

# Budgeting Made Simple: Money Management 101

## AIM

Given budget guidelines and a scenario that includes household income and expenses, students will be able to develop a level-appropriate monthly budget that addresses at least eight essential elements: housing, food, utilities, car payment, car insurance, clothing, entertainment and saving for a specific need.

## OBJECTIVES

At the end of this lesson, students will be able to:

- Define *expense* and identify how much they pay for their own household expenses.
- Analyze a *paycheck*: know the difference between *gross income* and *net income* and name standard *deductions*.
- Use an online budgeting tool to calculate total monthly expenses, net income and money left for savings.
- Use an online savings analysis tool to create a long-term savings plan.
- Share home budget and savings plan reports in poster form.

## TARGET GROUP

Low-intermediate to intermediate ESL learners who have recently immigrated to the United States (levels 3 to 6) (For the purpose of this lesson, the target levels range from 1 through 8, with the following guidelines: 1 = beginning, 5 = intermediate, 8 = advanced.)

## LENGTH

Three or four 80-minute lessons (fourth day is optional)

## OVERVIEW

In this lesson, students will first examine their personal spending habits, identifying and gathering data about their monthly expenses. Second, students will learn key differences between gross income and net income by analyzing sample and authentic paychecks. Third, using online tools, students will create a home budget. They will not only calculate their total income and expenses, but will also create a long-term savings plan. And finally, they will have the opportunity to reflect on their monthly spending habits and financial goals and to share these reflections, along with their completed budgets, in poster form.

## DAY ONE

### 1. Warm-up Activity

Make copies of the chart below and distribute. Ask students to complete a survey about their life and work backgrounds, filling in the column on the right with a yes or no response. Upper-level students may compare their responses with a partner or in a group. Survey students' responses through a show of hands and compile the class results on the board.

About Me	Yes / No
1. Did you work in your native country?	
2. Do you work in the United States now?	
3. Do you live with your family?	
4. Do you have to pay for health care?	
5. Do you have to pay for gasoline?	

### 2. Introduction to Income and Expenses: Blanca's Story

Prepare the students to listen to the story of Blanca Cabrera (<http://www.youthradio.org/news/youth-voices-economy>), a 19-year-old who, like many young people, is living at home with her parents, trying to finish up school and working on the weekends. She works in her uncle's ice cream shop.

**a. Main Idea.** Write on the board, "Is Blanca a normal teenager? Why or why not?" Ask students to listen to Blanca's story in order to answer this question, then discuss responses as a class.

**b. Cloze Activity.** Make copies of and distribute this excerpt from Blanca's story. Ask students to listen to the story again, reading the transcript and filling in the blanks with the words on the right while they listen. Check answers as a class.

MATERIALS

- “Health Costs,” by Blanca Cabrera; segment on Youth Radio, November 10, 2008; available at <http://www.youthradio.org/news/youth-voices-economy>
- Budgeting Worksheet (handout; see Appendix 1)
- Earnings Statement for Blanca Cabrera (NeatPay®) (handout; see Appendix 2)
- Earnings & Deductions Worksheet (handout; see Appendix 3)
- Online tool: Home Budget Calculator, available at <http://marketplace.publicradio.org/toolbox/calculators/HomeBudget.html>
- Online tool: Savings Goals; available at <http://marketplace.publicradio.org/toolbox/calculators/Savings.html>
- Poster-making supplies

**From “Health Costs,” by Blanca Cabrera**

Like lots of kids my age, I’m living at home with my parents, trying to finish up school and squeezing in (1) \_\_\_\_\_ of work on the weekends in my uncle’s ice cream shop. Most of the money I earn goes straight to medical (2) \_\_\_\_\_.

When I was 10, I found out I had diabetes. And then when I was about to turn 14, I was diagnosed with an autoimmune disease called lupus. I take like (3) \_\_\_\_\_ prescription pills a day. Recently the prices went up.

Sometimes I’m tempted not to take my (4)\_\_\_\_\_. But if I don’t, I’ll have a flare-up right away, which means a trip to the hospital and sometimes a blood transfusion. That’s (5) \_\_\_\_\_ for gas—plus paying for lunch while I’m there.

With all the economic mess going on, a normal teenager is probably worrying about the clothes, the food or whether they can go to the movies. But with my (6) \_\_\_\_\_ condition, I’m concerned about more serious stuff, like my personal survival.

- a. seven
- b. medications
- c. 24 hours
- d. medical
- e. forty bucks
- f. expenses

**c. Comprehension.** Ask students to break into pairs and answer these questions about Blanca’s story.

- Where does Blanca work?
- How many hours per week does she work?
- What does expenses mean?
  - a. the money or income that you earn by working
  - b. the amount of money that you spend on something
- Which of these is not one of Blanca’s expenses?  
(Circle the best response.)
  - a. medications
  - b. gasoline
  - c. cable TV
  - d. food

**3. Vocabulary: Expenses**

Explain that in order to understand how you spend your money, you need to be able to identify and calculate expenses. This is the first step in creating a home budget. Explain that there are different kinds of expenses in the United States. Photocopy the chart and ask students to match the definitions on the left with the expense categories on the right.

Definition of Monthly Expense	Monthly Expense
1. The amount of money that you spend every month on housing	a) Utilities
2. The amount of money that you spend every month taking care of your house / apartment	b) Loan payments
3. The amount of money that you spend every month paying back a loan from a bank or a person	c) Home maintenance
4. The amount of money that you spend every month on the electricity, natural gas, water, sewer, trash pickup and telephone services you use	d) Insurance expenses
5. The amount of money that you pay every month to a company so that they will pay the costs if something bad happens	e) Mortgage / rent payment

**Discussion**

Ask students to start thinking about the expenses that they have to pay (or that someone they know has to pay) every month. Do they have to pay for medications, gasoline and food, like Blanca? Make copies of the chart below and distribute. Have students work with a partner or in small groups to list expenses under the categories in the chart (note that some expenses are already listed under Other Expenses). Discuss students' ideas as a class.

Monthly Utilities	Monthly Loan Payments	Monthly Insurance Payments	Other Expenses
			Food Gasoline Cable TV Medical

**Homework: My Expenses**

**Preparation in Class**

- Distribute the Budgeting Worksheet (Appendix 1) and review it with the students, focusing on the Monthly Expenses section.
- Ask students to draw a line through any expenses that they do not have to pay each month. For example, if a student does not have a child, then he or she does not pay for child care.

**Gathering Data at Home**

Instruct students to identify the amount of money that they spend on each of their expenses *each month*. On the Budgeting Worksheet, they should write in the dollar amount in the blank next to each of these expenses. They do not need to total these amounts at this time.

## DAY TWO

### 1. Reading Activity

Prepare students to analyze and understand a paycheck. Ask students, especially those who work in the United States and are paid by check, what information is on their paycheck. Ask students if they had to pay for taxes, health care or retirement in their native country. Explain that a paycheck shows how much you pay for these things.

Distribute the sample paycheck, designed for Blanca Cabrera (Appendix 2). Blanca works for her uncle's ice cream shop and is paid by check twice a month. This paycheck includes information that Blanca keeps when she deposits her check into the bank. Instruct students to scan the upper portion of the paycheck in order to answer the questions below. Check answers as a class.

1. What is the **date** of the check?
2. What **pay period** does this check include?
3. What is Blanca's **marital status**?
4. What is Blanca's **rate** of pay per hour?

### 2. Presentation: Gross Income Versus Net Income

- Write on the board the phrases "Gross Income This Period" and "Net Income This Period."
- Explain that gross pay is what you earn before the employer makes subtractions, known as deductions or withholdings (for example, taxes). Net pay is what you earn after these deductions are made. Net pay is the amount shown on the check that you deposit into your bank account.
- Demonstrate this concept on the board with a simple equation:  
Gross Income – Withholdings = Net Income.  
For example:  $\$100 - \$20 = \$80$ .  
Ask students, "In this example, how much can you deposit in your bank account?" (\$80)

### 3. Identifying Earnings and Deductions

Distribute the Earnings & Deductions Worksheet (Appendix 3). Review the vocabulary and pronunciation of the terms as a class. Then ask students to work individually to identify the amounts listed as shown on Blanca's paycheck. They should fill in the column entitled Amount from Blanca's Paycheck for One Pay Period. Have them write "\$00.00" in the categories for which Blanca has no withholding.

### 4. Assessment

Ask students the following questions:

- a. What is Blanca's gross income for this period?
- b. How many deductions were taken out of her paycheck?
- c. What is Blanca's net income for this period?

### **Homework (Optional)**

Ask students who have a job and are paid by check to analyze one of their own paychecks. They should fill in the Amount from My Paycheck for One Pay Period column on the Earnings & Deductions Worksheet (Appendix 3).

Ask all students to bring their Budgeting and Earnings & Deductions worksheets to the next class session.

## **DAY THREE**

### **1. Calculating a Home Budget (Online)**

Assist students in navigating to the online Home Budget Calculator at <http://marketplace.publicradio.org/toolbox/calculators/HomeBudget.html>

Explain that students will use this tool to complete their Budgeting Worksheet.

#### **Step 1: Input Expenses**

Using the information on their Budgeting Worksheet, students input into the Expenses Calc calculator the amounts that they pay for expenses. Not all fields need to be completed (by default all empty fields will set to \$0.00). To submit the values, they click Ok.

#### **Step 2: Input Income**

Using the information from their Earnings & Deductions Worksheet, students input into the Paycheck Calc calculator their gross income and deductions. Not all fields need to be completed. They should leave the "Misc income" field empty. To submit the values, they click Ok.

#### **Step 3: Calculate**

Next, students select the frequency with which they are paid. Be sure that students who get paid twice a month select Semi-Monthly and not Bi-Weekly (point out that "bi-weekly" means every two weeks). Then they click Calculate. Have students use the resulting information to fill in on their Budgeting Worksheet the values for Total Monthly Expenses, Net Monthly Pay and Amount Left for Savings.

Also have them print out the pie graphs showing their income breakdown and monthly expenses.

### **2. Saving for a Goal (Online)**

Ask students what they do with the money that they do not spend each month. Do they save this money? If so, are they saving it for a special purpose, like college for their children, or for a future purchase, like a car? Explain that the amount of money they are trying to save is called a "savings goal." Have students break into pairs to discuss their savings goal and what it's for. Elicit responses as a class.

Assist students in navigating to the online Savings Goals tool at <http://marketplace.publicradio.org/toolbox/calculators/Savings.html>

In the Savings Goals tool, students input the following:

- Savings goal: The total amount of money that you want to save
- Years to save: The number of years that you want to take to save that amount
- Amount currently saved (if any)
- Monthly savings (the amount in Amount Left for Savings on their completed Budgeting Worksheet)

They may leave the other fields empty.

Ask students to print the bar graph illustrating the calculation of the Savings Goals tool. They should also print the report the tool generates, which clearly shows if the goal can be reached on schedule or even early, or if some changes need to be made in order for the savings goal to be achieved on schedule.

### **3. Reflection**

Ask students to reflect on the results of their online calculations by answering the following questions:

- What is your biggest expense?
- What is the amount of your savings goal? What is it for? How much will that cost?
- Will you be able to meet your savings goal? When?

### **4. Presentations**

Ask students to prepare posters that display their completed budget and savings goal reports. They should use the pie charts and bar graphs from the online tools to illustrate the distribution of their income, expenses and savings plan. If time permits, allow students to include images that illustrate what they are saving for. Each poster should include answers (in sentences or in a paragraph) to the reflection questions above.

### **Follow-Up**

Present the posters in a mural walk. Students who do not feel comfortable sharing their personal financial information may turn in their posters.

### **Optional Day Four: Spend Less and Save More**

Require all students who cannot meet their savings goal to revise their budgets before a final assessment. Discuss ways to revise budgets that do not involve simply earning more income (e.g., cutting expenses or modifying one's savings goal). Give students time to modify their budgets using the online tools in order to see immediate results.

Questions for reflection at this stage may include:

- What changes did you make to your expenses, income or savings goals?
- What is your savings goal and when will you be able to meet it?

DEVELOPED BY **CARLY BLANCHARD**,  
ESL INSTRUCTOR AT THE ENGLISH CENTER

**APPENDIX 1: BUDGETING WORKSHEET**

..... 's Monthly Budget

Gross Monthly Income: .....

<b>Monthly Expenses</b>	<b>Cost (\$) per month</b>
<b>Loan Payments</b>	
House / apartment payment	
Auto payment	
Credit card payments	
Bank service charge(s)	
<b>Insurance</b>	
Auto	
Health	
Life	
Home	
<b>Utilities</b>	
Electricity	
Sewer and water	
Trash pickup	
Telephone	
Gas	
Cable TV	
Internet	
<b>Other</b>	
Food	
Home maintenance	
Merchandise (e.g., clothing)	
Auto gas and maintenance	
Travel and entertainment	
Child care	
Medical	
<b>Total Monthly Expenses:</b>	
<b>Net Monthly Income:</b>	
<b>Amount Left for Savings:</b>	

**APPENDIX 2: EARNINGS STATEMENT FOR BLANCA CABRERA  
(NEATPAY®)**

JC'S ICE CREAM CAFE 36483 LAKESIDE AVE OAKLAND, CA 94602		BLANCA CABRERA 283 14TH STREET OAKLAND, CA 94605	
Employee Number:	0459	Pay Period	8/1/2009 to 8/15/2009
Social Security Number:	xxx-xx-4837	Pay Date	9/05/2009
Marital Status:	SINGLE	Check #	104
Number of Allowances	01		
Rate:	10.00		

**Hours and Earnings**

Description	Hours	This Period	Year-to-Date
Salary	48	480.00	2880.00
Overtime			
Holiday			
Sick			
Other			

**Taxes and Deductions**

Description	This Period	Year-to-Date
FED WT	29.76	178.56
FICA	22.00	132.00
MED	6.96	41.76
CA ST	3.84	23.04
LOC ST		
INSUR		
401(K)		

Gross Income Year-to-Date	Gross Income This Period	Total Deductions This Period	Net Income This Period
\$2,880.00	\$480.00	\$62.56	\$417.44

TEAR HERE

JC'S ICE CREAM CAFÉ 36483 LAKESIDE AVE OAKLAND, CA 94602		Check # 104  Check Date: 9/05/2009
x FOUR HUNDRED AND SEVENTEEN DOLLARS xxxxxxxxxxxxxx AND xxxxxxxxxxxxxx 44 CENTS xx		
Pay to the Order of:  AMERICAN BANK 38472 MACARTHUR ST. OAKLAND, CA 94610	BLANCA CABRERA 283 14TH STREET OAKLAND, CA 94605	Pay this Amount: <input type="text" value="\$417.44"/>  <i>Julio Cabrera</i>

**APPENDIX 3: EARNINGS & DEDUCTIONS WORKSHEET**

<b>Term</b>	<b>Definition</b>	<b>Amount from Blanca's Paycheck for One Pay Period</b>	<b>Amount from My Paycheck for One Pay Period</b>
1. Gross income	Amount of money that you are paid <i>before</i> taxes and other things are subtracted, or <i>deducted</i> , from your paycheck		
2. Federal tax withholding (FED WT)	Total amount of money deducted from your gross income for federal taxes		
3. FICA	Total amount of money deducted from your gross income for FICA (Federal Insurance Contributions Act)		
4. Medicare (MED)	Total amount of money deducted from your gross income for Medicare		
5. State tax withholding (CA ST)	Total amount of money deducted from your gross income for state taxes		
6. Local tax withholding (LOC ST)	Total amount of money deducted from your gross income for local taxes		
7. Insurance and benefits (INSUR)	Total amount of money deducted from your gross income for the insurance and benefits paid by your employer		
8. Company savings plan (401(k))	Total amount of money deducted from your gross income and deposited into a company savings plan, such as a 401(k) or 403(b)		
9. Net income	Amount of money that you keep <i>after</i> taxes and other things are subtracted, or <i>deducted</i> , from your paycheck		

**SURVEY: KQED would love to hear from you.**

**Send results to MEINHORN@KQED.ORG**

Just tell us which lesson/activity you used and tally the total number of correct responses pre and post lessons/activities.

**Budgeting Made Simple—Money Management 101**

Pre- and Post-Assessment Questionnaire

DIRECTIONS: CIRCLE THE CORRECT ANSWER

1. Food, home maintenance, cable TV, and life insurance are all examples of:
  - a. Expenses
  - b. Income
  - c. Savings
  
2. You can find out the amount that you pay for FICA, benefits, and a 401(k) on a:
  - a. Paycheck
  - b. Pay Stub
  - c. Earnings Statement
  
3. Which of the following monthly expenses are not listed as standard deductions?
  - a. Federal Taxes
  - b. Medicare
  - c. Utilities
  
4. Bob is a cashier who makes \$10/hour. Last week he worked for 40 hours. His earnings of \$400 is his:
  - a. Gross income
  - b. Net income
  - c. Income
  
5. Mary wants to save her money so that she can buy a car in five years. Which of the following is not a way to help her save money?
  - a. Cut expenses
  - b. Cut deductions
  - c. Increase income