

BUDGETING

GOAL:

- To develop a realistic workable budget.

RATIONALE:

Often, young people don't bother to budget because they don't earn much and think it is a waste of time. Regardless of what our income is, everyone needs to practise management skills related to money. A detailed, realistic budget will help us to live and work comfortably now and in the future.

MATERIALS NEEDED:

Flipchart, markers, CD or tape player, a CD or tape with the piece *If I Had a Million Dollars*, copies of **Count the F's**, a copy of **Guidelines For Budgeting** and **Creating A Personal Budget** for each participant, magazines depicting household items, furnishings, apartment needs and wants, one large poster board per group, scissors, glue sticks, markers, play money (i.e. \$2,000 Monopoly money per group), fictitious credit cards, calculators.

METHOD:

Warm Up: How Many F's Do You See

Have some copies of the following lines printed ahead of time. Pass them out facedown. Direct everyone to turn them over at the same time and count the number of f's.

FEATURE FILMS ARE THE RESULT
OF YEARS OF SCIENTIFIC STUDY
COMBINED WITH THE
EXPERIENCE OF YEARS

Allow a short time before asking "How many of you have the lines with the three f's?" Next ask how many found four, five or six. In time, go over the lines and point out the six f's. Discuss how this happened.

Exercise 1: If I Had a Million Dollars

Play the song *If I had A Million Dollars* by the group Barenaked Ladies.



Questions to Consider:

- How realistic is it to expect to have a million dollars?
- What would you do if you had a million dollars?
- Do you know anyone who has a million dollars?
- How do most people get money?
- Can money buy happiness? Explain.
- How much money do we need to be happy?
- What are some of the things we need money for?
- What is the difference between needs and wants?

Theory:

Generate feedback from group and flipchart ideas using the following questions:

- What is a budget?
- What needs to be included in a budget?
- How would a person begin to develop a budget?

Distribute copies of ***Guidelines for Budgeting*** worksheet and review with group.

Exercise 2: My First Apartment

Lead a discussion on moving out of the family home and setting up a first apartment. Have the group participate in the following activity and discuss the questions outlined.

Have the group form triads. Instruct participants to use the materials to create a visual shopping list of items they would need (or want) for their very own first apartment. Ask them to glue pictures on the poster board and record an approximate cost for each item included. Distribute \$2,000 in play money to each group and explain that this is how much money they have to set up their apartment. Give each small group a calculator for budgeting purposes.

Half way through their shopping, ask each small group if they would like to receive a credit card with a limit of \$1,000 at an interest rate of 21%. Distribute a fictitious credit card to any group that agrees to the terms.

When the shopping lists are completed ask each group to tally their purchases and record the total on their poster board. Ask them to add appropriate taxes if they haven't already done so. Remind them to calculate the credit card payment and the accumulated interest.

Questions to Consider:

- Did you have enough money to buy everything you needed/wanted?
- Which items were indispensable?
- Which items could you have lived without?
- How much money could have been saved by doing without non-essential items?
- What's the difference between the ticket price and the actual cost of items?
- How could some items be purchased at a lesser cost?
- How did the credit card affect the overall finances?
- What are the hidden costs involved with charging credit?
- What were some of the marketing strategies to encourage you to purchase?
- How did your shopping list compare with others?
- How did your spending compare with others?
- Do you have money left over...break even...in debt?
- What would be your next step, given this situation?

Exercise 3: My Personal Budget

Instruct participants to prepare their own unique monthly budget. Have them form groups of three to discuss some of the advantages and disadvantages pertaining to budgeting.

Exercise 4: Problem-Solving

Ask the group to name some of the problems/issues associated with budgeting. Divide the participants into triads and have each group work on ways of dealing with these identified problems/issues. Encourage lateral thinking and problem-solving.

Closer: In large group, discuss the personal learning from today's lesson. Ask participants how they will apply what was relevant to their everyday life.

EVALUATION:

CREDIT:

Exercise 2: My First Apartment adapted with permission from Ansell, Dorothy and Morse, Joan. "Apartment Budgeting." *Creative Life Skills*. Tampa, FL: Ansell & Associates, 1994. P. 107.

THEORY BOX

GUIDELINES FOR BUDGETING

Predict 'Unfixed' Expenses:

There are variations in income and expenses which make each person's budget unique. For example, if taking an annual vacation is important to you, then you need to choose between budgeting a fixed monthly amount or rely on an anticipated annual income to cover this category. Other expenses to consider might include medical/dental costs, special occasion allowances, tuition or professional development. Work to avoid financial worries and problems.

Focus on Goals:

Goal number one is to live within your means. That is, your income sufficiently covers your expenses and hopefully allows for some savings.

Goal number two should be to try and save at least 10% of your income. Savings are what will allow you to achieve your financial goals both now and in the future. If you cannot save at the present, have a plan in place to do so as soon as possible. Effective money management is one way to achieve these goals. Make your budget work for you.

Avoid Hassles:

Now that you know what the big monthly picture looks like, you will want to break it down weekly or biweekly based on your paydays. Once you have a sense of due dates or weekly requirements, you can then prepare to manage your cash flow and avoid running short when you need it.

Forecast:

If you are really ambitious, you can plan for an entire year based on your estimated monthly income and expenses. Remember to evaluate your financial forecast monthly to make sure you remain on target.

CREATING A PERSONAL BUDGET

MONTHLY INCOME:

Employment Income (based on net/take home pay)

Other Income (if any)

TOTAL MONTHLY INCOME \$ _____

MONTHLY EXPENSES:

Rent (shared expense?)

Utilities (shared expense?)

Telephone (shared expense?)

Transportation

Clothing

Recreation

Savings

Miscellaneous

TOTAL MONTHLY EXPENSES \$ _____

How well does your monthly income match or exceed your expenses?

How accurately have you predicted income/expenses?

