

# Budgeting for needs and wants

Students explore the difference between needs and wants and practice making budget choices.

## Learning goals

### Big idea

Understanding the difference between needs and wants can help you make spending decisions that are best for you.

### Essential questions

- How can you tell the difference between a need and a want?
- How does understanding the difference between needs and wants help you make financial decisions?

### Objectives

- Differentiate between needs and wants in daily decision-making
- Consider how needs and wants influence spending decisions

### NOTE

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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 habits and norms

**Grade level:** Middle school (6-8)

**Age range:** 11-14

**Topic:** Spend (Budgeting, Buying things, Paying bills)

**School subject:** CTE (Career and technical education, English or language arts, Math)

**Teaching strategy:** Competency-based learning, Simulation

**Bloom's Taxonomy level:** Understand, Apply

**Activity duration:** 45-60 minutes

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### National Standards for Personal Financial Education, 2021

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

Saving: 4-2, 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.

## What students will do

- Identify the difference between needs and wants.
- Practice making budget choices based on needs and wants.

## Preparing for this activity

- While it's not necessary, completing the "Bouncing ball money choices" 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.
- Make sure students have access to calculators.

### What you'll need

#### THIS TEACHER GUIDE

- Budgeting for needs and wants (guide)  
[cfpb\\_building\\_block\\_activities\\_budgeting-needs-wants\\_guide.pdf](cfpb_building_block_activities_budgeting-needs-wants_guide.pdf)

#### STUDENT MATERIALS

- Budgeting for needs and wants (worksheet)  
[cfpb\\_building\\_block\\_activities\\_budgeting-needs-wants\\_worksheet.pdf](cfpb_building_block_activities_budgeting-needs-wants_worksheet.pdf)
- Calculators

## Exploring key financial concepts

Understanding the differences between needs and wants helps you make a budget to manage your spending and informs your daily spending choices. Covering all your needs before you spend money on your wants is a wise financial habit. To tell the difference between a need and a want, ask yourself, "Do I need that (new jacket, video game, app), or do I just really want it?"

#### TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

# Teaching this activity

## Whole-class introduction

- Ask students if they have ever heard anyone say they couldn't buy something because it wasn't in their budget. Ask them to explain what they think that phrase means.
- Distribute the "Budgeting for needs and wants" worksheet, or have students access it electronically.
- 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.
  - **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).
  - **Wants:** Upgrades and other things that would be nice to have but aren't necessary for living, income, or protecting what you have.
- Tell students that they'll practice determining whether some everyday expenses are wants or needs.

### TIP

Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

## Individual work

- Students will work independently to complete their worksheet.
- Ask students to read the scenario about Pechola.
- Students will then calculate the total cost of the items Pechola spends money on each month to see if she stays within her budget.
- Students will decide whether each item is a need or a want.
- Students will decide which items they think Pechola should spend money on each month and calculate the items' total cost.
- Students will then answer the reflection questions.

## Wrap-up

- Bring the class back together and ask for volunteers to share how they categorized the items.
- Ask for volunteers to share their responses to the reflection questions.

## Suggested next steps

Consider searching for other CFPB activities that address the topic of spending, including budgeting, buying things, or paying bills. Suggested activities include "Teaming up to build budget" and "Practicing comparison shopping."

## Measuring student learning

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

**Keep in mind that students' answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.