



## Different Ways to Budget | Lesson Plan

How can different budgeting methods help individuals achieve their financial goals and adapt to changing financial circumstances?

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Students learn why budgeting is important, what a budget is, and the four steps to making one for themselves.

### Learning Objectives:

- Identify what a budget is and explain why budgeting is important.
- Define key terms associated with budgeting.
- Explore the different components of making a budget.
- Differentiate between needs and wants for budgeting purposes.
- Identify and work with different budgeting methods.

### Key Vocabulary:

- **Budgeting:** The process of creating a plan to track and manage money earned, spent, and saved, ensuring financial resources are allocated effectively to meet goals and obligations.
- **50-30-20 Method:** A budgeting strategy that allocates 50% of income to needs, 30% to wants, and 20% to savings and debt repayment, providing a balanced approach to managing essential and discretionary expenses.
- **Incremental budgeting:** A budgeting approach where adjustments are made gradually to the current budget based on changes in income or expenses, often by small, periodic modifications to better reflect financial realities.
- **Envelope budgeting:** A cash-based budgeting system where funds are divided into physical envelopes labeled for different spending categories, limiting expenditure to the cash available in each envelope to control spending.
- **Zero-based budgeting:** A budgeting method where all income is allocated from scratch at the beginning of each period, requiring each expense to be justified, ensuring every dollar has a purpose and aligning expenditures with current financial goals.

**Educational Standards:** CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6, CCSS.MP1, CCSS.MP4, CCSS.MP5

**Academic Subject Areas:** Financial Literacy, Life Skills, Money

### What You'll Need

- Video: *Ca\$h Cour\$e: Different Ways of Budgeting* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: Different Ways of Budgeting* (Click [Here](#))
- Pre-printed budgeting scenarios for each group (Included Below)



Scan to watch episode:

## Lesson Plan (45 mins.)

### Warm-Up: (20 mins.)

- Begin with a discussion about budgeting, asking students to contribute reasons why budgeting is important (e.g., managing money, planning for the future, avoiding debt, etc.).
- Provide an overview of the following budgeting methods:
  - 50-30-20 Method
  - Incremental Budgeting
  - Envelope Budgeting
  - Paying Yourself First
  - Zero-Based Budgeting
  - Participative/Negotiated Budgeting
- Use the whiteboard to write down and briefly explain each method.
- Explain that when it comes to budgeting, there are four steps to developing a good budget:
  - Identify your income.
  - List your expenses.
  - Allocate a budgeting method.
  - Monitor and make adjustments as necessary.
- Divide the class into small groups and assign each group one budgeting method and a scenario (provided at the end of this lesson plan).
- Ask each group to discuss how their assigned budgeting method could be applied to their scenario.
- After presentations, segue to the video by explaining that they will gain further insight into these budgeting methods.

### Watch, Complete, Discuss: (10 mins.)

1. Show the video *Ca\$h Cour\$e: Different Ways of Budgeting*.
2. Lead a class discussion using the following questions:
  - Which budgeting method do you think is the easiest to start with? Why?
  - How might incremental budgeting help someone who recently got a raise?
  - Why would envelope budgeting help someone who tends to overspend?
  - When would zero-based budgeting be necessary?

### Wrap-Up: (15 mins.)

1. Distribute the "Ca\$h Cour\$e: Different Ways of Budgeting Worksheet."
2. Allow students to complete it individually or in groups.
3. Correct the worksheet as a class, taking time to cover areas where students need more information or clarification.
4. Discuss key takeaways from the lesson. Ask students to reflect on what they found most useful and why.

Extension Activity:

Have students use their takeaways from today's lesson to make a personal budget that addresses their needs, wants, and savings.

**Don't have time for the full lesson? Quick Activity (10-20 mins.)**

Distribute the worksheet and allow students to complete it while they follow along with the video. Or have students watch the video at home and use the worksheet as a quick quiz the next day in class.

**Budgeting Scenarios**

**50-30-20 Method:** You are a high school student who earns \$1,000 a month from a part-time job. Using the 50-30-20 method, allocate your income into needs, wants, and savings categories. Discuss how this method helps you manage your expenses and savings.

**Incremental Budgeting:** You recently received a 10% raise at your part-time job, increasing your monthly income from \$900 to \$990. Your current budget is Car Insurance: \$150, Gas: \$100, Phone: \$50, Entertainment: \$100, Savings: \$250, Miscellaneous: \$250. Discuss how you would adjust your existing budget incrementally to better utilize the increased income.

**Envelope Budgeting:** You have a monthly income of \$1,000, and you want to control your spending more effectively. Using the envelope budgeting method, divide your income into different categories (e.g., car insurance, gas, entertainment, savings) and discuss how this method can help you stay within your budget.

**Paying Yourself First:** You are planning to save for a study abroad program that costs \$3,000. Your monthly income is \$1,000. Using the "paying yourself first" method, prioritize your savings goal and adjust your budget to save \$250 each month for a year. Discuss the sacrifices you might need to make.

**Zero-Based Budgeting:** Due to a change in your living situation, you need to completely redo your budget. Your monthly income is \$1,000. Using zero-based budgeting, create a new budget from scratch, ensuring every dollar has a purpose. Discuss how this method helps you align your budget with your current financial goals.

**Participative/Negotiated Budgeting:** You and your friend are planning a joint vacation next year. Both of you have a combined monthly income of \$2,000. Using participative/negotiated budgeting, work together to create a budget that meets both of your needs and wants while saving for the vacation. Discuss the importance of compromise and negotiation in this method.