

LESSON  
**1**

# Meeting Goals in Spite of Unexpected Events

## OBJECTIVE

Students will:

- learn to create, use, and adjust budgets to meet their financial goals

## TIME

40 minutes

## MATERIALS

- When the Unexpected Happens activity sheet

## ADDITIONAL RESOURCES

- Earning \$ and Spending Smart lessons, [High School Instructor Guide](#)
- Lessons 5, 6, and 8, [High School Toolkit](#)

## STANDARDS

- Council for Economic Education: Earning Income 7
- Jump\$tart Financial Literacy Standards: Spending and Saving 4d

## DIRECTIONS

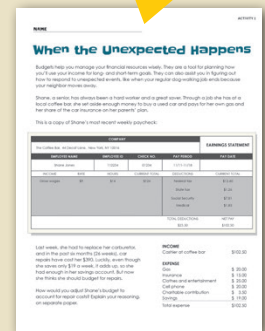
- Review concepts of **income**, **expense**, and **budget** from the additional resources as needed.

- Explain that Quinn is a high school student who works part-time at a local juice bar. Ask: If Quinn makes \$11 an hour, and works 50 hours a month, how much will Quinn earn per month? ( $50 \times \$11 = \$550$ .) Then ask the class how much Quinn's monthly paycheck will be. Explain that \$550 is Quinn's monthly gross pay, but Quinn's net pay (the amount of the paycheck) will be reduced by taxes and other deductions. Explain that there are a number of taxes employees must pay. These are known as **mandatory deductions**. For example:
  - Federal income tax rates go up as income increases. Quinn's employer will withhold 10% of gross income for federal income tax ( $.10 \times \$550 = \$55$ ).
  - State income tax varies by state. Some states have no income tax, while others do. Quinn lives in a state with a 1% state income tax rate, and Quinn's employer will withhold \$5.50 in tax each month ( $.01 \times \$550 = \$5.50$ ).
  - Social Security tax is 6.2% of gross pay ( $.062 \times \$550 = \$34.10$ ).
  - Medicare tax is 1.45% of gross pay ( $.0145 \times \$550 = \$7.98$ ).

- Write the gross-to-net pay calculation on the board:

Gross pay (monthly)	\$550.00
<b>LESS:</b> Federal income tax	\$ 55.00
State income tax	\$ 5.50
Social Security tax	\$ 34.10
Medicare tax	\$ 7.98
Total tax	\$102.58
Net pay	\$447.42

- Explain that many employers also offer voluntary deductions that employees might choose to make. Voluntary deductions can include health insurance premiums, retirement plans, and savings plans. Some employers also allow employees to make charitable contributions as a payroll deduction.
- Write the following items on the board under the heading Quinn's Monthly Expenses:
  - Goes to the movies four times per month, spending \$20 each time on tickets and treats
  - Spends \$100 per month on clothes
  - Spends \$50 per month on snacks
  - Donates \$20 per month to local youth club
  - Saves the rest for the future



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6. As a class, create a monthly budget for Quinn. Prompt the class to provide amounts before you write them on the board. The budget should appear as follows:

Net pay	\$ 447.62
Minus expenses:	
Movies	\$ 80.00
Clothes	\$100.00
Snacks	\$ 50.00
Donation	\$ 20.00
<u>Total expenses</u>	<u>\$250.00</u>
Available for saving	\$197.62

7. Ask the class what they think of Quinn's financial situation. Answers will vary, but students should recognize that Quinn's income exceeds expenses and that Quinn is being financially responsible by saving over one-third of income on a monthly basis.
8. Ask what would happen if the juice bar unexpectedly decreased Quinn's hours to 30 each month? Change Quinn's net pay from \$447.62 to \$268.57.
9. Then ask what Quinn could do to adjust income and expenses. Answers could include cutting entertainment, snacks, and clothing expenses; reducing charitable donations and/or monthly savings. Weigh the pros and cons of each option with the class, making sure that students understand that cutting savings is not the best option if Quinn wants to set aside money for a future goal (like college).
10. Hand out the "When the Unexpected Happens" activity sheet and ask students to complete it individually or in pairs. Go over the answers as a class. Answers will vary but should include adding about \$15 per week to the expense budget for car repairs (calculated by dividing \$390 by 26 weeks) and reducing an equal amount from expenses like clothing and entertainment. If some students suggest cutting back the amount saved each week, discuss how savings can play an important role in someone's budget—not only to have on hand for emergencies, but for big-ticket items you might want or to save for a future goal like college.
11. Hand out the "Budgeting IRL" family activity sheet and ask students to interview their parents about the way they manage household income and expenses. Explain that household finances can be a sensitive issue with some families but that it's a good way for parents to share their values and evaluate their household budgets.

*(Lesson continued on next page.)*



## Meeting Goals in Spite of Unexpected Events

### TAKE IT FURTHER

Ask students to make detailed monthly budgets and evaluate their financial situation. Are they saving enough? What would happen if they unexpectedly needed to buy a big-ticket item—do they have enough funds?

### ASSESSMENT QUESTIONS

Ask your students to answer the following questions on a separate piece of paper:

1. What is the difference between gross pay and net pay?

*Key points:* Gross pay is calculated by multiplying a person's hourly pay rate times the number of hours they work. This amount is reduced by involuntary deductions like federal and state taxes, and voluntary deductions like savings plan contributions, charitable donations, etc.

2. Why are taxes like federal income tax and social security considered involuntary deductions?

*Key points:* Tax deductions are required by law. The employee doesn't have a choice of paying or not paying them, so they are considered mandatory deductions.

NAME \_\_\_\_\_

# When the Unexpected Happens

Budgets help you manage your financial resources wisely. They are a tool for planning how you'll use your income for long- and short-term goals. They can also assist you in figuring out how to respond to unexpected events, like when your regular dog-walking job ends because your neighbor moves away.

Shane, a senior, has always been a hard worker and a great saver. Through a job at a local coffee bar, Shane sets aside enough money to buy a used car, gas, and a portion of the car insurance on Shane's parents' plan.

This is a copy of Shane's most recent weekly paycheck:

COMPANY					EARNINGS STATEMENT	
Any Workplace, Workplace Street Address, Any City, State, USA						
EMPLOYEE NAME		EMPLOYEE ID	CHECK NO.	PAY PERIOD	PAY DATE	
Shane Jones		112234	01234	11/11-11/18	11/20	
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	
Gross wages	\$9	14	\$126	Federal tax	\$12.60	
				State tax	\$1.26	
				Social Security	\$7.81	
				Medicare	\$1.83	
				TOTAL DEDUCTIONS	NET PAY	
				\$23.50	\$102.50	

Last week, Shane had to replace the car's carburetor, and in the past six months (26 weeks), car repairs have cost \$390. Luckily, even though Shane saves only \$19 a week, it adds up and Shane's savings are enough.

But Shane has decided to now also budget for repairs. How would you adjust Shane's budget to account for these costs? Explain your reasoning on separate paper.

## INCOME

Cashier at coffee bar \$102.50

## EXPENSE

Gas \$ 20.00

Insurance \$ 15.00

Clothes and entertainment \$ 25.00

Cell phone \$ 20.00

Charitable contribution \$ 3.50

Savings \$ 19.00

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Total expenses \$102.50

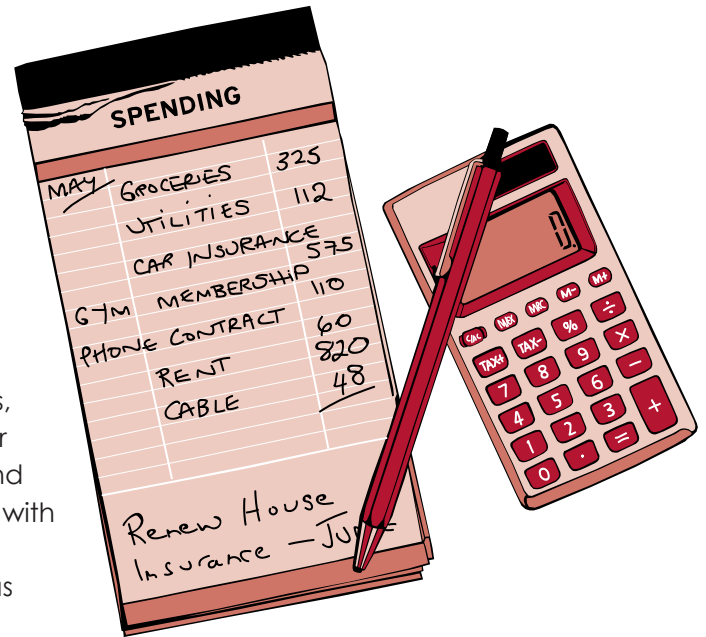
# Budgeting IRL

## Dear Student,

In class, you have been learning about financial concepts like earning, spending, and budgeting. Now it's time to find out how a real family deals with financial questions. That family is yours!

### ACTIVITY

Have a discussion with your parents about the types of expenses they have to deal with on a regular basis. Ask about expenses such as medical bills, car payments, insurance, utilities, food, and a mortgage or rent. (If your parents are resistant to discussing the family finances, find another family member who can complete the activity with you. Money can be a touchy subject, but it's extremely valuable to start learning about money management as soon as possible!)



ITEM

COST PER MONTH

	\$
	\$
	\$
	\$

### FAMILY EXPENSES

Sometimes, unexpected expenses like car repairs and medical expenses pop up at inconvenient times. Talk to your parents about how they deal when these issues arise. Do they dip into their savings, use credit cards, or take out a loan?

### REFLECT

What did you learn from this discussion? Which strategies do you think you will use? Which strategies would you change? Write your responses on separate paper.

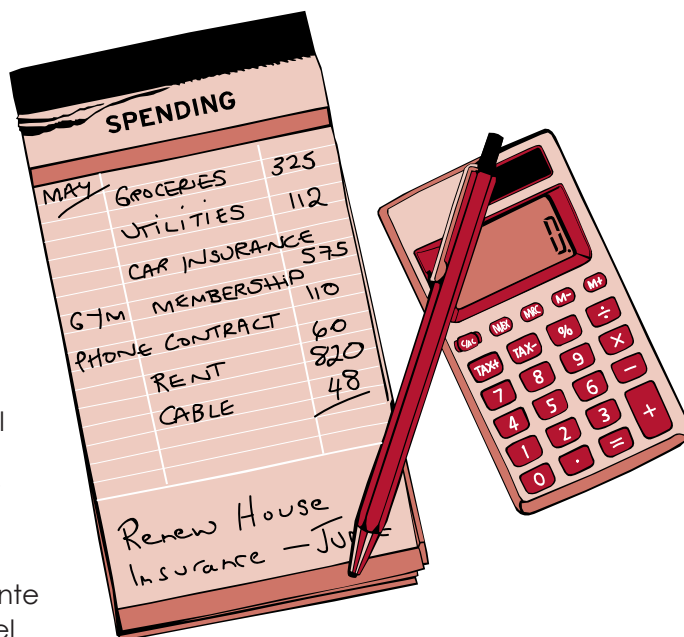
# Presupuesto de la vida real

## Estimado(a) estudiante:

En clase, ha estado aprendiendo algunos conceptos financieros, tales como ganar, gastar y presupuestar. Ahora es el momento de averiguar de qué modo una familia real enfrenta las cuestiones financieras. ¡Esa familia es la suya!

### ACTIVIDAD

Converse con sus padres sobre los tipos de gastos que tienen que enfrentar regularmente. Pregúnteles sobre los diferentes gastos, como cuentas médicas, pagos del automóvil, seguro, servicios públicos, alimentos y una hipoteca o un alquiler. (Si sus padres se resisten a hablar de las finanzas familiares, busque a otro miembro de la familia que pueda completar la actividad con usted. El dinero puede ser un tema delicado, pero es sumamente valioso comenzar a aprender sobre la administración del dinero lo antes posible).



### ARTÍCULO

### COSTO POR MES

	\$
	\$
	\$
	\$

## GASTOS FAMILIARES

A veces, los gastos inesperados, como las reparaciones del automóvil y los gastos médicos, surgen en momentos inconvenientes. Hable con sus padres para saber cómo resuelven estas cuestiones cuando surgen. ¿Recurren a sus ahorros, usan tarjetas de crédito o piden un préstamo?

### REFLEXIONE

¿Qué aprendió de esta conversación? ¿Qué estrategias cree que usará? ¿Qué estrategias cambiaría? Escriba sus respuestas en una hoja aparte.