

8

Create a Budget that Is Based on Your Income

TRANSITION OBJECTIVE

Students will use a worksheet to build a budget for the salary they will earn in a hypothetical job.

RELEVANCE TO SUCCESSFUL TRANSITION

Having a budget and lifestyle that is reasonable for our income helps prevent pressure and frustration. Budgeting also helps us see what we need to do to reach our future goals and dreams.

INSTRUCTIONAL SEQUENCE

❑ STEP 1: Update Journal

The more money I have the . . .

❑ STEP 2: Convene Roundtable

"When I get my paycheck I plan to ____."

❑ STEP 3: Advance Organizer

"Today you will make a budget based on your income."

❑ STEP 4: Activity - 15 Minutes

Ask students if any of them have ever regretted spending their money on something. Discuss their feelings about this and the lesson they learned. Ask students to raise their hands if one of these statements describes them:

- 1) I carefully think about what I will spend my money on before I spend it;
- 2) I make quick decisions and buy what I want when I see it.

Explain that financial success depends upon how carefully people handle their money. To illustrate this idea, have students take turns reading the story **Maria & Rob**. In a short discussion, ask for student comments and reactions to the story.

105



LIFE MANAGEMENT: Unit 3

LESSON 8

Maria & Rob

As Rob looked back over the last year, he was happy with his life. He was getting married tomorrow to Maria. He couldn't wait to start their life together. It hadn't been easy though. A few times this last year, Rob didn't think they could work it out at all. But after working together, he and Maria had made great plans for their future.

He was looking forward to the wedding. It would be smaller than they had wanted, but at least their parents could afford everything. They were inviting 75 people. It would be a light lunch, wedding cake and dancing to CDs. A friend would take the wedding pictures. Rob's uncle was going to video tape the wedding. He and Maria would have a honeymoon at the cabin owned by his cousin.

After the honeymoon, he and Maria would move into their one-bedroom apartment. It was small and only \$300 a month. This way, they could save money. Best of all, it was close to the college where he and Maria were taking classes part-time. It had been a hard decision to go to college part-time. But now they didn't have to borrow money. They were also delaying having children for at least four years. By then, they would be finished with college and have better jobs.

The hardest thing to work out was the car. Rob had a sports car that he loved. He only had two years of payments left. The payments were \$300 per month plus \$250 a month for insurance. Together they were earning \$2,500 a month. After they looked at their budget they knew they would not be able to pay for the car. Maria had a Volkswagen bug that Rob really didn't like. He hated to drive the bug because his friends made fun of it. But if he didn't use the bright yellow bug, he would have to take out loans for college.

They had worked out a budget to save money. They wanted to stop working for one year to finish college. They cut down on all of their spending. Utilities would cost about \$120 a month if they kept the air and lights off when they weren't home. Car insurance and gas would cost \$380 a month. They needed \$220 a month to pay for their college costs now. If they didn't go out to eat, groceries and supplies would cost \$350 a month. They decided to set aside \$100 a month for clothes and household items. For emergencies, they set aside \$100 a month. That left \$500 a month to save for their year off.

Rob felt bad that they wouldn't be able to go out to dinner or concerts anymore. Maria told him that if they could sacrifice for just a few years, they would be able to get everything they wanted when they finished school.

© Used by permission of the James Standard Company, Santa Barbara, CA 93103

THE TRANSITION CURRICULUM

105

106



LIFE MANAGEMENT: Unit 3 LESSON 8

Make a Budget

Make a budget using the steps below.

Step 1 Start with your **total monthly pay** amount: _____

Step 2 Set aside 10% of your pay for savings:

Monthly pay _____	x 10%	= Monthly savings _____
-------------------	-------	-------------------------

Step 3 Subtract Step 2 from Step 1:

Monthly pay _____	-	Monthly savings _____
		total monthly pay left _____

Step 4 If you plan to live with your parents, budget \$100 for rent and utilities

Step 5 If you plan to live away from home, budget 30% of your monthly salary for rent and utilities.

Monthly pay _____	x 30%	= total monthly rent _____
-------------------	-------	----------------------------

Step 6 Subtract \$100: Step 4, or total Monthly Rent: Step 5, from Step 3:

Step 3 total monthly pay left _____	-	Step 4 or Step 5 total monthly rent _____
		total monthly pay left _____

Step 7 Do you plan to buy a car? ☐ yes ☐ no
 If yes, you will pay \$100 per month for the bus or ride share.
 If yes, you will pay \$400 per month for a new car plus \$225 for gas and insurance, or \$200 per month for a used car, plus \$200 for gas and insurance.
 Subtract Step 7: transportation costs from Step 6: total monthly pay left:

Step 6 total monthly pay left _____	-	Amount for transportation _____
		total monthly pay left _____

Step 8 How much will you budget for eating out and buying groceries in one month? \$ _____

Subtract Step 8: food costs from Step 7: total monthly pay left:

Step 7 total monthly pay left _____	-	Amount for food _____
		total monthly pay left _____

© Used by permission of the James Stanfield Company, Santa Barbara, CA 93103 THE TRANSITION CURRICULUM

106

107



LIFE MANAGEMENT: Unit 3 LESSON 8

Make a Budget

Page 2

Continue your budget.

Step 9 How much will you budget for clothes each month? \$ _____

Subtract Step 9: clothing costs from Step 8: total monthly pay left:

Step 8 total monthly pay left _____	-	Clothing costs _____
		total monthly pay left _____

Step 10 How much will you budget for movies, concerts, parties, and going out with friends? entertainment? \$ _____

Subtract Step 10: entertainment costs from Step 9: total monthly pay left:

Step 9 total monthly pay left _____	-	Entertainment costs _____
		total monthly pay left _____

Step 11 How much money will you budget for emergencies including car repairs, household repairs, emergency doctor visits? \$ _____

Subtract Step 11: emergency costs from Step 10: total monthly pay left:

Step 10 total monthly pay left _____	-	Emergency costs _____
		total monthly pay left _____

Step 12 How much of your total monthly pay do you have left?

Step 11 total monthly pay left _____	-	Total monthly pay left _____
--------------------------------------	---	------------------------------

What will you do with your leftover money? (Will you contribute to a charity or help a friend or family member in need?)

1. _____
2. _____
3. _____

Step 13 What will you have to do if you have a negative amount left? What expenses will you cut back on?

1. _____

© Used by permission of the James Stanfield Company, Santa Barbara, CA 93103 THE TRANSITION CURRICULUM

107

STEP 5: Activity - 30 Minutes

Using a screen image, go over the worksheet **Make a Budget** with the class. Write budget figures on the screen image, using the pay earned by Terry Smith in Lesson 4. Next, have students work individually or in pairs to complete their own budget, using the pay earned from the job they chose in Lesson 3. Once everyone has finished, discuss the budget with the class and ask students to share parts of their budgets. Have students mark the square labeled, *Budget & Save For Independence*, on **The Game of Life**. Have students take turns rolling a die to earn extra cash. A roll of one, two or three represents a good decision about spending money and they receive \$120. A roll of four, five or six means they have made a poor decision. They pay \$40 to the bank.

STEP 6: Evaluate Outcomes

What can you do to save money to buy the things you need? "_____"

STEP 7: Connecting Activity

- 1) In one paragraph describe your thoughts about this sentence: "The first thing to do when you get your paycheck is to pay yourself."
- 2) Encourage discussion about the characteristics and uses of auto-tellers and online banking vs. going to the bank for deposits and current balance reports.

KEY WORDS

budget

economize

nest egg

conserve

MATERIALS AND PREPARATION

- Student Handouts: **Maria & Rob**, page 105; **Make a Budget**, pages 106-107.
- Become familiar with story, **Maria & Rob**.
- Complete a screen image of the handout **Make a Budget** to use as an example.

SCANS FOUNDATION SKILLS

- Basic Skills: Reading, Writing, Math
- Thinking Skills: Decision Making, Problem Solving, Reasoning
- Personal Qualities: Responsibility, Self-Esteem, Self-Management