Lesson 1-4: Spending Plan

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OVERVIEW

You've analyzed what you've been spending money on and set some SMART goals to strive for. Now, the rubber meets the road and it's time to start making it happen. Your next step is to create the road map that will guide you to your destination: success.

Your map is a spending plan or budget. It should detail exactly how you're going to use your money to pay for the things you want. An effective spending plan not only multiplies your chances of success, it also helps make the journey faster and easier.

In this lesson, you will develop the skills you will need to create an effective spending plan.

LEARNING OUTCOMES

In this lesson you will learn how to create a spending plan. Along the way you will:

❑ Discuss how a spending plan can help you manage your spending habits.

❑ Describe what a spending plan is.

❑ Explain how to use a spending plan.

You will use what you learn to create a plan to guide your spending, particularly for large purchases.

LEARNING TASKS
These tasks match pages 22-31 in Student Guide 1.

___1.	Brainstorm a list of tricks stores use to get you to buy things. Think about your experience *before* you shop as well as when you go *into* a store. Be sure to include online shopping experiences!
___2.	Life happens! There are so many things that happen to us that we don't plan for. Most times, these accidents cost us money. Estimate what a "repair" might cost for incidents that could involve teens.
___3.	Determine whether or not Michael and Selena have enough income for their monthly expenses and savings goals. Recommend ways to adjust expenses or income.
___4.	Complete **Activity 1.7: My Income** to list your sources of income. Complete **Activity 1.8: My Expenses** to classify how you spend your money. Practice creating a spending plan. Make sure that the total expenses don't exceed the total income.
___5.	Complete **Challenge 1-C: My Spending Plan** to create your own spending plan for an event, financial goal, or a month of regular expenses.

⮕ EXTENSION

Are you involved with a class or youth group project that involves raising or spending money for a trip or project? Create a spending plan for a class trip or group project.

Start out by setting goals, and then estimate the expected expenses for the trip or project. Use the DECIDE model to identify income options so you can create a realistic spending plan to cover the anticipated expenses.

⮕ TAKING IT HOME

What kind of lifestyle do you expect to have in ten years? With an adult, complete the **Jump$tart Reality Check** to imagine what your budget might be when you live on your own. (**www.jumpstart.org/reality-check.html**)

The adult can help explain how the different lifestyle choices you make will impact your wallet. That person can also give you a better idea of what items you *need* to have and also let you know what things can cost, such as medical expenses or a pet.

This short activity will let you know roughly how much you would need to earn an hour to afford your lifestyle choices. It will also give you an idea of a career that will support your desired lifestyle. Talk to the adult about how a job can influence lifestyle choices, as well as how lifestyle choices can impact the job you get.

Activity 1.7: My Income

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NAME: **DATE:**

1. What kinds of income do you normally receive throughout the year?

2. Are there certain times when you seem to earn more money than usual?

3. What are some predictions you can make about your income this year based on what you've earned before?

NAME: DATE:

Directions:

Use your spending log from **Activity 1.2 My Disappearing Dollars** to group your expenses into categories. Calculate what percent of your total spending is used for each category.

<u>Percent</u>	<u>Expense Type</u>
%	
%	
%	
%	
%	
%	
%	
%	

_____

100%

Task: Maya's Spending Plan

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NAME: **DATE:**

Scenario:

Maya is a senior in high school. She earns $8 an hour working approximately 25 hours a week at the local grocery store. An estimated 30 percent of her pay is deducted for taxes. Maya also earns approximately $15 each month in interest on savings.

Maya still owes money on her used car ($235 a month), but she doesn't pay rent because she lives with her parents. She is responsible for the following expenses every month: cellphone ($35–$45), gas ($40–$60), and auto insurance ($50). Maya likes to play video games and listen to music, so she frequently buys games and music. Maya typically buys her own clothes and electronic gadgets, but she also receives gifts from her family for special occasions.

One of Maya's short-term goals is to take a trip to visit her grandparents right after graduation. She expects this to cost $1,000, and she has already saved $500. A long-term goal is to attend college over the next four to five years at the local state school. She plans to pay part of the tuition from her savings and will need to find other funding sources. So far she has set aside $7,000 for her college fund.

Directions:

Create a monthly spending plan for Maya using the information provided. Use this Spending Plan worksheet to build the plan. (Option: Download the spreadsheet file from www.hsfpp.org to easily adjust the income and expense amounts.)

Task: Maya's Spending Plan

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Step 1: List Maya's anticipated monthly income sources and amounts. Calculate the total income she expects to receive in a month.

Maya's Monthly Income:	Amounts
Maya's Total Income:	

Step 2: Add expense categories and insert predicted amounts for each category. Remember to include "pay yourself first" amounts to build up Maya's trip fund and college fund. Calculate the predicted total amount needed to cover expenses and savings goals.

Maya's Monthly Expenses and PYF:	Amounts
Maya's Total Expenses:	

Step 3: Compare the total income to total expenses. Make adjustments to the expense amounts to ensure that Maya can cover the expenses with the income she expects each month.

Total Income:	
Total Expenses:	
Difference:	

NAME: DATE:

For this challenge task, create a spending plan to guide your spending for the next several weeks or the next month, or create a plan for a specific large purchase. Add this plan to your personal financial planning portfolio to use as a model whenever your future circumstances change.

Directions:

Do you have to pay for a major purchase, save money for an upcoming event such as a class trip, or take responsibility for regular expenses every month? Apply what you have learned about spending plans as you complete this challenge to plan for your spending responsibility.

❑ 1. Preview the criteria listed in the Scoring Guide to plan for your assessment.

❑ 2. Review your financial goals and spending log.

❑ 3. Write up a spending plan so you can pay for the things or events you need and want. Use the form below or create your own spreadsheet.

❑ 4. Self-assess your work using the Scoring Guide. Optional: Ask a classmate or family member to peer assess your work using the Scoring Guide to evaluate your work.

Purpose of My Spending Plan:

My Income:	Amounts
My Total Income:	$

My Expenses:	Amounts
My Total Expenses:	$

Challenge 1-C: My Spending Plan

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NAME: **DATE:**

	Required Criteria	Status	
Content			
1.	In one sentence you state what you want to achieve as a result of the spending plan.	acceptable	not acceptable
2.	Outcome involves a specific situation such as a major purchase goal or a specific time period (month or semester).	acceptable	not acceptable
3.	You justify how the spending plan is relevant to existing circumstances and values (or a mock situation).	acceptable	not acceptable
4.	Income amounts can be expected and do NOT include "chance" income.	acceptable	not acceptable
5.	Each income category is labeled to identify the source or type.	acceptable	not acceptable
6.	Each expense category is labeled to identify the type.	acceptable	not acceptable
7.	Spending Plan contains a Pay Yourself First (PYF) element.	acceptable	not acceptable
8.	Evidence is provided to verify the anticipated expense amounts.	acceptable	not acceptable
9.	Total expenses do NOT exceed total income.	acceptable	not acceptable
10.	You state how the Spending Plan can be adjusted after the Plan is deployed if total expenses turn out to be more than anticipated.	acceptable	not acceptable
11.	You state how the Spending Plan can be adjusted after the Plan is deployed if actual income turns out to be more than anticipated.	acceptable	not acceptable
General			
12.	Spending Plan includes a label with title and date range.	acceptable	not acceptable
13.	Documentation is neat and easy to read.	acceptable	not acceptable
14.	Calculations are accurate.	acceptable	not acceptable

Feedback: Score: _____ / _____