



Lesson Module 4:
The Game Plan—The Art of Budgeting



Module 4—Overview

A football game plan brings together all the skills on a team in order to win the game. A budget does the same for your finances. It brings together all your financial skills to create a plan for financial success.

You have to track your expenses and know your assets and liabilities. You've got to plan to save to let interest work for you. And you have to know how to use credit and debit cards wisely.

But that's just the start. After creating a budget, you should not only know your current financial position... you should also know how you're going to achieve your desired financial future.

Goals

- Assist in identifying and prioritizing personal and financial goals, create a plan to achieve those goals, and provide practice setting up and maintaining a personal budget.

Objectives

- Learn how to gather the information needed to build a budget
- Develop a budget
- Learn how to work with a budget to accomplish goals



Module 4—Teaching Notes

Building a budget takes a little time. But it's absolutely vital to financial health.

Track your expenses for a month to start a budget. What did you buy? What bills did you pay? Basically, where did your money go? Then categorize your spending into groups such as clothing, food, music downloads, auto, etc. Think of other areas in which you might spend money on a regular basis. Don't forget to include some money for savings.

Identify your income. Only include regular sources of income such as paychecks and allowances. If you get paid monthly or semi-monthly, it is easy to calculate your monthly income. If you get paid weekly or bi-weekly, multiply your weekly income by 52 or 26 respectively to get your annual salary. Then divide by 12 to get your monthly income. Now that you have your expenses and income quantified, it's time to examine and fine-tune your budget.

Subtract expenses from income. This is to determine how much money you have left over at the end of the month. If you have more income than expenses, that's good. If you spend more money than you earn, you're going to have to decrease your expenses or increase your income. Keep in mind it's easier to decrease your expenses.

Timing is important. If you get paid once a month, be sure to budget money to last the whole month. If you get paid twice a month, but you have several large expenses at the beginning of the month, make sure you save some of your money from the end of the month to help with the next month's bills.

Reasons to budget are numerous:

- To determine how much money you have to spend
- To decide how you want to spend your money
- To determine how to spend money in the future
- To learn to live on less than available income
- To stay out of financial trouble

Be prepared for new financial situations. When something changes, some part of your income or your expenses, you'll know how it affects your overall financial picture, and what you need to do to cope with the changes.

Maintain your budget. Each month be sure to compare your actual spending with your budget. If you consistently spend more or less than your budgeted amount in any category, update your budget to reflect reality. An inaccurate budget can do more harm than good.



Debit cards are handy tools to help work with your budget. At the end of the month, you'll have a record of all the spending you've done with your debit card.

Credit cards can be very dangerous if you don't have a budget. If you don't know how much you can afford, how will you know if you overspend? Or, if you're making a large purchase and paying it off over time, how will you know how long it will take to pay off, and how much interest you will pay?

Achieving financial goals is much easier with a budget. If you take money out of your budget for savings each month, you'll progress towards your goal at a steady pace. Add the fact that you may earn interest on your savings and you'll reach your goal even faster.

Don't tack savings on to the end of your budget. Put savings on the top of your budget. If you save what's left over, you most likely won't have anything left over. Expenses seem to have a way of expanding to match income.



Module 4–Discussion

Setting goals is an important part of securing your financial future. Here are some things to consider in your goal-setting process.

Well-written personal and financial goals SHOULD:

Be realistic

- A student working part-time is not likely to be able to afford a new car every couple of years.

Be stated in specifics

- “I plan/want to save \$5,000 for a down payment to buy a house.”

Have a time frame

- “I plan/want to pay off my credit card within the next 18 months.”

State the action to be taken

- “I plan/want to start an automatic deposit savings account with monthly withdrawals from my checking account.”



Module 4–Activity

Directions

Use this form to set up a personal budget. After you've completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

Income	Budget	Actual	Difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total monthly income	\$	\$	\$

Expenses	Budget	Actual	Difference
Fixed expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Credit card	\$	\$	\$

Flexible expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
Clothes	\$	\$	\$
Entertainment	\$	\$	\$

Transportation			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$