

Developing a Budget for Parents

Notes:

Learner Outcomes

Outcome #1: Participants will be able to identify what a budget is.

Outcome #2: Participants will be able to list at least two expenses included in a budget.

Outcome #3: Participants will be able to analyze a sample budget.

Target Audience

Parents

Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It Web site), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Sample Budget #1-BU-PT for each participant
6. Handout #1-BU-PT for each participant
7. Evaluation #1-BU-PT for each participant
8. Optional: PowerPoint Presentation PDF #1-BU-PT

Timing

1 hour

Want more background and training tips?

See the free, downloadable Bank It Leader's Guide at www.bankit.com.

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1. Welcome and Overview (5 minutes)

Arrive early. Highly consider using the optional PowerPoint Presentation PDF. It will greatly enhance your sessions. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room. Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Bank It Notes #1-BU-PT and either a pen or pencil. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for parents and teens that make it easier to understand, talk about, and manage your money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.

Today we will focus on developing a budget for parents, and we plan on meeting three goals. One: By the end of this session, you will be able to identify what a budget is. Two: You will be able to list at least two expenses included in a budget. Three: You will be able to analyze a sample budget.

Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation. (If this session is not the first session you're presenting to this group, consider briefly discussing the optional challenge that you may have given participants at the end of your previous session.)

2. Activity: Yes or No (15 minutes)

Begin by saying that a budget is a way to track your money to ensure that the amount you spend doesn't exceed the amount you earn. *Say: Why are budgets important? Because a budget helps us understand the choices we make with our money. It is an important step and tool toward understanding and taking charge of your money.*

Let's do a quick activity about common expenses (or spending) that can appear in a budget. Show participants two different gestures: two hands raised in the air for "yes" and two arms hanging from their sides for "no." Explain that participants

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will raise both hands in the air when you say a statement they would agree with, or say “yes” to. Have them hang their arms from their sides if they disagree or would say “no.”

Consider making statements such as these: *You pay for housing or rent.* (Give participants the chance to raise their hands or lower their arms.) If you wish, start a discussion.

Otherwise, make other statements one at a time, such as these: *Your family buys groceries. Your family pays for cable. Your family buys clothes. Your family takes a vacation at least once a year. Your family pays for a bus pass or gas for the car. Your family pays for insurance. Your family pays for haircuts. Your family pays for a pet.*

After you’ve said a number of statements, distribute the Budget Sample so that each participant has one.

Explain how a budget has two parts: income (money that comes in) and expenses (money that goes out). Say: *In order to do well money-wise, a family’s income either needs to be higher than the family’s expenses or equal with its expenses.* Ask: *What would happen if your expenses were higher than your income?*

(Give participants time to respond. Answers include: You’ll run out of money. You could get into serious debt. This is why some people have high credit card debt.)

Say: *Budgets are usually created to cover the expenses for a month. That’s because many expenses, such as rent, a mortgage, electricity, and telephone service are usually monthly expenses.*

Give participants time to look at the expenses listed in Part 2 of the sample budget and also the expenses in the box at the bottom of the page. Have them checkmark each expense their family has.

(Note: You may wish to mention that the budget they are looking at is not real. The amounts used help show what a budget with matching total income and expenses for a month might look like.) After they finish, ask: *What did you discover by doing this activity?*

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3. Present: Talking about Budgets (15 minutes)

Explain that it's important to know how to analyze a budget. Have participants look at the budget sample again. Ask: *What is the largest expense on this budget?* (Answer: Monthly apartment rent for \$700.)

Ask: *What is the smallest expense on this budget?* (Answer: Charitable giving at \$10.)

Ask: *What would happen if you had an emergency?* (Give participants time to respond. Point out that there is \$75 each month set aside for emergencies. If this family has been saving that money, they would have saved \$900 after one year to deal with emergencies.)

Ask: *How would you create your own budget?* (Give participants time to respond.)

On a flip chart, write "Income." Under that category, write: *1. Know how much money you're earning for each pay period. 2. Know how many pay periods you have each year.*

Explain that if they're paid twice a month, planning a monthly budget is simple. Ask: *If you were paid every other week, how would you budget?* (Give participants time to answer. Answers could include: Consider budgeting like you're paid twice a month so you would have two extra pay periods that you could use otherwise. Or create two monthly budgets: one for two pay periods and one for three pay periods.)

On a flip chart, write "Expenses." Under that category write: *1. Know which expense categories you use. 2. Keep track of how much you spend under each expense category.*

Distribute the Handout: Your Family Budget so that each participant has one.

Say: *This is a worksheet that you can use to create a family budget. I don't want you to write anything on this now, but I do want you to look at it as we learn more about budgets. Ask: Under Part 1—Income (money that comes in), how would you find this information for your family?* (Give participants time to respond. Answers could include: Pay stubs. Writing down cash income.)

Ask: *Under Part 2—Expenses (money that goes out), how would you find this information?* (Give participants time to respond. Write answers on a flip chart, such as bills, receipts, automatic payment information.)

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Say: It's important to think about budgets in two ways. First of all: A budget is a record. Most people need to track their spending for a month or two. That means writing it all down. Then they can create a budget because they know how they've been using money in the past.

Second: A budget is a vision for your future. How do you want to use your money? What are your dreams? What are your money goals? When you combine your past history with your future vision, you can create a budget that fits who you are and where you want to go. So how do you create a budget system?

On a flip chart, write: 1. Keep your receipts. 2. Keep your bills. 3. Create major spending categories, such as groceries and clothing, to track which expenses fall into them. (This is where a spending diary is useful. See Session 2 on Spending.)

4. Set a regular time to work on your budget. I suggest finding a weekly time to keep track of your money and your budget. 5. Store information in file folders, envelopes, or boxes. 6. Consider using a budget ledger, a free online budget tracker, or a budgeting software program.

4. Discuss (10 minutes)

Say: Take some time to talk to the people near you. Talk to about two to three people. Take turns. I want you to do two things: 1. Say your first name. 2. Say what kind of budget tracking and filing system you have—or plan to start.

Start with the person who donated used items or gave money to charity most recently. (If no one has, then start with the person who has volunteered his or her time in some way.) Then have each person take a turn.

5. Review and Evaluate (10 minutes)

Review what was accomplished during this session. Ask: What is a budget? (Answer: A budget is a way to track your money to make sure the amount you spend isn't more than the amount you earn.)

Ask: Why is a budget important? (Answers: A budget helps us understand the choices we make with our money. It is an important step and tool toward financial fitness.)

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Ask: *What do you need to know in order to analyze a sample budget?* (Answers: 1. Know what the income is. 2. Know what the expenses are. 3. Know the totals for both income and expenses. 4. Know that the two totals either need to be the same or the income total needs to be higher than the expense total.)

Ask: *What are some examples of expenses included in a budget?* (Answers: Rent or mortgage. Groceries. Clothing. Electricity. Savings.)

Ask: *How do you develop a budget system?* (Answers: 1. Keep your receipts. 2. Keep your bills. 3. Create major spending categories. 4. Set a regular time to work on your budget. 5. Store information in file folders, envelopes, or boxes. 6. Consider using a budget ledger or a computer software budget tracker.)

Ask: *What are some ways to create a tracking and filing system?* (Answers: File folders. Envelopes. Boxes.)

At the end of the review, distribute Evaluation #1-BU-PT to each participant. Give participants time to fill out the evaluation. Collect all the evaluations after participants finish so you can find out the measurable outcomes for the session.

6. Close (5 minutes)

Hold up both the Budget Sample and the Family Budget handout that you distributed during this session. Say: *In your hands you have the tools to create a budget so you can keep track of your money. You have a budget sample. Look at it closely. It can give you ideas of what a budget can look like.*

Then use the handout Your Family Budget. List your income. List your expenses. Total your income. Total your expenses. Make sure your income equals or exceeds the total for expenses. People who succeed with money matters always create a budget.

Why? Because it shows them how their money is coming in and how it is going out. It gives them clues that a budget category may be growing too fast. It helps them plan for their future. See how a budget can help you.

Challenge participants to talk to family members about this topic, which is listed under the Talk About It section of their Bank It Notes. Thank everyone for coming.

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Optional Activities

- 1. Show the PowerPoint Presentation PDF #1-BU-PT.** Use the presentation to accompany the one-hour session.
- 2. Give Participants a Challenge.** If participants have never used a budget, encourage them to use the next week to create one. If they have used a budget, encourage them to update it so that it's current. (If you wish, follow up during your next session to find out how the challenge went.)

Questions? Looking for more ideas? Visit www.bankit.com for answers and more resources.

For More Information

- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 1 in the area of Planning and Money Management.
- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 2 in the area of Planning and Money Management.
- *An Asset Builder's Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).