



## What do other high school students know about budgeting?

We asked high school students to share some tips on how to handle money.

---

“Put yourself on a budget and be wise with your money. That way you won’t be tempted to dip into your savings account.”

*Freshman, Florida*

“Get direct deposit and put money right into your savings account. Then only spend the money you have left over.”

*Senior, Missouri*

“It’s a good idea to start saving with your first paycheck because once you start spending, it is hard to stop.”

*Junior, Tennessee*

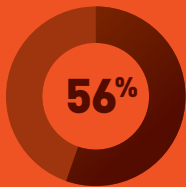
“Expenses don’t just happen—they’re always there. It takes practice to save money and not spend it all.”

*Junior, Utah*

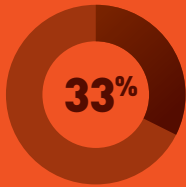
“It is good to make a money plan. You should save a percentage every month, even if it is not a lot.”

*Freshman, Texas*

# Budgeting



of U.S. adults admit that they do not have a budget.\*



of Americans do not pay all of their bills on time. That's more than 77 million people!\*

**BECOMING WEALTHY DOESN'T** happen accidentally. It is a journey that requires intentionality, persistence and discipline. But with all of life's distractions, how can you stay focused on your money goals? A budget is the perfect solution. It's simple—just write down a plan for your money and intentionally follow it every day. Surprisingly, when you put boundaries on your spending, you end up with more freedom!

\*National Foundation for Credit Counseling, Inc.

# Before You Begin

## Learning Outcomes

Once you've completed this chapter's videos, you will be asked to return to this list of learning outcomes and place a checkmark next to the items you've mastered.

### Section 1: Budgeting 101

- Understand the purpose of cash flow planning.
- Identify reasons some people avoid having or sticking to a budget.
- Identify changes in personal spending behavior that contribute to wealth building.
- Explain the difference between a cash flow statement and a budget.

### Section 2: The Basics of Banking

- Develop a filing system for keeping financial records, both paper and electronic.
- Describe recordkeeping features that financial institutions provide for online account management.
- Describe how to use different payment methods and banking features.

### Section 3: The Importance of Having a Zero-Based Budget

- Define zero-based budget.
- Develop a plan for spending and saving that has both long-term and short-term components.
- Analyze how changes in circumstances can affect a personal budget.

## Key Terms

Get to know the language of money.

- » **Budget:** A written cash flow plan
- » **Cash Flow Statement:** A summary that shows total income and spending for a given time period
- » **Carbon Check:** A copy of each check you write
- » **Envelope System:** Series of envelopes that are divided into categories (food, entertainment, gas, etc.) and are used to store cash for planned monthly expenses
- » **Impulse Purchase:** An item that is bought without previous planning or consideration of the long-term effects
- » **Overdraft:** Occurs when money is withdrawn from a bank account and the available balance goes below zero
- » **Reconcile:** To match your bank statement with your checkbook
- » **Zero-Based Budget:** A cash flow plan that assigns an expense to every dollar of your income, wherein the total income minus the total expenses equals zero



# Measure Your Progress

Before watching the video, read each statement below and mark whether you agree or disagree in the “Before” column. Then, after watching the video, do it again using the “After” column to see if you changed your mind on any statement.

| BEFORE                   |                          |  | AFTER                    |                          |
|--------------------------|--------------------------|--|--------------------------|--------------------------|
| Agree                    | Disagree                 |  | Agree                    | Disagree                 |
| <input type="checkbox"/> | <input type="checkbox"/> | 1. It is important to know how to live within my means and have good money habits. | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. I expect and would like my parents to stop supporting me before age 25.         | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. I am knowledgeable about money management, including budgeting and saving.      | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. I am prepared to deal with the adult financial world after school.              | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 5. I know how to balance and reconcile my checking account.                        | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 6. I know how to write a check.  | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. I have more than \$100 in savings.  | <input type="checkbox"/> | <input type="checkbox"/> |



## JOURNAL QUESTION: INTRODUCTION

On average, how much money do you spend per week? \$ \_\_\_\_\_

What are your top three expenses?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_



*“If you will happen to your money, then you’ll have some. If you just let all your money happen to you, then you’ll never win.”*

DAVE RAMSEY



**10 THINGS  
MILLIONAIRES  
DO NOT DO**

1. Buy brand-new cars
2. Eat out on a regular basis
3. Replace what is not broken
4. Impulse buy
5. Carry debt
6. Visit the tanning bed
7. Buy brand-name clothes
8. Desire instant gratification
9. Socialize with people who waste money
10. Spend more money than they earn

*The Millionaire Next Door*



## Section 1: Budgeting 101

### VIDEO 1.1

### Cash Flow Planning

**BUDGETING IS CRUCIAL** to your success. Your income is your responsibility. If you get to retirement with a mountain of debt and nothing to live on, it’s no one else’s fault. But beyond the obvious financial benefits of managing your money well, there are a ton of other reasons to pull out the budget forms every month. It may sound nerdy or old fashioned, but it isn’t. Keeping a budget is really helpful for everyone. A simple, written plan can actually give you more money to enjoy!

- » Money is                     <sup>1</sup>. It is moving all the time. So if you don’t make your money behave, you’ll always wonder where it went.
- » You must do a written                                          <sup>2</sup> plan every                     <sup>3</sup>. A budget is your blueprint for building wealth. You’ve got to have a game plan!
- » A budget might seem intimidating at first, but it is not as intimidating as going broke!

**\* REMEMBER:** Don’t try to have the perfect budget for the perfect month, because you’ll never have one. A good cash flow plan lives and moves—it changes as your life changes.



### JOURNAL QUESTION: VIDEO 1.1

*Describe in your own words what it means to have a budget.*

---

---

---

### VIDEO 1.2

## Four Reasons People Avoid Budgets

Doing a budget or cash flow plan doesn't sound like much fun. In fact, people will come up with lots of excuses for not keeping a budget.

1. It has a \_\_\_\_\_<sup>4</sup> connotation. They believe that having a budget will constrict them and keep them from doing what they want to do. The reality is, managed money goes further and actually gives you more freedom.
2. A budget has been used to \_\_\_\_\_<sup>5</sup> them. They're constantly hearing, "It's not in the budget!" The purpose of a budget is to not spend more than you make. It is not intended to take all the fun out of your life.
3. They've never had a budget that \_\_\_\_\_.<sup>6</sup> Don't expect to write a perfect budget on your first try. You will make mistakes. With some practice, however, writing a monthly budget will become easier.



*"There are plenty of ways to get ahead. The first is so basic I'm almost embarrassed to say it: Spend less than you earn."*

PAUL CLITHEROE  
Australian financial advisor



### WHAT'S THE DIFFERENCE BETWEEN A CASH FLOW STATEMENT AND A BUDGET?

A cash flow statement summarizes all of the income and outgo (spending) over a certain time period. A budget is a written plan for saving, giving and spending. The cash flow statement is reflective of what has already taken place, and a budget is a proactive plan of what will take place.



*"People don't plan to fail, they fail to plan."*

ANONYMOUS

## Four Reasons People Avoid Budgets *(Continued)*

4. Paralysis from \_\_\_\_\_ of what they will find. Some people are afraid to look at their finances closely. It's better to face those bills or debts and begin to proactively fix the situation. Ignoring financial distress only allows the problem to get bigger.

**JOURNAL QUESTION: VIDEO 1.2**

*What do you think is most challenging when it comes to keeping a monthly budget?*

---



---



---



**DESCRIBE SOME STRENGTHS AND WEAKNESSES YOU HAVE WHEN IT COMES TO MANAGING MONEY.**

"I don't spend money on stupid things. But when I have more money, I tend to spend more."

*Senior, Oregon*

"One of my strengths is saving short term and not getting into debt. One of my weaknesses is buying things I don't need."

*Sophomore, New York*



## Real Wealth Building Begins With Your Behavior

Often the importance of smart money-management techniques gets overlooked. Why is it important to manage your money well? What impact does managing money well have on your long-term financial well-being? Studies show that simple changes in your spending and saving habits will help you build wealth.

1. Live on less than you make. Don't spend every dollar of your paycheck.
2. Keep on learning and finding ways to grow your income.
3. Write a monthly budget that includes saving, giving and spending. Stick to it.
4. Plan your spending and avoid impulse or unnecessary purchases.
5. Stay out of debt.
6. Pay yourself first. This means assigning a portion of your income to saving and investing every month.
7. Use gifts and "extra" income wisely. You might be tempted to just blow money you receive as a gift. It's okay to use some of that money to treat yourself to a "want." But it's wise to use a portion of it toward a money goal (like getting out of debt, saving for a car, saving for college, etc.).



# Section 2: The Basics of Banking

## VIDEO 2.1

### Responsible Banking

Managing your money will involve banking. Once you've established cash flow, either through employment or an allowance from your parents, you should open a checking account. Don't forget about your First Foundation:

Save a \$500 emergency fund. This money should be placed in a separate savings account. You should consider your checking account as your spending account and always keep your savings separate.

#### Learning how to keep your checking account balanced is an important and necessary skill.

- » You must keep your checking account \_\_\_\_\_.  
Keeping an accurate balance of your checking account will help you avoid the most frequent and costly mistake, the overdraft. Each occurrence can cost an average of \$35 for the bounced check fee at your bank, plus possible store charges.
- » \_\_\_\_\_ are a sign of crisis living and sloppy, lazy \_\_\_\_\_ habits. Remember, managing your money is your responsibility. Managing money well is a sign of maturity.
- » Use \_\_\_\_\_, or carbon checks, if necessary to keep up with your check register. Just looking at your online statement every few days to see how much money is in the account is not enough. Your online statement may not reflect unprocessed checks or debit purchases.
- » If not managed and made to behave, the \_\_\_\_\_ card is certain to become a budget buster.



*"This is your wealth we're talking about here! Get excited! Make those dollars dance!"*

DAVE RAMSEY



It's important to know how much things cost before you buy. A smart doctor once wrote, "Suppose one of you wants to build a tower. What is the first thing you will do? Won't you sit down and figure out how much it will cost and if you have enough money to pay for it? Otherwise, you will start building the tower, but not be able to finish. Then everyone who sees what is happening will laugh at you. They will say, 'You started building, but could not finish the job'" (Luke 14:28-30).



*"Every young man should have a hobby. Learning how to handle money is the best one."*

JACK HURLEY  
Boxing manager and trainer



# Balancing Your Checking Account

At first, keeping track of your transactions may seem tedious and unnecessary. But once you get the hang of it, balancing a checking account is actually easy. By keeping track, you can avoid a bunch of headaches, like bouncing a check, the bank making mistakes with your account, or not knowing your actual balance. Remember, when you take responsibility for your money, you'll have more of it!

## What You'll Need

1. **Your Check Register or Smartphone Budgeting App**
2. **Your Last Bank Statement or Online Account Summary**
3. **A Reconciliation Sheet**  
(on the back of most bank statements or you can find one online)

## Things to Remember

- » If you were diligent with recording transactions in your check register every time money went in or out, your check register has the most current balance.
- » Remember, the account balance from the bank statement or ATM is not as current as your register's balance because they don't account for transactions that haven't gone through yet.
- » Contact the bank if you think they made an error. It happens more than you may think.
- » Don't be discouraged on the first few tries. Balancing your account takes practice. The more you do it, the easier it becomes.

## How to Do It

- » Throughout the month, write down every deposit or withdrawal in your register. Your transactions might include ATM withdrawals, checks you've written, debit card purchases, bank fees and paychecks.
- » Each time you make an entry in your register, add or subtract that amount from the current balance.
- » When you receive your monthly bank statement, record any interest accrual and bank fees in the check register.

### Compare Your Check Register and Bank Statement Side by Side

- » Compare each transaction one by one. As you do this, make checkmarks on both lists.
- » On the reconciliation sheet, list any debits or deposits that are present in the register but not present in the bank statement. Then calculate those into your bank statement balance.
- » Compare your register balance to the statement balance. They should be the same. If not, look for discrepancies like outstanding checks, unrecorded bank fees or transactions, or bank errors.

## Check Register / Smartphone Budgeting App

| ✓ | Trans. # | Date | Transaction Description | Payment (-) | Deposit (+) | Balance  |
|---|----------|------|-------------------------|-------------|-------------|----------|
|   | 5671     | 8/12 | One Stop Grocery        | 57.40       |             | 507.06   |
|   | 5672     | 8/14 | Electric Company        | 101.00      |             | 406.06   |
|   |          | 8/14 | Paycheck                |             | 700.00      | 1106.06  |
|   | 5673     | 8/16 | Telephone Company       | 50.00       |             | 1056.06  |
|   | 5674     | 8/19 | One Stop Grocery        | 66.00       |             | 990.06   |
|   |          | 8/16 | Bank Service Charge     | 2.50        |             | \$987.56 |

← Starting balance of \$564.46

## Bank Statement

|  |                   |                            |  |              |   |
|--|-------------------|----------------------------|--|--------------|---|
| Statement of Account No. 09876                         |                   | <b>NB</b><br>NATIONAL BANK |  | FDIC Insured |   |
| Joe Q. Public<br>1234 Main Street<br>Anytown, ST 98765 |                   |                            | Statement Period:<br>FROM 7/21 THRU 8/22 |              | Overdraft Limit: \$400.00<br>SUBJECT TO A PER-ITEM TRANSACTION CHARGE |
| Beginning Balance                                      | Total Withdrawals | Total Deposits             | Ending Balance                           |              |   |
| \$ 492.09  | \$ 129.89         | \$ 142.36                  | \$ 504.56                                |              |   |
| DATE   | WITHDRAWALS       | DEPOSITS                   | TRANSACTION DESCRIPTION                  |              |   |
| 7/24   | 20.00             |                            | ATM Trns. #76543                         |              |   |

To reconcile your register with your bank statement, start with the ending balance from your statement.

## Reconciliation Sheet

| Transaction Description | Check # | Date | Payment |
|-------------------------|---------|------|---------|
| Electric Company        | 5672    | 8/14 | 101.00  |
| Telephone Company       | 5673    | 8/16 | 50.00   |
| One Stop Grocery        | 5674    | 8/19 | 66.00   |

List the withdrawal amounts in your register that aren't on your statement. Then total these transactions.

**\$217.00** ▶

| Transaction Description | Check # | Date | Deposit |
|-------------------------|---------|------|---------|
| Paycheck                |         | 8/14 | 700.00  |

List the deposit amounts in your register that aren't on your statement. Then total these transactions.

**\$700.00** ▶

**\$504.56** Ending Balance

MINUS

**\$217.00** Total Withdrawals

PLUS

**\$700.00** Total Deposits

EQUALS

**\$987.56**

This should be the same as your register balance.



63% of people 18 and under have savings accounts, and 73% of those savings accounts were started before the age of 3.

National Foundation for Credit Counseling, Inc.



**RECONCILING** or balancing an account refers to a process that compares two sets of records (yours and your bank's, in this case) to make sure the balances match at the end of a particular time period.

## Keep Records

- » Smart money managers develop a filing system for keeping and using financial records. You should maintain both paper and electronic files for reference.
- » These records will be useful for filing taxes and for disputing bank errors or fraudulent purchases.
- » You may want to check with your bank to find out what online record keeping features they offer.
- » In this digital age, it's easy to personalize a system that works for you. Explore phone apps and software that may help in many areas of personal finance like budgeting, saving and keeping records.

## Are Multiple Accounts a Good Idea?

*"I just got a part-time job, and I want to make sure I save some money in case something bad happens to my car. Do you think I should tell my parents I want to open a checking account and a savings account?"*

**DAVE'S ANSWER:** First, congratulations on the new job! You've taken a big first step toward financial independence.

it becomes too easy to dip into your savings or emergency fund when you're writing checks. This defeats the original purpose of saving money.

Second, I think it's a great idea to keep your checking and savings accounts separate, and here's why. If you put all your money in one place,

This separation acts as a mental note and a barrier. It's a way of telling you that you've reached your spending limit!

## Banking Tools

### Writing Checks

Checks can be used to pay bills at a store, give a person a check if you are short of cash, or send a check through the mail or electronically. Checks allow you to pay for things without having to carry large amounts of

cash. Most stores will want some basic information if you are using a check, such as your address and phone number, and most will require you to show a photo ID.

### Online Bill Pay

Online bill pay allows you to make payments without having to write a check and send it in the mail. After logging into your bank's online site, you can specify whom you want to pay

and how much. Your bank will either make an electronic transfer or mail a check to satisfy the payment. A great benefit of using online bill pay is the option to schedule repeat payments.

### Debit Card Purchases (In Store and Online)

A debit card can be used for both in-store and online purchases. Although your debit card may have a credit card logo on it, it is not a credit card. When used, money is withdrawn from your checking account for the purchase. We recommend selecting the "credit" option instead of "debit" when making a store purchase. While the funds

are withdrawn from your account in the same way, using the credit option ensures that you are protected by the card company's zero-liability policy. You will not be responsible for unauthorized transactions. If you do decide to use your PIN, be sure to memorize your PIN and never carry it with you.

### Account Transfers

Account transfers allow you to move money between your accounts. Once you have a regular income, we recommend setting up weekly or monthly automatic transfers from

your checking to your savings account. This is the easiest way to build your savings for emergency fund or large purchases.



#### FIRST CHECKING ACCOUNT?

Make it free checking. There are plenty of \$0 monthly fee accounts out there. You may want to open your first account at your parents' bank in order to take advantage of special multi-account privileges. Either way, shop around to get an account with minimal or no fees.



#### WHAT TEENS SHOULD KNOW ABOUT DEBIT CARDS

- Keep them secure at all times.
- Pick a secure PIN (personal identification number).
- Trust your friends, but not with your debit card!
- Be cautious of online transactions. Reconciling your account will help you be aware of fraudulent charges.

## Banking Tools *(Continued)*

### ATM

The ATM (automatic teller machine) allows you to make withdrawals, deposits or transfers without entering your bank. Normally your bank will not charge you an ATM fee when you

use their ATMs. But be aware that if you use an ATM owned by another bank, you will be charged a fee for your withdrawal, usually from both your bank and the competitor.

### Mobile Banking

Mobile banking takes a lot of the features of online banking and brings them to your cell or smartphone. They may also offer additional features like

text alerts and text banking. Mobile banking features will vary from bank to bank.



#### FOUR TYPES OF EXPENSES TO BUDGET FOR

##### Variable Expenses:

Expenses that vary from month to month (e.g., electricity, gasoline, groceries, clothing)

##### Fixed Expenses:

Expenses that remain the same from month to month (e.g., rent, insurance premiums, cable bill)

##### Intermittent Expenses:

Expenses that occur at various times throughout the year and tend to be in large lump sums (e.g., tuition payments, athletic or club dues, car repairs)

##### Discretionary (Non-Essential) Expenses:

Expenses for things we don't need (e.g., eating out, gifts and candy)



#### JOURNAL QUESTION: VIDEO 2.1

*Explain why Dave describes overdrafts as a sign of “crisis living.”*

---



---



---

# Section 3: The Importance of Having a Zero-Based Budget

## VIDEO 3.1

### Cash Flow Plans Do Not Work When . . .

- » You \_\_\_\_\_ things \_\_\_\_\_. Make sure your budget includes everything that requires money. You may forget and leave some things out at first, but as you get better at budgeting, that will happen less frequently.
- » You \_\_\_\_\_ your plan. All you really need is paper, a pen and a calculator. It's as simple as writing down everything that requires money each month and putting an amount next to it.
- » You don't actually \_\_\_\_\_ . This may sound overly simple, but it's easy to find reasons not to write a budget. When this happens, remind yourself of all the reasons you should do it.
- » You don't actually \_\_\_\_\_ on it. Your written plan will not work unless you actually follow it. And as you get used to it, you may see some budget items that aren't realistic. That's okay! Just adjust the budget for next month until you get it right.



#### THINK A CREDIT CARD IS SAFER TO USE THAN A DEBIT CARD?

Think again. Some people believe that credit cards carry a better track record and that you're less likely to have your money stolen when you use a credit card. Sadly, those people are wrong.

Credit cards carry a huge risk of allowing the user to incur debt. Debit cards force you to pay with money you already have. If you hold a debit card from a well-known name like Visa or MasterCard, it will have the same policy about unauthorized charges that credit cards have. Don't fool yourself into thinking that credit cards are the "safe" way to go. They'll only get you into trouble and force you to make payments.

## Reasons You Should Do a Cash Flow Plan

- » A written plan removes the “management by \_\_\_\_\_”<sup>18</sup> from your finances. Seventy percent of Americans are living paycheck to paycheck, just one missed payday away from disaster.
- » \_\_\_\_\_<sup>19</sup> money goes further. That’s because when you write up a budget, you’re accounting for every single dollar of your income. You cut out all of those little expenses that fly into your wallet like moths and eat away at your money.

### Money Affects Relationships

Consider your future relationship. The number-one cause of strife in marriage today is money. It’s disagreements over debt. It’s disagreements over the stress that debt brings. It’s not agreeing on what we’re going to purchase and where we’re going to spend the money we make. When you are not on the same page with money, you are not on the same page in life.

- » A written plan, if actually lived and agreed on, will remove many of the \_\_\_\_\_<sup>20</sup> in a relationship.
- » A written plan, if actually lived and agreed on, will remove much of the \_\_\_\_\_<sup>21</sup>, \_\_\_\_\_<sup>22</sup> and \_\_\_\_\_<sup>23</sup> that may be part of buying necessities such as food or clothing.
- » A written plan, if actually lived and agreed on, will remove many of the \_\_\_\_\_<sup>24</sup> from your life, consequently removing a lot of \_\_\_\_\_<sup>25</sup>.
- » A written plan, if actually lived and agreed on, will show if you are \_\_\_\_\_<sup>26</sup> in a certain area.



43% of parents review bank statements with their kids monthly.

Only 28% of children have used online banking to view their savings account balance.

National Foundation for Credit Counseling, Inc.



#### HAVE YOU EVER WITNESSED MONEY AFFECTING A RELATIONSHIP CLOSE TO YOU?

“Yes. My dad and mom have been struggling a lot financially. I think it affects their relationship.”  
*Junior, Colorado*

“Yes. My mom and stepdad’s relationship is constantly strained due to lack of money.”  
*Senior, Georgia*

## How Do You Budget With Irregular Income?

*“I baby-sit from time to time for a neighbor. How do I do a budget when I don’t know how much money I’ll make each month?”*

**DAVE’S ANSWER:** First, make a list of all of your expenses for the month ahead. Write down absolutely everything that you’ll need or want to spend money on. This includes everything from rent to gas to savings to weekend fun money. Write it all down.

Then, prioritize the list in order of importance. Ask yourself, “If I only have enough to pay for one thing, what would it be?” That’s number one. Then ask, “If I only have enough to pay for one more thing,

what would it be?” That’s number two. Keep that up all the way down the list.

Now you’re ready to get paid! When your check comes in, just spend your money all the way down the list. When the money’s gone, you’re done spending for the month. That’s why it is so important to prioritize the list. You may not have enough cash for everything you want to do each month, so make sure you’re making the best with what you have.



### JOURNAL QUESTION: VIDEO 3.1

*Why do you think it is so common in America to spend more than you make?*

---

---

---



### IRREGULAR INCOME

Shaun sells real estate and has what we call an “irregular income.” That just means his income fluctuates from month to month. If you’re in this situation, you absolutely must do a monthly budget, but you’ll do it a little differently.



## VIDEO 3.2

## The Zero-Based Budget

- » The zero-based budget gives every dollar a name on paper, on purpose, \_\_\_\_\_<sup>27</sup> the month begins. This is the best method of budgeting since it ensures that every dollar you make is assigned a specific purpose. Money that is not directed toward a goal or included in a plan is typically wasted.
- » Income minus outgo equals exactly \_\_\_\_\_<sup>28</sup>. This way you are able to put every dollar to work for you.
- » The \_\_\_\_\_<sup>29</sup> works great for managing spending on things that don't normally have a fixed monthly expense, like eating out. Decide how much you have to spend on each specific category and place that amount in an envelope. When the envelope for a specific area of spending—like clothing or entertainment—is empty, you are done spending in that area for the month.

## The Student Budget Form

- » Think you don't have money to budget? You've got some \_\_\_\_\_<sup>30</sup>, you just need to think a little differently.
- » If you have a part-time \_\_\_\_\_<sup>31</sup> after school or even if your parents give you a commission for doing \_\_\_\_\_<sup>32</sup> around the house, you've got some money.



### Budget Builder

It's time to evaluate what you spend money on and put it in your budget. Spending money is a lot more fun when you plan for it first. Go to [foundationsU.com/3](http://foundationsU.com/3) for your next budget lesson.



51% of parents give their children allowance, but only 4% require them to deposit that money into a bank account.

38% of parents match their children's savings.

National Foundation for Credit Counseling, Inc.

- » But it goes further than that. If your parents buy you clothes or give you money to go out with your friends, pay for club or athletic fees, or put gas in your car, all of those things represent \_\_\_\_\_<sup>33</sup> that are flowing right through your fingers.
- » All we want you to do is \_\_\_\_\_<sup>34</sup> how you're going to spend that money \_\_\_\_\_<sup>35</sup> you actually spend it. That's all a budget is!
- » Instead of having your parents pay for stuff, ask if they'll figure out how much money they'd end up giving you for the month and then put it in your \_\_\_\_\_<sup>36</sup> account. From there, it will be up to you to budget that money.
- » If your folks go along with this, then you'll have a pile of money to \_\_\_\_\_<sup>37</sup> every month.
- » We've developed a \_\_\_\_\_<sup>38</sup> budget form just for you. So no more \_\_\_\_\_<sup>39</sup>! Starting this month, you will do a written budget every month for the rest of your life!



**JOURNAL QUESTION: VIDEO 3.2**

*Explain in your own words what a zero-based budget is. Why is it important to write a zero-based budget every month?*

---



---



---



**YOUR BUDGET WILL ONLY WORK IF YOU FOLLOW IT.**

Here are three tips to help you stick to a budget.

1. **Write it down.** A budget is not a form of medieval torture! It is YOUR game plan, where YOU tell YOUR money what YOU want it to do. This isn't rocket science! Just give every dollar a name on paper.
2. **Stay away from places that tempt you to spend.** If you have a problem sticking to a budget, you may not yet be disciplined. If that's the case, stay out of the mall or wherever your spending weakness occurs.
3. **Use the envelope system.** Take some envelopes, write your budget categories on the envelopes, and use only that money to purchase those items. Try only a couple of categories at first until you get the hang of it. If the money is not in there, you can't spend it. Easy as pie. And remember, it takes practice; you won't get it right the first time.



### IS IT A LITTLE WEIRD FOR A TEENAGER TO DO A BUDGET ON A \$100 MONTHLY INCOME?

Yeah—it really is. Truth is, it's a little weird for most adults with full-time jobs and great big paychecks to do a budget too! The only thing that makes it weird is that nobody else does it.

**But guess what?  
Everyone else is broke!**

If you want to struggle with money your whole life, then go ahead and do what everyone else does.

But if you want to win with money, you've got to do a budget—no matter how old you are or how much money you have.

We're not crazy, though. We're not giving you a giant binder full of spreadsheets. We just have a basic student budget form for you to get used to.

If you get in the habit of doing a budget now, you could change your whole financial future.

# The Student Budget

Yes, this budget form has a lot of lines and blanks. But that's okay. We do that so we can list practically every expense imaginable on this form to prevent you from forgetting something. Don't expect to put something on every line. Just use the ones that are relevant to your specific situation. Now follow the steps below to get started!

## 1 Add Up Your Monthly Income

Write your monthly income in the box at the bottom of the page (A), including any money your parents give you. This is the amount you have to spend for the month. Pretty simple, right?

## 2 Estimate Your Spending

Within each category, like **RECREATION**, there are items like Movies and Sporting Events. Start at the top and work your way down, filling out the Budgeted column (B) first. Then add up each subcategory and put that number in each category's Total box (e.g., C).

**\* REMEMBER:** Your spending will change from month to month. Just put a "\$0" in categories where you don't plan on spending any money.

**\* NOTE:** The envelope icons (✉) represent good options for cash envelopes.

## 3 Total Each Category

Go through the form and add up all of the category Total boxes (e.g., C). Write that grand total in the Monthly Outgo box (D). That's how much you spend every month.










The goal is to spend every dollar you make, but no more. So if your Outgo is greater than your Income, you need to bring down the budgeted amount on some items. If your Outgo is less than your Income, you need to increase the amount in some area like College savings or Restaurants.











## 4 Get to Zero

Once your Outgo is the same as your Income, write a zero in the Zero box at the bottom (E). You're done!








# Start Here

To begin your journey toward financial success!

|  <b>GIVING</b> <span style="float: right;">B Budgeted</span>   |          |
|---|----------|
|  Charity   | \$ _____ |
| Other: _____  | \$ _____ |
| <b>C GIVING TOTAL:</b> \$ _____   |          |
|  <b>SAVING</b> <span style="float: right;">Budgeted</span>     |          |
| Emergency Fund  | \$ _____ |
| College   | \$ _____ |
| Car & Repairs   | \$ _____ |
| Computer  | \$ _____ |
| Other: _____  | \$ _____ |
| <b>SAVING TOTAL:</b> \$ _____   |          |
|  <b>FOOD</b> <span style="float: right;">Budgeted</span>     |          |
|  Restaurants / Eating Out                                    | \$ _____ |
|  School Lunch / Snacks                                       | \$ _____ |
| <b>FOOD TOTAL:</b> \$ _____   |          |
|  <b>CLOTHING</b> <span style="float: right;">Budgeted</span> |          |
|  Clothes   | \$ _____ |
|  Sports Jerseys / Apparel                                    | \$ _____ |
| <b>CLOTHING TOTAL:</b> \$ _____   |          |

|  <b>TRANSPORTATION</b> <span style="float: right;">Budgeted</span> |          |
|---|----------|
| Gas   | \$ _____ |
| Car Insurance   | \$ _____ |
| Oil Changes   | \$ _____ |
| License & Taxes   | \$ _____ |
| <b>TRANSPORTATION TOTAL:</b> \$ _____   |          |
|  <b>PERSONAL</b> <span style="float: right;">Budgeted</span>       |          |
|  Cosmetics / Hair Care   | \$ _____ |
|  Music / Technology  | \$ _____ |
|  Gifts   | \$ _____ |
|  Pocket Money  | \$ _____ |
| Cell Phone  | \$ _____ |
| Other: _____  | \$ _____ |
| <b>PERSONAL TOTAL:</b> \$ _____   |          |
|  <b>RECREATION</b> <span style="float: right;">Budgeted</span>   |          |
|  Movies  | \$ _____ |
|  Concerts  | \$ _____ |
|  Sporting Events   | \$ _____ |
| Other: _____  | \$ _____ |
| <b>RECREATION TOTAL:</b> \$ _____   |          |

$$\begin{array}{c}
 \$ \text{ _____} \\
 \text{A Monthly Income}
 \end{array}
 -
 \begin{array}{c}
 \$ \text{ _____} \\
 \text{D Monthly Outgo}
 \end{array}
 =
 \begin{array}{c}
 \$ \text{ _____} \\
 \text{E ZERO!}
 \end{array}$$

 + 
  + 
  + 
  + 
  + 
  + 
 

# Chapter Summary



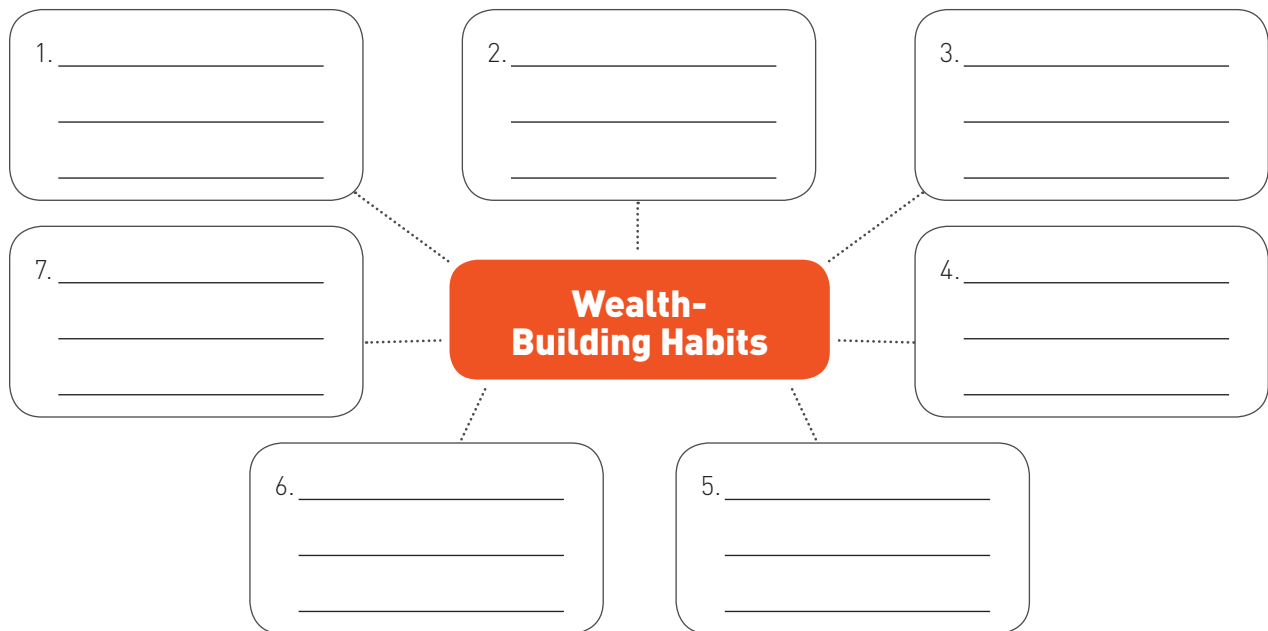
## Check for Understanding

Now it's time to check your learning! Go back to the *Before You Begin* section for this chapter. Place a checkmark next to the learning outcomes you've mastered and complete the "after" column of the *Measure Your Progress* section.



## Build On What You've Learned

Review *Real Wealth Building Begins With Your Behavior* in Section 1. Fill in the graphic organizer with the seven wealth-building habits. Discuss with your classmates which things you are already doing well and which habits you still need to work on.





## Take Action Challenge

It's time to practice budgeting using a variety of income levels. Go to [foundationsU.com/budgetnow](http://foundationsU.com/budgetnow) for your Take Action Challenge.



## Big Ideas

The following Big Ideas are intended to provide clear focus and purpose to the lessons. Read each statement and think about how what you've learned will affect your current and future decisions. Then, in the space provided, write an "I believe" statement for each of the Big Ideas.

» Do a written budget every month!

---

» Use the envelope system to help you stay on budget.

---

» Commit to having good money-management habits.

---

# Money in Review

## Matching

Match the following terms to the correct definition below.

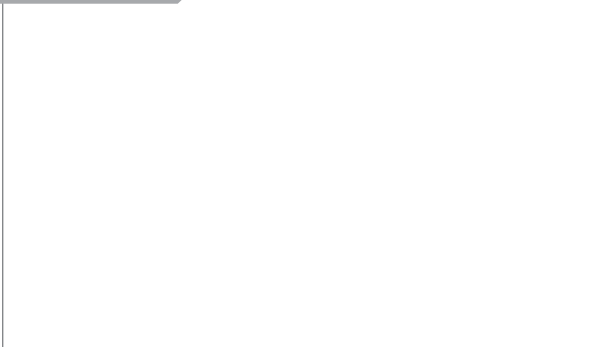
|                              |                            |                       |
|------------------------------|----------------------------|-----------------------|
| <b>A</b> Reconcile           | <b>D</b> Budget            | <b>G</b> Carbon Check |
| <b>B</b> Impulse Purchase    | <b>E</b> Zero-Based Budget | <b>H</b> Overdraft    |
| <b>C</b> Cash Flow Statement | <b>F</b> Envelope System   |                       |

- |   |  |
|---|--|
| 1. _____ A written cash flow plan   | 5. _____ Occurs when money is withdrawn from a bank account and the available balance goes below zero  |
| 2. _____ The act of matching your bank statement with your checkbook  | 6. _____ Series of envelopes that are divided into categories (food, entertainment, gas, etc.) and are used to store cash for planned monthly expenses |
| 3. _____ A cash flow plan that assigns an expense to every dollar of your income, wherein the total income minus the total expenses equals zero | 7. _____ A summary that shows total income and spending for a given time period  |
| 4. _____ An item that is bought without previous planning or consideration of the long-term effects   | 8. _____ A copy of each check you write  |


## Illustration

Draw a picture representation of each of the following terms.

Managed Money



Overspending



## Multiple Choice

Circle the correct answer.

9. The number-one cause of divorce in North America today is stress and disagreements over money.
- A True
  - B False
10. The envelope system works great for managing spending on things that don't normally have a fixed monthly expense.
- A True
  - B False
11. Which of the following is a consequence of overdrawing your checking account?
- A Overdraft fee from your bank
  - B Bounced check fee from the store
  - C Stress from money mismanagement
  - D All of the above
12. Doing a budget does not:
- A Make your money go further
  - B Make overspending more likely
  - C Show if you are overspending in an area
  - D Remove guilt and shame sometimes associated with purchases
13. Your monthly budget should include:
- A Fixed expenses
  - B Variable expenses
  - C Discretionary expenses
  - D All of the above

## Short Answer

Respond in the space provided.

14. What are the reasons cash flow plans sometimes do not work?
- 
- 
- 
15. Why is the zero-based budget the best method of budgeting?
- 
- 
- 
16. Explain why you should always have a cash flow plan.
- 
- 
- 
17. Describe the various payment options that come with a checking account.
- 
- 
- 
18. Why is it important to maintain a file of both paper and electronic financial records?
- 
- 
-