



Hands on Banking[®]
High School Mini Lesson
Student Handout Section

Topic: Budgeting

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Topic: Budgeting

Create a Spending Plan Worksheet

Use the worksheet below to create a monthly spending plan and track your actual spending. If you have an expense that is not paid monthly, convert it to a monthly amount. For example, if you pay your car insurance bill every six months, divide the amount of the bill by six.

MONTHLY INCOME	
Salary from Job 1	\$ 3,200
Salary/Wages from Job 2	\$
Other Income	\$
Total Monthly Income	\$
MONTHLY FIXED EXPENSES	
Rent	\$
Car loan payments	\$
Car insurance	\$
Other debt payments (credit cards/loans)	\$
Other:	\$
MONTHLY FLEXIBLE EXPENSES	
Groceries	\$
Gasoline	\$
Telephone (cell phones too)	\$
Utilities	\$
Household items	\$
Cable TV	\$
Internet	\$
Other:	\$
MONTHLY DISCRETIONARY EXPENSES	
Clothing	\$
Dining Out	\$
Entertainment	\$
Gifts	\$
Savings	\$
Other:	\$
TOTAL MONTHLY EXPENSES	\$

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Cost of Living Worksheet

Directions: Imagine you are a young adult living in "Anytown, USA," a bustling metropolitan area. Use the following information and the Creating a Spending Plan Worksheet to create a personal monthly budget. **If possible, please use a pencil - you may need to make changes.** The presenter will explain what your monthly income is.

1. Use the following examples and amounts to estimate your monthly expenses and categorize each expense (fixed, flexible, or discretionary) accordingly on the Create a Spending Plan Worksheet.
 - Rent for a 1-bedroom apartment in "Anytown, USA" costs \$1,300 a month*. A 2-bedroom apartment is \$1,500 a month*. You might need roommates to keep your rent expense low but no more than 2 people per room. Decide if you will live in a 1- or 2-bedroom apartment and if you will have a roommate(s).
 - Utility costs vary on what you want or need:
 - Budget \$100 a month* for the apartment basics (gas, electricity, water, trash).
 - If you want high speed internet: \$60 a month*.
 - If you want cable TV: \$50 a month*.
 - Household items including cleaning supplies, toiletries, trash bags, and other items will cost \$40 a month* for the apartment.
 - * Rent, apartment basics, household items, internet, and cable TV can be divided by the number of people living in the apartment. Decide what those items will total and divide by the number of people living in the apartment, and that is what your portion of the utilities and rent will be. Use that number for your Spending Plan Worksheet.
 - Car loan payments for a new 2012 car is \$450 a month. For a car that is slightly used the car payment is \$250 a month. To get around by bus it will cost \$40 a month. Decide what you will use for transportation.
 - Car insurance is \$120 a month and if you drive you must insurance. If you ride the bus you don't have to pay car insurance.
 - If you own a car you are going to need gas. If you stay close to home gas will cost you \$100 a month. If you plan to use your car often gas will cost \$150 a month. If you take the bus you will not need to buy gas.
 - If you pack your lunch and cook at home frequently groceries will cost \$160 a month. If you eat at home occasionally groceries will only cost \$100, but remember cooking at home is less expensive than dining out. (Either dining out or groceries should be your primary means for paying for food.)
 - Dining out expenses can add up. If you prefer eating out over cooking - buying lunch each weekday and having one nice dinner per week - you are going to spend \$300 a month. If you only dine out occasionally it will cost \$100 a month. (Either dining out or groceries should be your primary means for paying for food.)
 - If you have a cell phone with a data plan it will cost \$100 a month. A regular cell phone with no data plan is \$40 a month. Decide which phone you would like to have.
 - Clothing expenses vary depending on how much you shop. If you shop often it will cost \$300 a month for clothes. If you shop occasionally it will cost you \$100 a month for clothes. If you rarely shop for clothes it will cost you \$50 a month. Determine how much you should set aside each month for this purpose.
 - Entertainment expenses vary depending on how much you go out. Think about what you like to do for fun (concerts, movies, shows, clubs, travel, attractions, etc.). If you want to go out often it will cost \$400 a month to do so. If you want to go out occasionally it will cost you \$200 a month. If you rarely plan on going out it will cost you \$100 a month. Determine how much you should set aside each month for this purpose.

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Cost of Living Activity Worksheet (cont'd)

- There are other monthly expenses to consider as well: gym membership, movie/music download membership, giving to charity, car maintenance, dry cleaning costs, parking, etc. The cost for these expenses is \$100 a month.
 - Saving is extremely important. You should always save money for larger purchases like a new car, buying a house, furniture, a vacation, an emergency fund, etc. For this exercise we are going to save 10% of our pay so if you are making \$3,200 a month you will save \$320 a month and if you are making \$1,800 you will save \$180 a month. In real life you can save more, and you should always save. Make sure you include monthly savings into your plan.
2. Next, add all your expenses and fill in the "Total Monthly Expenses" section.
 3. Make sure your total monthly income is greater than your total monthly expenses.

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Education and Income

This chart shows an estimate of the pre-tax yearly earnings of full-time workers ages 25 and older who have these levels of education:

Amount of Education	Pre-tax Earnings
Professional degree (i.e. lawyer or medical doctor)	\$100,000
Doctoral degree	\$79,400
Master's degree	\$61,300
Bachelor's degree	\$50,900
Associate degree	\$40,600
Some college, no degree	\$37,100
High school graduate	\$31,500
Not a high school graduate	\$23,400

Someone with a high school diploma earns almost 35% more money than a person without one.

Someone with an associate degree earns almost 30% more money than a high school graduate.

Someone with a master's degree earns almost double the money of a high school graduate.

Someone with a professional degree earns almost double the money of someone with a bachelor's degree.

Source: *The College Board, Education Pays, II 2007.*