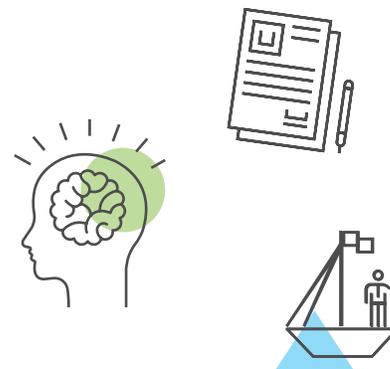


LESSON #1

HOW TO CREATE A BUDGET



WHAT TO DO

- Introduce the idea that a budget is a document that shows how much money you earn (income) and how you spend it (expenses).
- Explain a budget includes both fixed and flexible items. Ask students if they know the difference and explain that fixed is the same each month, while flexible items vary. (See Lesson 1 Budget Chart).
- Analyze the outcome of the budget on the budget chart and discuss the differences between categories. For example:
 - ✓ Why is transportation both a fixed and flexible expense? (Some items like a car payment are the same each month, while repairs and gas costs vary.)
 - ✓ Why should you include savings as an expense? (Paying yourself first ensures you can cover emergencies.)
 - ✓ What categories can you adjust or control in a budget? (While some fixed expenses can be negotiated, like opting for a less expensive phone plan, flexible expenses offer the greatest range of decision-making. For example, if you overspend on electronics, you can reduce your expenses by waiting to make purchases until you have enough money.)
- Distribute copies of Lesson #1 Student Activity and ask students to think through their own income and expenses. Allow students time to complete the student activity individually or in small groups or assign as a take-home project.
- Ask students to share their reflections from the student activity. Discuss how budgets evolve over time and how decision-making influences our budgets—and can increase or decrease our financial stress.



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LESSON #1

BUDGET CHART



INCOME	FIXED			FLEXIBLE		
	Item	Anticipated	Actual	Item	Anticipated	Actual
	Net Monthly Pay-check	\$2,200.00	\$2,010.94	Waitressing	\$500.00	\$650.00
Total Net Income = \$2,660.94						

EXPENSES	FIXED			FLEXIBLE		
	Item	Anticipated	Actual	Item	Anticipated	Actual
	Savings (pay yourself first)	\$200.00	\$250.00	Groceries / Food	\$250.00	\$246.59
	Housing (rent, renter's insurance or mortgage)	\$700.00	\$700.00	Gifts and holidays	\$50.00	\$25.00
	Utilities (electricity, gas, water, phone, internet, TV)	\$375.00	\$367.59	Personal items (hair-cuts, gym, clothes, electronics)	\$175.00	\$200.74
	Transportation (bus pass, car payment, car insurance)	\$250.00	\$264.39	Transportation (unexpected repairs, gas)	\$125.00	\$121.63
	Health insurance	\$135.00	\$135.00	Health care (fees and costs not covered by insurance)	\$50.00	\$0.00
	Debt payments (student loans, credit cards)	\$250.00	\$250.00	Entertainment (eating out, movies, concerts)	\$50.00	\$58.63
	Total Fixed Expenses	\$1910.00	\$1966.98	Total Flexible Expenses	\$700.00	\$652.59
Total Expenses = \$2,619.57 Total Net Income After Expenses = \$41.37						

