

# Learning About Budgets

Learn about budgeting to ensure you have plenty of money for needs, wants, and savings.

## OBJECTIVES

Students will...

1. Learn about budgeting and why it is important.
2. Learn about different budget categories.
3. Learn how to create a budget.

## ACTIVITIES

### PART 1

#### Content Knowledge

Class discussion:

1. What is budgeting?
  - Budgeting your money helps you make sure that you have enough money to pay for the things you need in life, develop, and build savings and have enough left over where you can buy some of the things you may want.
  - Budgeting is an important step in reaching financial goals.
2. What is a budget?
  - A budget is a plan of how to spend and save money. Typically, budgets are categorized in 3 categories:
    - Needs
    - Wants
    - Savings
3. Why is a budget important?
  - A budget is important because it helps you decide how much you'll need to spend on necessities, how much to put into savings, and how much is available for wants.
4. Brainstorm about what you think each category means. Create 3 columns and provide examples of each.
  - A need is something you need to live properly. (mortgage, rent, utilities, transportation, food, insurance)
  - Wants are things that would be nice to have but are not essential for living (new furniture, pedicure, video games)
  - Savings is money set aside for emergencies or to make special/goal-oriented purchases (new car, purchase of a house)

Grade Level: 6

MEFA PATHWAY LINKS FOR THIS LESSON:

- My Budget
- Calculator

DOMAIN:

- Financial Literacy

TIME:

- 45 minutes

MATERIALS NEEDED:

- Internet connection to work with the MEFA Pathway website

FUTURE READY SKILLS:

- Evaluating
- Self-Management
- Problem Solving

VOCABULARY:

- Budgeting
- Needs
- Wants
- Savings

Email any questions to:  
[k12support@mefa.org](mailto:k12support@mefa.org)

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# LESSON PLAN

## Rules of Budgeting: 50/30/20 Rule

The main rule of budgeting is to spend less than you earn. The 50/30/20 Rule is a helpful guide to make certain you have money for your needs savings and wants.

Percent of Income	Category	Definition & Examples
50%	Needs	Necessities such as school supplies or your cell phone bill
30%	Wants	Items or activities that you enjoy such as going to see a movie with friends or buying new video games, music, or jewelry
20%	Savings	An emergency fund for unplanned expenses and saving for college, trade school, a car, or other goal

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### PART 2

## Applying Information

### Creating a budget

1. Determine income: estimate all money coming in, including money from a job, allowance, and holiday or birthday money
2. Required expenses: estimate any expenses you must pay, this may include giving parents money monthly for a cell phone. Make sure to include payment to a savings account which is considered a required expense.
3. Money for wants: after required expenses are accounted for, you can allot some extras, these may include clothing, pizza, or gifts.
4. Review the *Sample Monthly Budget* by clicking on *My Budget* located under the *Financial Planning* tab.

### PART 3

#### Evaluating Information

Log into MEFA Pathway and navigate to *My Monthly Budget Calculator* located on the *My Budget* page under the *Financial Planning* tab.

Use the calculator to make your own monthly budget. Try this at the beginning of a month by estimating amounts and then update the actual amounts at the end of the month.

The calculator will show you the amounts you can put towards expenses based upon your income.

### PART 4

- Evaluate your monthly budget. Is it sustainable or do you need to cut back on “wants” or increase your income?
- What are ways to increase your monthly income?
- In MEFA Pathway go to *My Journal* and create an entry with ideas of how you can generate more income and/or what you may cut back on so you can apply more to your savings.

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# Learning about Budgets

## Grading Rubric

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CATEGORY	EXCELLENT 4	GOOD 3	SATISFACTORY 2	NEEDS IMPROVEMENT 1
Sequencing of Information	The information is organized in a clear, logical way.	Most information is organized in a clear, logical way.	Some information is logically sequenced.	There is no clear plan for the organization of information.
Effectiveness	The entry includes all material needed to give a good understanding of the topic.	The entry is lacking one or two key elements.	The entry is missing more than two key elements.	The entry is lacking several key elements and has inaccuracies.
Font Choice & Formatting	Font formats (size, bold, italic) have been carefully planned to enhance readability and content.	Font formats have been carefully planned to enhance readability.	Font formats have been carefully planned to complement the content. It may be a little hard to read.	Font formatting makes it very difficult to read the material.
Conventions. Student uses proper grammar, punctuation, and spelling.	The entry has no misspellings or grammatical errors.	The entry has 1- 2 misspellings, but no grammatical errors.	The entry has 1- 2 grammatical errors but no misspellings.	The entry has more than 2 grammatical and/or spelling errors.