

## Cooperative Education Financial Literacy Lesson Plan 2

### Budgeting

#### Connections to Financial Literacy

The financial literacy knowledge and skills which will be addressed in this lesson as they relate to the curriculum expectations are:

- understanding needs and wants;
- personal financial planning such as budgeting and saving; and
- goal setting and planning for the future.

#### Curriculum Document/Grade/Course Code (secondary) or Strand (elementary)

Curriculum Expectations	Learning Goals
<p><b>Career Studies</b>          Preparation for Transitions and Change          Overall Expectation: Use appropriate decision-making and planning processes to set goals and develop a career plan          Specific: Demonstrate an understanding of the decision-making process as it relates to career planning          Identify potential barriers (e.g., learning difficulties, financial constraints, distance from opportunities) that could interfere with the achievement of their goals, and use problem-solving strategies to identify appropriate actions.</p> <p><b>Personal Management</b>          Overall Expectation: Evaluate and apply the personal-management skills and characteristics needed for school success, document them in a personal portfolio, and demonstrate their use in a variety of settings          Specific: Describe and explain the importance of personal-management skills, habits, and characteristics for success in career development</p>	<p>At the end of this lesson, students will:</p> <ul style="list-style-type: none"> <li>○ understand the difference between needs and wants</li> <li>○ understand the importance of a budget</li> <li>○ understand the importance of setting financial goals</li> <li>○ be able to plan and prepare a budget</li> </ul>

#### Instructional Components and Context

<p><b>Readiness</b>  <i>Prior to this lesson:</i> If the students have created a budget, ask them to bring it to class.</p> <p><b>Terminology</b>          Basic Needs          Budget          Fixed Costs/Expenses          Maslow's Hierarchy of Needs          Needs          Variable Costs/Expenses          Wants</p>	<p><b>Materials</b>          This lesson does not require the use of computers.</p> <p><b>The following exercises are provided:</b>          Exercise #1 - How Can a Budget Help You Meet Your Financial Goals?          Exercise #2 (a) Maslow's Hierarchy of Needs          Exercise #2 (b) Classification of Needs and Wants          Exercise #3 - How Much Do You Spend a Week?          Teacher Resource - How to Create A Budget Guideline          Exercise #4 - Prepare and Plan a Personal Budget          Exercise #5 - A Case Study Budget</p>
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Minds On	Connections
<p>• Establishing a positive learning environment          • Connecting to prior learning and/or experiences          • Setting the context for learning</p> <p><b>Class or Small Group Discussion - Exercise #1</b></p> <p>Discuss with the class or assign groups of four students to work together on Exercise #1, "How Can a Budget Help You Meet Your Financial Goals?" If using small group discussion, one member from each group can scribe the results of the group's discussion.</p> <p>Reflect and discuss with the class the findings. The teacher or a student could write the results on the board/chart paper, etc.</p> <p>A list of unexpected expenses could be created.</p>	<p><b>Guiding Questions:</b></p> <ul style="list-style-type: none"> <li>• Do you have a part-time job?</li> <li>• Do you save money every pay cheque?</li> <li>• What do you spend your money on?</li> <li>• Do you have any regular expenses?</li> <li>• Do you have a wish list of things that you would like to buy in the future?</li> <li>• Do you pay rent?</li> <li>• What are some potential unexpected expenses (e.g., clothing, family celebration)?</li> <li>• Will you need to pay for your post-secondary education?</li> <li>• Do you save for post-secondary education?</li> <li>• Do you or your family use a budget?</li> </ul>

Action!	Connections
<p><b>Needs and Wants</b>  The teacher shall determine which Exercise #2 to use based on the student population, circumstances, and learning needs of the class in order to assist the students in developing an understanding of the difference between needs and wants. Exercise #2 (a) is based on Maslow's Hierarchy and Exercise #2 (b) is an exercise based on class discussion of needs and wants.</p> <p><b>Maslow's Hierarchy of Needs - Exercise #2 (a)</b>  Distribute copies of "Maslow's Hierarchy of Needs" and discuss each level. The teacher should use an example (personal or otherwise) of how an individual's needs are met according to Maslow's theory.  Assign Exercise #2 (a) "Maslow's Hierarchy of Needs."  Ask students to share their answers with the class.</p> <p><b>Classification of Needs and Wants - Exercise #2 (b)</b>  Discuss with the students the difference between needs and wants. Distribute Exercise #2 (b) "Classification of Needs and Wants." Allow students in pairs to list their needs and wants. Summarize work through class discussion.</p> <p><b>How Much Do You Spend a Week? - Exercise #3</b>  In order for students to understand where they spend their money, assign Exercise #3, "How Much Do You Spend a Week?" The chart will document students' weekly spending habits.  The teacher should circulate and assist where necessary.</p> <p>Ask students to share their findings regarding their weekly spending habits and their ability to budget.  Brainstorm with the class for a list of ways that could be used to reduce unnecessary expenses.</p>	<p><b>Guiding Questions:</b>  What is a need?  What is a want?  When does a want become a need?  Does society dictate needs?  How well do you concentrate when you are hungry?  What makes you afraid?</p> <p><b>Assessment for Learning:</b>  During class discussion, the teacher will gather information as to the students' current level of knowledge regarding budgeting.</p> <p>Teachers will be able to determine students' participation in income earning work in order to differentiate the consolidation exercise.</p> <p><b>Differentiated Instruction:</b>  Teacher selection of the appropriate Exercise #2 allows for differentiation based on student needs.</p> <p>If a student has considerable prior knowledge he/she can assist other students with the exercises.</p>
<p><b>Consolidation</b>  • Providing opportunities for consolidation and reflection  • Helping students demonstrate what they have learned</p> <p><b>Teacher Resource - How to Create a Budget Guideline</b>  Discuss with students the information contained in the "How to Create A Budget Guideline" in order to familiarize them with the process involved in creating a budget.</p> <p>Assign either Exercise #4 or Exercise #5 for students to complete on an individual basis based on student circumstances.</p> <p><b>Prepare and Plan a Personal Budget - Exercise #4</b>  Students create a one month budget. At the end of the month, students will submit their results, revisions, and reflections.</p> <p><b>A Case Study Budget - Exercise #5</b>  Students create a budget for an individual described in the case study and answer questions related to the individual's stated goals.</p>	<p><b>Connections</b></p> <p><b>Guiding Questions:</b>  • What are fixed and variable costs?  • Do you have a wish list of purchases that you would like to save for?</p> <p><b>Differentiated Instruction:</b>  Students will have the opportunity to develop a personal budget contained in Exercise #4 or to develop a budget based on a case study in Exercise #5.</p>

## How Can a Budget Help You Meet Your Financial Goals? Exercise #1

A budget is a guide/plan that you create based on your income and expenses to help meet your financial goals. It can help you develop financial responsibility.

The following are some advantages to creating and following a budget:

1. A budget can help you develop a savings goal.
2. A budget can help you develop an awareness of your spending habits.
3. A budget can keep you on track to live within your income.
4. A budget can include setting aside money for savings, investments, and retirement.
5. A budget can include setting aside money to use for planned wants and extras.
6. A budget can help you prepare for unexpected expenses and emergencies.
7. A budget can reveal areas where you are spending too much money and allows you to revise to meet your important financial goals.
8. A budget can help you prevent “over spending” and plan to eliminate debt.

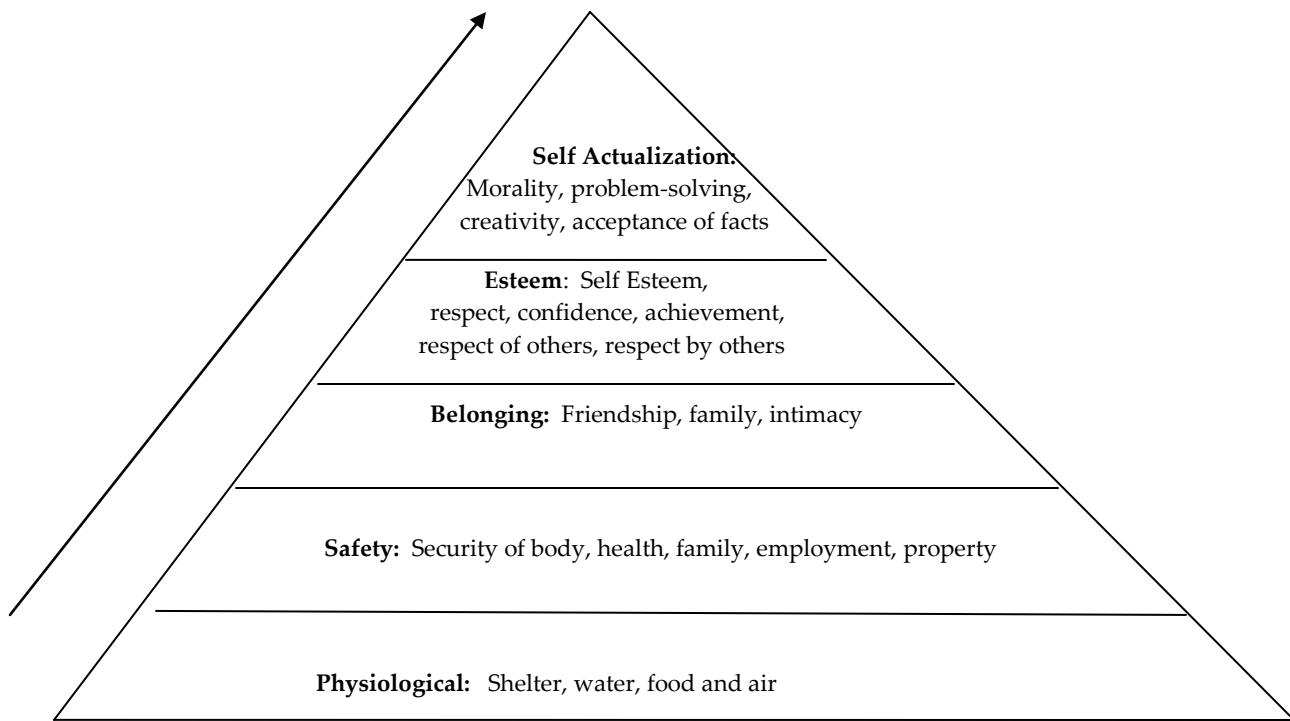
### Discussion

In a small group, discuss what you know about budgeting, saving, and spending money.

Questions to guide your discussion:

- *Do you have a part-time job?*
- *Do you save money every pay cheque?*
- *What do you spend your money on?*
- *Do you have any regular expenses?*
- *Do you have a wish list of things that you would like to buy in the future?*
- *Do you pay rent?*
- *What are some potential unexpected expenses (e.g., clothing, family celebration)?*
- *Will you need to pay for your post-secondary education?*
- *Do you save for post-secondary education?*
- *Do you or your family use a budget?*

Create a chart summarizing your group's answers.

**Maslow's Hierarchy of Needs - Exercise #2 (a)****Page 1**

In 1943, Abraham Maslow, a psychologist, released Maslow's "Hierarchy of Needs: A Theory of Human Motivation". The concept, most frequently displayed in pyramid form, explains the human desire to satisfy the most basic of our needs prior to focusing on the more complex ones.

### **The Hierarchy of Needs**

Certain human needs are more fundamental than others, and satisfaction of these "basic" needs is necessary before "higher" needs can be addressed.

**Physiological Needs:** These are most basic needs of oxygen, food, water, and maintenance of body temperature (food, shelter, & clothing). Physiological needs are the only needs which can be completely or even over satisfied. Physiological needs are continually recurring, so we must seek satisfaction of these basic needs on a daily basis.

**Safety Needs:** These are the needs for protection from harm, the need for law and order. Safety needs can never be over satisfied. Safety needs become highly important during natural disasters, fires, accidents, and other life threatening situations.

**Need for Love and Belonging:** The needs for friendship and to be part of a family are all reflections of this need.

**Esteem Needs:** The needs for self-respect, confidence, competence, and the respect of others are examples of these needs.

**Self-Actualization Needs:** The needs include the desire for self-fulfillment, and to realize one's potential.

## Maslow's Hierarchy of Needs - Exercise #2 (a)

Page 2

Complete the following chart by listing examples of Maslow's Hierarchy of Needs and how these needs are met by you. Be prepared to discuss your work with the class.

Hierarchy of Needs	How Are These Needs Met by You?
List examples of each of the following needs.	Indicate how the needs are met (e.g., shelter paid for by family).
Physiological Needs	
Safety Needs	
Social Needs	
Esteem Needs	
Self-Actualization Needs	

## Classification of Needs and Wants - Exercise #2 (b)

On the graphic organizer, make a list of items that you believe fall into each of the categories below.

<b>Basic Needs to Survive</b>	<b>Wants</b>	<b>Wants Based on the Influence of Society</b>	<b>“Reflection” Challenges Based on Discussion</b>

## How Much Do You Spend a Week? Exercise #3

Record a list of each item that you buy each day during the week.

Sunday		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday	
Coffee	3.50												
<b>Total \$</b>		\$		\$		\$		\$		\$		\$	

Total for the week: \_\_\_\_\_

What category do most of your expenses fall into?

Are there expenses that could be eliminated?

Which expenses fall into the needs category?

## Teacher Resource - How to Create a Budget Guideline

Page 1

The following five steps are necessary to create and follow a budget:

1. Set Goals
2. Assess Your Finances
3. Plan and Prepare a Budget
4. Adhere to Your Budget
5. Reflect on and Revise Your Budget if Necessary

### Step 1: Set Goals

List two short-term financial goals and two long-term financial goals; e.g., Are you saving for a gift for a special occasion? Do you want to save money to purchase a vehicle? Are you saving for your post-secondary education? Are you saving for a holiday?

Set realistic financial goals.

Your goals can be achieved with the help of a budget.

**Formula: income - expenses = potential savings**

### Step 2: Assess Your Finances

- a. Determine your net income per month (hourly wage, commission, bonus, overtime, tips, and allowance).
- b. Determine your fixed costs/expenses per month (car payment, rent, savings, and phone plan).
- c. Identify your variable costs/expenses (e.g., groceries, clothing, gifts, eating out, laptop, entertainment, movies and gas).
- d. Determine how much you want to save per month.
- e. Figure out if your income will cover all of your costs/expenses.
- f. If your income will not cover all of your costs/expenses, determine what decisions you need to make so that you are able to meet all of your expenses without going into debt.

**Teacher Resource - How to Create a Budget Guideline****Page 2****Step 3: Plan and Prepare a Budget**

Use the chart below to list your net income by month, your fixed expenses by month, your variable expenses by month, and your planned savings.

In the column to the right, record your actual expenses.

Month	Net Income	Fixed and Variable Expenses	Planned Savings	Actual Expenses
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				

## Teacher Resource - How to Create a Budget Guideline

Page 3

### Step 4: Adhere to Your Budget

Do your best to stick to the budget that you have planned but realize that you may not have considered all of your expenses. Revisions may be necessary. There may also have been unexpected emergencies with associated expenses.

### Step 5: Reflect on and Revise Your Budget if Necessary

Reflect on and revise your budget if necessary on a monthly basis to determine if you are able to meet your financial goals. Adjust your spending habits and/or your goals as required.

## Plan and Prepare a Personal Budget – Exercise #4

Page 1

By completing this exercise, you will be planning and following a personal budget for one month.

The following five steps are necessary to create and follow a budget:

1. Set Goals
2. Assess Your Finances
3. Plan and Prepare a Budget
4. Adhere to Your Budget
5. Reflect on and Revise Your Budget if Necessary

### Step 1: Set Goals

List two short-term financial goals and two long-term financial goals; e.g., Are you saving for a gift for a special occasion? Do you want to save money to purchase a vehicle? Are you saving for your post-secondary education? Are you saving for a holiday? Set realistic financial goals.

1. \_\_\_\_\_
2. \_\_\_\_\_

Your goals can be achieved with the help of a budget.

**Formula: income - expenses = potential savings**

### Step 2: Assess Your Finances

- Calculate your net income for the month (hourly wage, commission, overtime, tips, and allowance).  
\_\_\_\_\_
- Calculate your fixed costs/expenses for the month (car payment, rent, phone plan).  
\_\_\_\_\_
- Calculate your variable costs/expenses for the month (e.g., groceries, clothing, coffee, eating out, phone, laptop, and entertainment).  
\_\_\_\_\_
- Determine how much you want to save per month.  
\_\_\_\_\_
- Total your income and costs/expenses; does your income this month cover all of your expenses? \_\_\_\_\_
- If not, what choices do you need to make?  
\_\_\_\_\_

**Plan and Prepare a Personal Budget – Exercise #4****Page 2**Use this chart to calculate the answers to the questions in **Step 2**.

Week	Net Income	Expenses			Savings
		Fixed	Variable (unplanned)	Total Expenses	
Week 1					
Week 2					
Week 3					
Week 4					

**Step 3: Plan and Prepare a Budget for One Month**

Complete the chart below showing how you plan to save and spend money during the month.

Week	Net Income	Expenses			Predicted Savings
		Fixed	Variable (unplanned)	Total Expenses	
Week 1					
Week 2					
Week 3					
Week 4					

Once you have completed the chart, based on your predicted savings, list two financial goals for yourself; e.g.,

I will save \_\_\_\_\_ per pay cheque to pay for my holiday.

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

## Plan and Prepare a Personal Budget – Exercise #4

Page 3

### Step 4: Adhere to your Budget

In this component of your budget, you will be challenged to adhere to your budget and not make unnecessary purchases.

### Step 5: Reflect on and Revise Your Budget if Necessary

At the end of the month, reflect on your budget and how you were able to follow it. Answer the following questions:

1. What were your financial goals?

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2. Did you meet your financial goals? Why or why not?

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3. Do you think that you able to save more money than you would have without a planned budget?

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4. Was it necessary to cut back on or eliminate some of your expenses to stay within your budget?

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5. What advantages or disadvantages did you find to using a budget?

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6. Will you continue to use a budget? Why or why not?

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**A Case Study Budget – Exercise # 5****Page 1**

Read the following case study and complete the questions below.

***Working for a Year (12 months)***

Susan graduated from high school in June and is taking a year off to work before pursuing a college diploma in a three-year business program at a local college. She must pay a \$250.00 monthly rent to her parents.

During her last semester of high school, Susan was enrolled in a co-op program. The company hired her to work part-time during the summer and the position continued into the year. Susan also works part-time on weekends at a grocery store as a cashier.

Her net earnings minus deductions (EI, CPP, union dues, and taxes) from both jobs total \$325.00 a week. Susan must pay for car insurance, maintenance, and gas for the privilege of driving the family vehicle. Car insurance is \$150.00 per month; gas is approximately \$150.00 per month, and maintenance is \$100.00 per month.

Susan has a cell phone plan which costs \$100.00 per month according to her contract. She must dress in professional business casual at the accounting job so she needs to purchase some clothing and she wears a uniform at her weekend job. Susan has set a \$500.00 budget for clothing. She must dry-clean her uniform at a cost of \$10.00 per month.

Susan will live at home while she attends college. Susan plans to save for the following costs in her first year at college:

Tuition	\$3,200.00 per school year
New Textbooks	700.00 per year
Laptop	1,200.00
Transportation (Bus)	60.00 per month
Printer and paper	220.00
Incidental Expenses	500.00

**Assess Susan's financial situation**

Complete the following chart showing Susan's work year income and expenses using the information contained in the case study.

**Work Year Expense Chart**

Item	Monthly Cost	Annual Cost	Indicate if Fixed or Variable Cost

Total Annual Income: \_\_\_\_\_ Total Annual Costs: \_\_\_\_\_ Net Amount left for College: \_\_\_\_\_

## A Case Study Budget – Exercise # 5

Page 2

Complete the following chart showing Susan's college expenses using the information contained in the case study.

College Expense Chart

Item	Monthly Cost	Annual Cost	Indicate if Fixed or Variable Cost

Total College Expenses/Costs: \_\_\_\_\_

Answer the following questions:

1. Does Susan have enough money to pay for her first year of college? \_\_\_\_\_
2. Does Susan have any money left to pay for her second year of college? If so, how much?

Calculation: \_\_\_\_\_