points on needs, 30 points on wants, and 20 points on savings.
 - As they visit each station (needs, wants, and savings), they'll decide which choices keep them within their 50-30-20 budget plan.
 - Be sure to explain that for this activity about the 50-30-20 rule, emergency savings will go in the savings category even though it is often considered a need.
- Prepare students for the budget stations.
 - Divide students into three groups.
 - Each group will start at a different budget station.
 - While students will rotate as a group, each student will work independently.
 - At each budget station, students will:
 - Take a budget card.
 - Choose the option on the card that fits best within their budget rule.
 - Record the point value for each “expense” in the tables on their worksheet.
 - When they’re done with a station, students will leave the budget card.
 - Have groups rotate among the three stations.
 - When students have visited all three stations, they’ll return to their seats to answer the reflection questions on the worksheet.

Wrap-up

- Ask students to share their budget answers and discuss how they made choices based on their budget rules.
 - What made it hard? What made it easy?
- Use students’ responses to the reflection questions as an opportunity to explore and develop these concepts in greater depth.

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving, including saving for long-term goals and saving for short-term goals, and spending, including budgeting and paying bills. Suggested activities include “Creating a monthly household budget” and “Brainstorming household budgets.”

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Learning about budgets" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justifications for their answers.

Answer guide

Students start with an income of 100 points per month, so their monthly point breakdown would be: needs = 50 points, wants = 30 points, and savings = 20 points.

	Needs	Wants	Savings
Card 1	Option B	Option A	Option A
Card 2	Option A	Option B	Option B
Card 3	Option B	Option A	Option B
Card 4	Option B	Option A	Option A

Reflection questions

1. Think about how the options you chose were different from those you didn't choose. For example, if you selected an option with a housing budget of 20 points instead of 30 points, or an entertainment budget of 7 points instead of 17 points, what might this look like in real life? What may you have to give up or compromise on to stick to a budget rule?

Answers will vary. Student answers may address how sticking to a budget to live within your means will likely result in choices such as living in a smaller or more modest house, having a basic cell phone plan, or planning some meatless meals to save money.

2. How might a budget rule like the 50-30-20 rule help you manage your money when you're on your own?

Answers will vary. Students may say that following a budget can help them make sure that they have money for the things they need and want and still be able to save money regularly. They may describe how a budget can help them plan how they'll spend money on needs and wants and how much to set aside for savings.

Budget category cards: NEEDS

Print enough copies of this sheet, single-sided, to ensure that each student in the group visiting the needs station will have a card when you cut out the four budget cards.



NEEDS budget card 1: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Housing: 30 points Food: 10 points Transportation: 10 points Utilities (electric, water, gas): 10 points Clothing: 10 points	Housing: 20 points Food: 7 points Transportation: 10 points Utilities (electric, water, gas): 10 points Clothing: 3 points

NEEDS budget card 2: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Housing: 20 points Food: 6 points Transportation: 5 points Utilities (electric, water, gas): 4 points Clothing: 15 points	Housing: 10 points Food: 7 points Transportation: 25 points Utilities (electric, water, gas): 13 points Clothing: 5 points

NEEDS budget card 3: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Housing: 30 points Food: 17 points Transportation: 3 points Utilities (electric, water, gas): 7 points Clothing: 8 points	Housing: 10 points Food: 7 points Transportation: 25 points Utilities (electric, water, gas): 3 points Clothing: 5 points

NEEDS budget card 4: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Housing: 30 points Food: 17 points Transportation: 3 points Utilities (electric, water, gas): 7 points Clothing: 8 points	Housing: 10 points Food: 7 points Transportation: 25 points Utilities (electric, water, gas): 3 points Clothing: 5 points

Budget category cards: WANTS

Print enough copies of this sheet, single-sided, to ensure that each student in the group visiting the wants station will have a card when you cut out the four budget cards.



WANTS budget card 1: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Cell phone: 10 points Internet: 5 points Entertainment: 10 points Eating out at restaurants: 2 points Shopping: 3 points	Cell phone: 20 points Internet: 5 points Entertainment: 15 points Eating out at restaurants: 5 points Shopping: 5 points

WANTS budget card 2: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Cell phone: 20 points Internet: 5 points Entertainment: 15 points Eating out at restaurants: 6 points Shopping: 5 points	Cell phone: 10 points Internet: 3 points Entertainment: 10 points Eating out at restaurants: 5 points Shopping: 2 points

WANTS budget card 3: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Cell phone: 10 points Internet: 3 points Entertainment: 10 points Eating out at restaurants: 5 points Shopping: 2 points	Cell phone: 20 points Internet: 5 points Entertainment: 15 points Eating out at restaurants: 5 points Shopping: 5 points

WANTS budget card 4: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Cell phone: 10 points Internet: 3 points Entertainment: 10 points Eating out at restaurants: 5 points Shopping: 2 points	Cell phone: 20 points Internet: 5 points Entertainment: 15 points Eating out at restaurants: 5 points Shopping: 5 points

Budget category cards: SAVINGS

Print enough copies of this sheet, single-sided, to ensure that each student in the group visiting the savings station will have a card when you cut out the four budget cards.



SAVINGS budget card 1: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Long-term savings (such as for college): 7 points Short-term savings (such as for new sneakers): 7 points Emergency savings (such as for unexpected events): 6 points	Long-term savings (such as for college): 10 points Short-term savings (such as for new sneakers): 10 points Emergency savings (such as for unexpected events): 10 points

SAVINGS budget card 2: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Long-term savings (such as for college): 10 points Short-term savings (such as for new sneakers): 10 points Emergency savings (such as for unexpected events): 10 points	Long-term savings (such as for college): 10 points Short-term savings (such as for new sneakers): 5 points Emergency savings (such as for unexpected events): 5 points

SAVINGS budget card 3: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Long-term savings (such as for college): 5 points Short-term savings (such as for new sneakers): 15 points Emergency savings (such as for unexpected events): 10 points	Long-term savings (such as for college): 5 points Short-term savings (such as for new sneakers): 10 points Emergency savings (such as for unexpected events): 5 points

SAVINGS budget card 4: Select the option that best follows the 50-30-20 budget rule

Option A	Option B
Long-term savings (such as for college): 5 points Short-term savings (such as for new sneakers): 5 points Emergency savings (such as for unexpected events): 10 points	Long-term savings (such as for college): 2 points Short-term savings (such as for new sneakers): 13 points Emergency savings (such as for unexpected events): 10 points