First Name_____   **Last Name**_____

> Date Received

Learning Points

- **Budgeting (50/30/20 Rule)**
- **Choosing a budgeting style**
- **Bad Habits**

What does a budget mean to you?_____

_____

What is the 50/30/20 rule?

The basic rule is to **divide after-tax income, spending 50% on needs and 30% on wants while allocating 20% to savings**. Needs are those bills that you absolutely must pay and are the things necessary for survival. For an example if you have a $500.00 paycheck, this is how you would figure out the cash amount for each percentage. $500 X .50 = $250.00 $500 X .30 = $150.00 $500 X .20 = $100.00

Activity 1:

Directions: After reading the 50/30/20 rule on page 1, I would like for you to talk to an elder that is retired and ask the following questions. This activity will help shape your way of thinking about budgeting and why it is important to financially plan for our future.

1. Do you live by a 50/30/20 rule? ❑ Yes ❑ No
   Why or why not? _____

   _____

2. Do you have any financial regrets? ❑ Yes ❑ No
   If so, what are they? _____

   _____

3. What types of needs do you spend your money on?

   _____

   _____

4. What types of wants do you spend your money on?

   _____

   _____

5. What types of savings do you have?

   _____

   _____

6. What advice do you have for retirement plans?

   _____

   _____

7. Can you give me some financial advice?

   _____

   _____

   _____

   _____

Definition and examples to know about in this lesson

Budget:
>A dollar amount that is divided up into expenses that is expected to be paid.
>Ex: Tyler has budgeted his money for his needs, wants and savings for the year.

Finance:
>Provide funding for (a person or enterprise) based off their credit history.
>Ex: Tyler is asking to borrow money from the bank to buy a car.

Credit:
>The ability of a customer to obtain good or services before payment, based on the trust that payment will be made in the future.
>Ex: Tyler has been working for a year at Walmart and is asking the bank to borrow money based on his income and past payments made to his bills (have all been paid on time).

Overspending:
>Is spending more money than one can afford.
>Ex: Tyler has a budget of $200.00 but his expenses cost more than what he has budgeted for.

Expenses:
>The cost required for something; the money spent on something.
>Ex: Is anything that money is used to pay for, they are considered "expenses."

Fixed Expenses:
>These are the expenses you have that do not change month-to-month
>Ex: Our mortgage/rent, car payment, and insurance are examples of fixed expenses. They may vary slightly from year-to-year (say, a rent increase) but overall, you can count on them to stay the same for at least a year at a time.

Variable Expenses:
>These are your expenses that will vary month-to-month and are probably the largest spending category
>Ex: Variable expenses include such things as groceries, gas for your vehicle, utilities, entertainment expenses, and clothing. By keeping track of these expenses over time, you can get a better idea of how much you are spending each month and plan accordingly.

Period Expenses:
>Come up at least once a year, set aside a little bit each month to cover the cost.
>Ex: Set a designated amount to spend on holiday gifts in January, divide the amount by 12, and set aside that amount each month in a savings account dedicated for just that purpose. In the case of truly unexpected expenses, such as a major car repair, an emergency savings account can keep you from having to charge it to a credit card.

(watch video "Strategies for Saving more and Spending less", that is posted in the FB "Youth Work Experience Program" page).

Why is it important to budget?

- Budgeting is important for your financial stability, ensuring you can pay common expenses like all your <u>Needs</u>, <u>Wants</u> and making sure you <u>Save</u>. But what exactly is budgeting? It is a proactive approach to organizing your finances.
- Budgeting ensures that you are only spending the money you have, and that you are not overspending.
- It is an easy, helpful way for people with all types of income and expenses to keep their finances in order.

How does it work?

- Take your monthly income and minus all your expenses; remember to keep in mind the 50/30/20 rule so that you don't overspend.

(watch video "How to plan for Fixed Variable and Period Expenses, that is posted in the FB "Youth Work Experience Program" page).

Watch out for these Budgeting BAD HABITS!

- Spending your money before you get it.

- Not using the Envelope Method sooner.

- Emotional Spending: This occurs when you buy things you do not need due to feeling sad, depressed, happy, bored, lonely, etc.

- Not saving money on groceries.

- Not adding irregular (Unexpected) expenses.

- Not making room in your budget for FUN.

- Budgeting should not feel like a punishment.

- It should feel like an awesome tool to help you reach your financial goals so you can live a life you LOVE.

- Impulse buying.

- Shop with a list: If an item is not on the list, do not buy it. Unplanned buying equals overspending.

- One study determined four-out-of-five gym memberships go unused. In most cases, even if club memberships go unused, consumers are expected to pay the monthly dues.

- Not tracking one's expenses.

- Irregular expenses are those payments that are due periodically but not often enough to include in your monthly budget (like car registration, semi-annual auto insurance, and other expenses that are billed once or twice a year).

Activity 2: <mark>(watch video "How to Create a Budget", that is posted in the FB "Youth Work Experience Program" page).</mark>
Directions: Let us get started with a fun "what would I do" budget. For each scenario, indicate a description for each cash amount.
When you are done, minus all your expenses and give me a total amount at the bottom to tell me what you have left.

Scenario 1, It is payday and I want you to indicate what you would spend your $500.00 paycheck on.

$500.00	**Description of your expenses**
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
- _____	_____
= _____	**TOTAL (Do I have anything left)?**

1. How do you feel about what you spent your money on?

   _____

   _____

2. A month from now, you have an emergency and need money now. Do you have money saved from this past paycheck? ❑ Yes   ❑ No

3. **Scenario 2**, It is payday and you have to follow the 50/30/20 rule, tell me where your $500.00 paycheck will go. (hint, you can refer to page 1 for help).

    $500.00   **Description of your expenses**

- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____
- _____   _____

=   _____   **TOTAL (Do I have anything left)?**

1. How do you feel about what you spent your money on?

   _____

   _____

2. A month from now, you have an emergency and need money now. How much money do you have money saved from this past paycheck? _____

Budgeting Styles:

Check Book Method:

- Deposit 100% of all checks into the checking account
- Pay most of your expenses with check, debit card, or auto-pay
- Record ATM withdrawals and debit card transactions in the check register immediately along with the purpose of the expenses
- Review your monthly statements to ensure you have not missed anything

Notebook Method:

- Use a notebook or spreadsheet to record day-to-day expenditures when developing a cash-flow statement. You can use the same method for budgeting. At the top of each page write the category and the amount budgeted for that category
- Calculate a declining balance throughout the month
- If you reach $0 in a category during the month you have two choices: Stop spending in that category
- Transfer a balance from another category and reduce spending in that category

Envelop Method:

- At the beginning of the month, place the exact amount of money you have budgeted to spend on each category into separate envelopes. This technique works especially well to control spending for variable expenses such as entertainment, personal allowances, and food. Write the category name and the budget amount on each envelope
- As you spend money in a category, write the amount on the envelope and/or place the receipt in the envelope
- When an envelope is empty, funds are exhausted for that category
- Best method for budgeting quickly and most shows the most progress

Something to think about: *If the first budgeting method you try does not work well for you, do not give up. Try a different method next month until you find a system you know you will be able to stick with long term.*

(watch video "The 7 Steps on How To Create a Budget", that is posted in the FB "Youth Work Experience Program" page).

Activity 3:

Directions: Read each scenario and calculate how much of a budget they have to work with for the **50/30/20 rule.** Then place a "X" for each category indicating if they are a "N" for need, "W" for want, or "S" for savings. When you are finished, you will need to recalculate how much was actually spent and answer the remaining questions.

EXAMPLE: Sara is 18 years old and has just started working at Walmart, she wants to move out of her parent's house. Below is a list of expenses that Sara would need and want to have.

1. What are the amounts Sara has to work with in order to stay in the 50/30/20 rule?
   $1,000 X .50 = $500.00 $1,000 X .30 = $300.00 $1,000 X .20 = $200.00

$1,000.00	**Description of your expenses**	N	W	S
- $450.00	**Rent**	X		
- $75.00	**Electricity**	X		
- $50.00	**Cell phone**	X		
- $50.00	**House gas (to stay warm during the winter)**	X		
- $60.00	**Boxy charm (monthly makeup subscription)**		X	
- $35.00	**Transit bus pass (to get to work)**	X		
- $200.00	**Groceries**	X		
- $60.00	**Cable**		X	
- $20.00	**Work clothes**	X		
- $60.00	**Clothes (all my top of the line brands)**		X	
- $200.00	**Savings**			X
- $60.00	**Going out to eat**		X	
- $60.00	**Going out with friends**		X	
- $50.00	**House hold cleaning and hygiene items**	X		

2. How much did the expenses come up to for each category of the 50/30/20 rule?
   Needs = $930.00   Wants = $300.00   Savings = $200.00

3. Is Sara over budget? ☒   Yes   ❑   No
   What can Sara do to reach her goal? Find a way to increase her income by furthering her education or picking up a 2nd job.

Scenario 1: Tyler is 14 years old and his mother has been paying his expenses up until he got his first job. Tyler's mother wants him to realize how expensive things are and to show him, she told him that he needs to spend his first paycheck on the following expenses. Tyler's mother is hoping that he will learn the value of money and to appreciate what she has been doing for him.

1. What are the amounts Sara has to work with in order to stay in the 50/30/20 rule?
   $500 X .50 = $_____ $500 X .30 = $_____ $500 X .20 = $_____

$500.00	**Description of your expenses**	N	W	S
- *$100.00*	**iPhone 11**	☐	☐	☐
- *$75.00*	**Wifi**	☐	☐	☐
- *$50.00*	**Snacks**	☐	☐	☐
- *$10.00*	**Xbox Live**	☐	☐	☐
- *$25.00*	**VBucks**	☐	☐	☐
- *$30.00*	**School supplies**	☐	☐	☐
- *$45.00*	**Hygiene items and hair cuts**	☐	☐	☐
- *$35.00*	**Hulu/Netflix**	☐	☐	☐
- *$100.00*	**Clothes**	☐	☐	☐
- *$60.00*	**Shoes**	☐	☐	☐
- *$100.00*	**Savings**	☐	☐	☐
- *$30.00*	**Pet food**	☐	☐	☐
- *$20.00*	**Pet toys**	☐	☐	☐
- *$100.00*	**Savings**	☐	☐	☐

2. How much did the expenses come up to for each category of the 50/30/20 rule?
   Needs = $_____ Wants = $_____ Savings = $_____

3. Is Tyler over budget? ☐   Yes   ☐   No
   What can Tyler do to reach his budget?_____

   _____

Scenario 2: Tara is a 21-year-old who likes to go to concerts. She has $1,200.00 that she has been saving and would like to have the time of her life when she goes to California to see Post Malone. Below are a list of expenses that Tara would need and want to have.

1. What are the amounts Sara has to work with in order to stay in the 50/30/20 rule?
    $1,200 X .50 = $_____ $1,200 X .30 = $_____ $1,200 X .20 = $_____

$1,200.00	**Description of your expenses**	**N**	**W**	**S**
- *$250.00*	**Plane ticket (round trip)**	☐	☐	☐
- *$75.00*	**Concert ticket**	☐	☐	☐
- *$150.00*	**Limo transportation**	☐	☐	☐
- *$125.00*	**Hotel**	☐	☐	☐
- *$60.00*	**Souvenirs**	☐	☐	☐
- *$80.00*	**Fancy Dinners**	☐	☐	☐
- *$40.00*	**Breakfast**	☐	☐	☐
- *$50.00*	**Lunches**	☐	☐	☐
- *$60.00*	**Dinners**	☐	☐	☐
- *$30.00*	**Snacks**	☐	☐	☐
- *$240.00*	**Savings**	☐	☐	☐
- *$80.00*	**Taxi**	☐	☐	☐
- *$60.00*	**Extra entertainment**	☐	☐	☐
- *$50.00*	**Tipping money**	☐	☐	☐

2. How much did the expenses come up to for each category of the 50/30/20 rule?
    Needs = $_____ Wants = $_____ Savings = $_____

3. Is Tara over budget? ❑   Yes   ❑   No
    What can Tara do to reach her goal?_____
    _____

Scenario 3: Dylan and Stephanie are 24 years old and they just had a newborn baby. When Stephanie goes back to work, she wants to know if she is going to be able to afford daycare? With their combined income, they bring home $2,500.00 a month. Below are a list of their expenses.

1. What are the amounts Sara has to work with in order to stay in the 50/30/20 rule?
    $2,500 X .50 = $_____ $2,500 X .30 = $_____ $2,500 X .20 = $_____

$2,500.00	**Description of your expenses**	N	W	S
- *$650.00*	**Rent**	☐	☐	☐
- *$75.00*	**Electricity**	☐	☐	☐
- *$100.00*	**Cell phone**	☐	☐	☐
- *$50.00*	**House gas (to stay warm during the winter)**	☐	☐	☐
- *$240.00*	**Daycare**	☐	☐	☐
- *$350.00*	**Vehicle payment**	☐	☐	☐
- *$300.00*	**Groceries**	☐	☐	☐
- *$60.00*	**Hulu/Netflix/Disney Plus**	☐	☐	☐
- *$100.00*	**Additional baby needs/wants**	☐	☐	☐
- *$200.00*	**Clothes (for the whole family)**	☐	☐	☐
- *$500.00*	**Savings**	☐	☐	☐
- *$60.00*	**Going out to eat**	☐	☐	☐
- *$80.00*	**Vehicle insurance**	☐	☐	☐
- *$150.00*	**House hold cleaning and hygiene items**	☐	☐	☐

2. How much did the expenses come up to for each category of the 50/30/20 rule?
    Needs = $_____ Wants = $_____ Savings = $_____

3. Are they over budget? ❑   Yes   ❑   No
    What can they do to reach their goal?_____

    _____

QUIZ

1. What is the **50/30/20 Rule**?
   a) Wants, savings, needs
   b) Savings, needs, wants
   c) Needs, wants, savings

2. Which one of these "Bad Habits" is not listed from page 4?
   a) Emotional Spending: This occurs when you buy things you do not need due to feeling sad, depressed, happy, bored, lonely, etc.
   b) Impulse buying.
   c) Use your credit to pay off another credit card.
   d) Spending your money before you get it.

3. From the budgeting styles lesson, what budgeting method pays most of their expenses using a check, debit card or autopay?
   a) Checkbook method
   b) Notebook method
   c) Envelope method

4. From the budgeting styles lesson, which method uses a technique that controls spending for variable expenses?
   a) Checkbook method
   b) Notebook method
   c) Envelope method

5. What method would you use to budget?
   a. Checkbook method
   b. Notebook method
   c. Envelope method
   Why? _____
   _____

6. What were the 7 steps on How To Create a Budget (from the FB video link)
   1.
   2.
   3.
   4.
   5.
   6.
   7.