

Module #2: Budgeting

Objectives:

- Participants will recognize the importance of having budgets.
- Participants will build monthly budget.
- Participants will recognize the steps to balance a budget.

Context



Having a list of planned expenses or a budget helps us to regulate our expending habits. It may be helpful to view the budget as a contract, which ought not to be breached.

Handouts & Resources Needed:

- Handout 2.2: Building My Monthly Budget
- Handout 2.3: Steps to Your Balanced Budget
- Sheet of paper- one for each participant
- Pens/pencils
- Journals – one per students
- Flip chart/blackboard

Activity #1: Recognizing the Importance of the Budget (55 min)

Procedure:

- Icebreaker
- Share that a critical ingredient to any successful financial plan is a budget. To achieve their short-term and long-term goals and objectives, they need to understand their current spending patterns.
- Ask the questions:
 - Do you really know where the money from your paycheck goes?
 - Have you ever wondered what happened to your money when you come up short in paying some bills?
- Ask for a show of hands of those individuals who have a budget. Have the participants keep their hands up, and ask them to raise their second hand if they actually use their budget. Ask a few who did not raise their second hand why they have a budget but do not use it.
- Use the following questions to generate a discussion about budgets:
 - What are some purposes for having a budget? Responses may vary but should include some of the following:
 - Helps to organize an individual's (or family's) spending.
 - Helps a person not to spend more money than he or she has.
 - Helps to balance expenses with income.
 - Identifies where money is spent.

- What is a balanced budget? (One that shows that income = expenses + saving)
- Debriefing

Activity #2: Building Monthly Budget (55 min)

Procedure:

- Icebreaker
- Distribute Handout 2.2: Building My Monthly Budget to each participant.
- Explain that focusing on a monthly budget should help participants visualize their current spending. A working budget takes time to establish—more time than is available in the session. However, by reviewing what is involved in establishing a budget in class, each person will be able to go home, gather the necessary dollar figures, and complete a working budget later. Only with time and careful tracking of spending patterns can they have an accurate accounting of how they spend their income.
- Remind participants that it is okay to use estimates in their first budgets.
 - Using the worksheet, walk through the categories and entries.
 - Encourage discussion while reviewing the handout.
 - Encourage participants to estimate what they spend on each area.
 - Encourage the participants to take time to develop a budget.
 - Encourage those who do not have budgets to set aside quality time to develop budgets that will allow them to achieve their financial plan.
 - Encourage those who do have a budget to review their existing budget and identify ways in which they can improve their budget, in order to achieve their financial plan.
- Bring closure to the budget building discussion by asking what relationship participants see between a financial plan and a budget. Responses may vary but should include that:
 - Maintaining a budget allows individuals to track their spending. By doing so, individuals (or families) can reduce their expenses to avoid going over budget.
 - Maintaining a budget also allows individuals to identify places to cut expenses in order to reach short-term and long-term goals.
- Debriefing

Activity #3: Recognizing Steps to Balance Budget (55 min)

Procedure:

- Icebreaker
- Provide participants with the Handout 2.3: Steps to Your Balanced Budget. Using the handout, go over contents and steps with participants.
- Encourage discussion while reviewing the handout.
- Debriefing

Handout 2.2

BUILDING MY MONTHLY BUDGET

Directions

1. In Column 1, enter appropriate dollar amounts.
2. At the end of each month, enter the actual amounts in Column 2.
3. Subtract Column 2 from Column 1 to calculate the surplus (+) or shortage (-) in each category. Record these numbers in Column 3.

Handout 2.3: Steps to Your Balanced Budget

For Month: _____	(1) AMOUNT BUDGETED	(2) AMOUNT SPENT	(3) SURPLUS (+) OR SHORTAGE (-)
CATEGORY			
FIXED EXPENSES			
Housing			
Rent or Mortgage	\$	\$	
2nd Mortgage/Equity Loan	\$	\$	
Other (explain)	\$	\$	
Transportation			
Vehicle Loan Payment (car, truck, etc.)	\$	\$	
Other (explain)	\$	\$	
Insurance			
Health	\$	\$	
Life	\$	\$	
Disability/Long-Term Care	\$	\$	
Other (explain)	\$	\$	
Child Care			
Child Care/Babysitters	\$	\$	
Child Support/Alimony	\$	\$	
Other (explain)	\$	\$	
FIXED EXPENSES SUBTOTAL (Transfer these figures to the appropriate line in the Budget Summary.)	\$	\$	
PERIODIC FIXED EXPENSES (Expenses usually occurring annually. To determine the monthly expense, divide the total expense by 12.)			
Housing			
Property Tax/Real Estate Taxes (if not a part of mortgage payment)	\$	\$	
Insurance (homeowner, rental)	\$	\$	
Other (explain)	\$	\$	