

SM2-1: Budget Busters

Purpose: Examine current personal money management habits by participating in this activity.

Materials:

Play money: enough so that each class member can have 10 bills. All bills can be the same denomination, or you can use a variety of bills and vary the “cost” of the questions.

Wastebaskets: place several containers around the room on tables where the money will be thrown away. Students can also make a pile of the discarded bills on their desks.

Directions:

- 1 Give everyone in class 10 bills. You can vary the number of bills to change the length of the exercise.
- 2 Read a series of questions to which students will respond “yes” or “no.” Use the questions listed, or create your own based on the material you are covering in class.
- 3 Collect one bill each time the student responds with a “no” answer. (If you are using waste containers, students can throw the bills away or make a pile of the discarded bills.)
- 4 Debrief the students by asking them about both their successes and failures. This activity can help students realize that they are “throwing away” or saving real money based on their choices and actions.

Questions:

1. I have written down my financial goals.
2. I have a plan for reaching my goals.
3. I have a spending plan for my allowance and any earnings from working for others or for myself.
4. Before spending my paycheck, I review my goals and pay myself first.
5. I plan how I will use the rest of my paycheck before I say yes to any impulse spending.
6. I have a wardrobe plan based on a basic color, styles best suited to my body type, and lifestyle needs.
7. I know how much I can spend on clothing each month/year.
8. I have a budget for snacks and meals eaten away from home.
9. I know how much I can spend each day/week for snacks.
10. I pack a lunch from home to save money and achieve better nutrition.
11. I plan ahead for times of big expenses, such as graduation, yearbooks, proms, and school and community activities so that I’ll have the money I need to attend/participate.
12. I take care of my teeth by brushing regularly, getting regular checkups, and cutting out sodas and other sugar-laden products.
13. If I want to make a major purchase (\$100 or more), I do comparison shopping to get the best buy for my money.
14. All of my purchases are part of my plan for reaching my goals.

SM2-1: Budget Busters continued

15. I plan some money for spending as I please, but only after paying myself first.
16. I choose snacks from the pyramid that contribute to good health.
17. I don't spend my hard-earned cash on junk food.
18. I limit junk food to an occasional treat rather than as an everyday habit.
19. I have an emergency fund set aside equal to at least two months of living expenses.
20. I pay off the entire balance due on my credit cards each month to avoid interest charges.
21. I understand the returned merchandise policy of a store before buying. Merchants are not required to allow returns.
22. I consider the cost of owning and caring for goods before purchase, such as the cost to clean leather and suede, or space to store the item.
23. I know the difference between wants and needs.
24. I know the rate of interest I am receiving on my bank or credit union savings account.
25. I belong to a credit union to reduce transaction costs.
26. I know the blue book values of any used car I might consider before agreeing on a purchase price.
27. I determine the amount I have to spend on a car and secure financing for that amount before selecting a car.
28. I have a wardrobe plan so that I know what I need to add to maximize the clothing already owned.
29. I have a plan for after graduation that includes additional training so that I can get and keep a living wage job.
30. I have determined several goals for my future.
31. I take care with my personal appearance including bathing daily, wearing clean and neat clothes, and keeping clean hands and nails. (What does this "cost" you in a lifetime if you don't do it?)
32. I can provide one good example of a spending mistake I made that helped me learn an important lesson in money management.
33. I am aware of three or more of my personal strengths.

Adapted from the WSU Cooperative Extension Money Management Advisor Manual by Doris Torkelson, M.S., Area Agent, Grays Harbor and Mason Counties (torkels@wsu.edu).

SM2-2: What If?

Purpose: Think about the consequences of spending and saving behaviors by predicting how much was saved or spent for each of the following situations.

Directions: What if any of the following spending or saving behaviors applied to you? How much would you spend or save? Read each of the “What If...” scenarios below, and calculate the amount saved or spent. Write the amount in the middle column. In the right column, list at least one consequence of the behavior. (The first situation has been completed for you as an example.)

What If . . .	Amount	Possible Outcome
<p>(Example)</p> <p>. . . you incur a late fee of \$3 at least twice a month at the video rental store because you return rented video games or movies late?</p>	<p>In six months, you would have saved <u>spent</u> \$36.</p> <p>[($\\3×2 times a month) \times 6 months = \$36]</p>	<p>This is \$36 that could have been put into savings or used to rent more movies or video games. Also, this might hurt my reputation as a reliable customer of the rental store.</p>
<p>. . . you saved half of your gift money you received in the last year?</p>	<p>In one year, you would have saved/spent \$_____.</p>	
<p>. . . you purchased a soda or coffee every weekday after school?</p>	<p>In one month, you would have saved/spent \$_____.</p>	
<p>. . . you saved 10% of your paychecks (or allowances)?</p>	<p>In six months, you would have saved/spent \$_____.</p>	
<p>. . . your cell phone service charged 10 cents for every text message, and you averaged about three text messages a day?</p>	<p>In the month of April, you would have saved/spent \$_____.</p>	
<p>. . . your parents learned that you are eligible for a good student discount of 25% on your automobile insurance premium. The full premium is \$350 for three months.</p>	<p>In one year, your family would have saved/spent \$_____.</p>	

Name _____

Date _____

SM2-2: What If? (Instructor)

Purpose: Think about the consequences of spending and saving behaviors by predicting how much was saved or spent for each of the following situations.

Directions: What if any of the following spending or saving behaviors applied to you? How much would you spend or save? Read each of the “What If...” scenarios below, and calculate the amount saved or spent. Write the amount in the middle column. In the right column, list at least one consequence of the behavior. (The first situation has been completed for you as an example.)

What If . . .	Amount	Possible Outcome
<p>(Example)</p> <p>. . . you incur a late fee of \$3 at least twice a month at the video rental store because you return rented video games or movies late?</p>	<p>In six months, you would have saved/spent <u>\$36</u>.</p> <p>[[$\\$3 \times 2 \text{ times a month} \times 6 \text{ months} = \\36]]</p>	<p>This is \$36 that could have been put into savings or used to rent more movies or video games. Also, this might hurt my reputation as a reliable customer of the rental store.</p>
<p>. . . you saved half of your gift money you received in the last year?</p>	<p>In one year, you would have saved/spent \$_____.</p> <p><i>(Responses will vary depending on student situations.)</i></p>	<p><i>(Note to instructor: Facilitate a discussion for students to consider potential consequences of the saving or spending behaviors.)</i></p>
<p>. . . you purchased a soda or coffee every weekday after school?</p>	<p>In one month, you would have saved/spent \$_____.</p> <p><i>(Responses will vary depending on student situations.)</i></p>	
<p>. . . you saved 10% of your paychecks (or allowances)?</p>	<p>In six months, you would have saved/spent \$_____.</p> <p><i>(Responses will vary depending on student situations.)</i></p>	
<p>. . . your cell phone service charged 10 cents for every text message, and you averaged about three text messages a day?</p>	<p>In the month of April, you would have saved/spent <u>\$9</u>.</p> <p>$(10 \text{ cents} \times 3 \times 30 \text{ days} = \\$9)$</p>	
<p>. . . your parents learned that you are eligible for a good student discount of 25% on your automobile insurance premium. The full premium is \$350 for three months.</p>	<p>In one year, your family would have saved/spent <u>\$350</u>.</p> <p>$(\\$350 \times 4 \text{ quarters} \times .25 = \\$350)$</p>	

SM2-3: Analyzing a Pay Stub

Purpose: When you receive your paycheck, you should examine the attached pay stub to ensure your pay was calculated and disbursed accurately. The pay stub provides details of what you earned and how your pay is divided up for take-home pay, taxes, and any deductions for expenses. Examine the information included on a paycheck stub as you complete this activity.

Directions: Tom needs help understanding his pay stub. Please answer the following questions in order to help him out.

Blue Wisp Cleaners 123 Main Street Denver, Colorado 80211 (123) 456-7890			Employee:		Tom Smith		
			Social Security Number:		987-65-432		
			Pay Period:		08-24-07 to 08-31-07		
			Pay Date:		09-01-07		
			Check Number:		001234		
Hours			Earnings				
	Regular	Overtime	Regular	Overtime	Bonus	Other	Gross Pay
T/P	40.0	6.0	240.00	54.00			294.00
YTD			960.00	135.00			1,095.00
Deductions							
	Social Security Tax	Medicare Tax	Federal Withholding Tax	State Withholding Tax	Pension	Other	Net Pay
T/P	18.23	4.26	29.00	10.80			231.71
YTD	67.89	15.88	102.00	32.00			877.23

- Who is Tom's employer? _____
- What is the length of the pay period Tom just worked? _____
- How many total hours did Tom work during this pay period? _____
- What amount per hour does Tom get paid for regular hours worked? _____
- Did Tom work any overtime this pay period? _____ If so, how many hours? _____
- What amount per hour does Tom get paid for overtime hours worked? _____
- What is Tom's gross pay for this pay period? _____
- List the type and amount of each payroll deduction for Tom for this pay period.
 - _____
 - _____
 - _____
 - _____
- What was the total amount of Tom's deductions this pay period? _____ YTD? _____
- What is Tom's net pay (take-home pay) for this pay period? _____
- What amount has been available for Tom's financial goals year-to-date? _____

Name _____

Date _____

SM2-3: Analyzing a Pay Stub (Instructor)

Purpose: When you receive your paycheck, you should examine the attached pay stub to ensure your pay was calculated and disbursed accurately. The pay stub provides details of what you earned and how your pay is divided up for take-home pay, taxes, and any deductions for expenses. Examine the information included on a paycheck stub as you complete this activity.

Directions: Tom needs help understanding his pay stub. Please answer the following questions in order to help him out.

Blue Wisp Cleaners 123 Main Street Denver, Colorado 80211 (123) 456-7890			Employee:		Tom Smith		
			Social Security Number:		987-65-432		
			Pay Period:		08-24-07 to 08-31-07		
			Pay Date:		09-01-07		
			Check Number:		001234		
Hours			Earnings				
	Regular	Overtime	Regular	Overtime	Bonus	Other	Gross Pay
T/P	40.0	6.0	240.00	54.00			294.00
YTD			960.00	135.00			1,095.00
Deductions							
	Social Security Tax	Medicare Tax	Federal Withholding Tax	State Withholding Tax	Pension	Other	Net Pay
T/P	18.23	4.26	29.00	10.80			231.71
YTD	67.89	15.88	102.00	32.00			877.23

- Who is Tom's employer? Blue Wisp Cleaners
- What is the length of the pay period Tom just worked? 1 week or 7 days
- How many total hours did Tom work during this pay period? 46; 40 regular and 6 overtime
- What amount per hour does Tom get paid for regular hours worked? \$6.00
- Did Tom work any overtime this pay period? Yes If so, how many hours? 6
- What amount per hour does Tom get paid for overtime hours worked? \$9.00
- What is Tom's gross pay for this pay period? \$294.00
- List the type and amount of each payroll deduction for Tom for this pay period.
 - Social Security Tax \$18.23
 - Medicare Tax \$4.26
 - Federal Income Tax Withholding \$29.00
 - State Income Tax Withholding \$10.80
- What was the total amount of Tom's deductions this pay period? \$62.29 YTD? \$217.77
- What is Tom's net pay (take-home pay) for this pay period? \$231.71
- What amount has been available for Tom's financial goals year-to-date? \$877.23



Assessment 2-2: Evaluation

Short Answer (6 pts.): Read each item carefully; then write an answer based on what you learned about creating a personal budget. Each question is worth 2 pts.

1. What are two benefits of tracking your spending habits?

a. _____

b. _____

2. What are two advantages of creating and following a spending plan (budget)?

a. _____

b. _____

3. List two types of financial documents that every person should keep on file.

a. _____

b. _____

True/False (10 pts.): Read each statement carefully. Show whether the statement is True (T) or False (F) by writing either "T" or "F." If a statement is false, rewrite the statement to be a true statement. Each question is worth 2 pts.

___ 4. You should follow the same budget as long as necessary to control your spending and to meet your financial goals.

___ 5. A personal budget should be planned for a specific period of time.

___ 6. You can think of P.Y.F. as a bill you owe yourself.

___ 7. The best way to stay on track with your budget is to create the budget with spreadsheet software.

___ 8. Income and spending must balance each other.

Score _____/50

Name _____

Date _____

Multiple Choice (10 pts.): Read each item carefully; then select the best answer. Each answer is worth 1 pt.

- ___ 9. Which one of the following could not be called income?
- An allowance
 - A paycheck
 - Interest paid on a loan
 - Interest received from a savings account
- ___ 10. What is the purpose of Form W-2?
- To itemize how much money was earned by an employee and how much was withheld and sent to the Internal Revenue Service (IRS)
 - To allow the employee to participate in a tax-deferred savings plan
 - To document a refund or figure a balance due to the IRS each year
 - To allow the employer to withhold federal income taxes from an employee's wages
- ___ 11. What is the purpose of Form W-4?
- To itemize how much money was earned by an employee and how much was withheld and sent to the Internal Revenue Service (IRS)
 - To allow the employee to participate in a tax-deferred savings plan
 - To document a refund or figure a balance due to the IRS each year
 - To allow the employer to withhold federal income taxes from an employee's wages

Use Pete Dixon's pay stub shown here to answer Questions 12-14.

Vick's Videos 123 Adventure Street Dreamland, Colorado 80001			Employee:		Pete Dixon		
			Social Security Number:		123-45-6789		
			Pay Period:		03-12-07 to 03-26-07		
			Pay Date:		03-31-07		
			Check Number:		11100		
Hours			Earnings				
	Regular	Overtime	Regular	Overtime	Bonus	Other	Gross Pay
T/P	40	0	240.00	0.00			240.00
YTD	230	8	1,380.00	72.00			1,452.00
Deductions							
	Social Security Tax	Medicare Tax	Federal Withholding Tax	State Withholding Tax	Pension	Other	Net Pay
T/P	14.88	3.48	60.00	7.32			154.32
YTD	90.02	21.05	363.00	44.28			933.65

- ___ 12. What is Pete's gross income for this pay period?
- \$ 154.32
 - \$ 240.00
 - \$ 933.65
 - \$1,452.00
- ___ 13. What is Pete's net income so far this year?
- \$ 154.32
 - \$ 240.00
 - \$ 933.65
 - \$1,452.00

- ___ 14. How much of this paycheck does Pete have for spending and saving for goals?
- \$ 154.32
 - \$ 240.00
 - \$ 933.65
 - \$1,452.00
- ___ 15. To reach her financial goals, Rhonda has calculated that she needs an additional \$25 per week in gross pay. Rhonda can only work 20 hours per week during the school year, so she wants to ask her supervisor for a raise to increase her income. If she currently earns \$6.75 per hour, how much should her hourly wage be raised to increase her weekly gross pay by \$25?
- 50 cents
 - 75 cents
 - \$1.25
 - \$7.75
 - \$8.00
- ___ 16. How much will Rhonda earn per hour if she does get the raise she wants?
- \$6.75
 - \$7.25
 - \$7.75
 - \$8.00
- ___ 17. Marcus set a goal to buy a used car in the next few months. He plans to make a \$2,500 down payment and has already saved \$1,300. If he can save \$150 each month for this goal to buy a car, how long will it take him to save the entire \$2,500?
- 6 months
 - 8 months
 - 10 months
 - 12 months
- ___ 18. Lee wants to set up a budget, so he has asked for your help to draft it. He hesitates when you ask him to predict how much income he will have each month because he works more hours per week in the summer than during the school year. What will help him estimate his income for a specific month?
- His W-2 statement from the previous year
 - His W-4 form from the previous year
 - His pay stub from the previous pay period
 - His pay stubs from the past year

Matching (5 pts.): Read each statement carefully. Select the term that best matches the statement by writing the letter of the matching term in the blank. Each question is worth 1 pt.

- | | |
|---|---------------------------|
| ___ 19. Any money you receive such as an allowance or paycheck | a. Fixed Expense |
| ___ 20. An amount of money spent to buy something or do something that is the exact same amount every time | b. Gross Income |
| ___ 21. Taking a certain amount of all money you receive and saving it to be used for spending on longer-term goals | c. Income |
| ___ 22. Money taken out of a paycheck by an employer to pay for taxes, health insurance, and other payments | d. P.Y.F |
| ___ 23. Take-home pay | e. Payroll Deductions |
| | f. Net Income |
| | g. Spending & Saving Plan |
| | h. Variable Expenses |

Essay (19 pts.): In this unit, you have learned how to build a budget. Use what you have learned to respond to the next three tasks.

24. Do you have a spending and savings plan? In the space below, write down your personal budget to show your plan for spending and saving during the next month. (10 pts.)

25. How will your planned budget relate to your financials goals? In 2–5 complete sentences, explain how your budget will help you achieve your current financial goals. (5 pts.)

26. What do you predict will be different about your budget two years from now? Think about how your income and expenses might increase or decrease. Also consider what types of income and expenses might be removed or added to your budget. In the space below, list at least four things that will be different in your budget two years from now compared with your current budget. (4 pts.)

- a. _____
- b. _____
- c. _____
- d. _____

Budget Tips

Did you . . .

- ✓ Clearly classify your income and expenses
- ✓ Relate your budget to your current financial goals
- ✓ Write legibly
- ✓ Double check your math



Assessment 2-2: Evaluation Answer Key

Short Answer (6 pts.). Each question is worth 2 pts.

1. **Possible responses: Track spending habits to show where money is really going, use the information to create a budget to plan spending, compare to see how well spending habits match financial goals.** Award 1 pt. each for up to two responses. [Objective A; pp. 16, 20]
2. **Possible responses: Prioritize spending and saving, have money for financial goals, keep from going into debt, have money for wants and needs.** Award 1pt. each for up to two responses. [Objective B, pp. 16, 25]
3. **Possible responses: checking account statements, savings and investment statements, tax documents, insurance statements, loan and credit card statements, receipts and warranties for major purchases.** Award 1 pt. each for up to two responses. [Objective F, pp. 23–24]

True/False (10 pts.). Each question is worth 2 pts. Award the full 2 pts. for each “true” response and each “false” response with an accurate rephrased statement. Award only 1 pt. for a correctly labeled “false” statement without a correct rewritten statement.

4. **False. A spending plan will need to be adjusted as income, expenses, and financial goals change.** [Objectives A, H; pp. 16, 25]
5. **True.** [Objective F, p. 22]
6. **True.** [Objective E, pp. 20–22]
7. **False. There are many strategies; use the system that best matches your lifestyle and the technology available to you. Examples of other strategies include the envelope system, the tally system, a checking account register, a spreadsheet (manual or computerized), financial planning software.** [Objective G, p. 24]
8. **True.** [Objectives B, F, H; p. 22]

Multiple Choice (10 pts.). Each answer is worth 1 pt.

9. **c. Interest paid on a loan** [Objective C, p. 17]
10. **a. To itemize how much money was earned by an employee and how much was withheld and sent to the Internal Revenue Service (IRS)** [Objective G, pp. 23–24]
11. **d. To allow the employer to withhold federal income taxes from an employee’s wages** [Objective C, p. 18]
12. **b. \$240.00** [Objective C, p. 18]
13. **c. \$933.65** [Objective C, p. 18]
14. **a. \$154.32** [Objective C, p. 18]
15. **c. \$1.25** [$\$25 \text{ increase needed} / 20 \text{ hours} = \$1.25 \text{ per hour increase}$] [Objective H, p. 25]
16. **d. \$8.00** [$\$6.75 \text{ current wage} + \$1.25 \text{ increase} = \$8.00 \text{ wage with raise}$] [Objective H, p. 25]
17. **b. 8 months** [$\$2,500 \text{ down pymt.} - \$1,300 \text{ saved} = \$1,200 \text{ needed} / \$150 \text{ saved monthly} = 8 \text{ months}$] [Objective E, pp. 20–21]
18. **d. His pay stubs from the past year** [Objectives C, F; pp. 17, 23]

Matching (5 pts.)

- 19. **c. Income** [Objective C, p. 17]
- 20. **a. Fixed Expense** [Objective D, p. 19]
- 21. **d. P.Y.F (Pay Yourself First)** [Objective E, p. 20]
- 22. **e. Payroll Deductions** [Objectives C, G, pp. 17–18]
- 23. **f. Net Income** [Objectives C, G, p. 18]

Essay (19 pts.)

24. (10 pts.) Student budgets should be organized in a manner similar to the budget on page 22 of the Student Guide. [Objectives B, C, D, E, F, H; p. 22]

Award points for the following:

- 1 pt. = Budget title**
- 2 pts. = List of income with amounts**
- 1 pt. = Correct calculation of total income**
- 2 pts. = List of expenses with amounts**
- 1 pt. = Correct calculation of total expenses**
- 2 pts. = Total Income = Total expenses**
- 1 pt. = Information is legible**

25. (5 pts.) [Objectives B, E; pp. 20–22]

5 pts.: **Complete response should include reference to specific financial goal(s) and explanation of how the savings shown in the budget above will be used for specific financial goals. Sentences are well organized and clearly written with correct grammar, punctuation, and spelling.**

3–4 pts.: **Response might be lacking specific details about financial goals and how savings will be allocated for goals. Sentences might have minor grammar, punctuation, or spelling errors, but the message is clear.**

1–2 pts.: **Response lacks reference to financial goals or savings used for goals. Sentences are poorly organized and contain several grammar and spelling errors.**

26. (4 pts.) **Award 1 pt. for each realistic change that is listed.** [Objectives A, F, H; p. 25]