

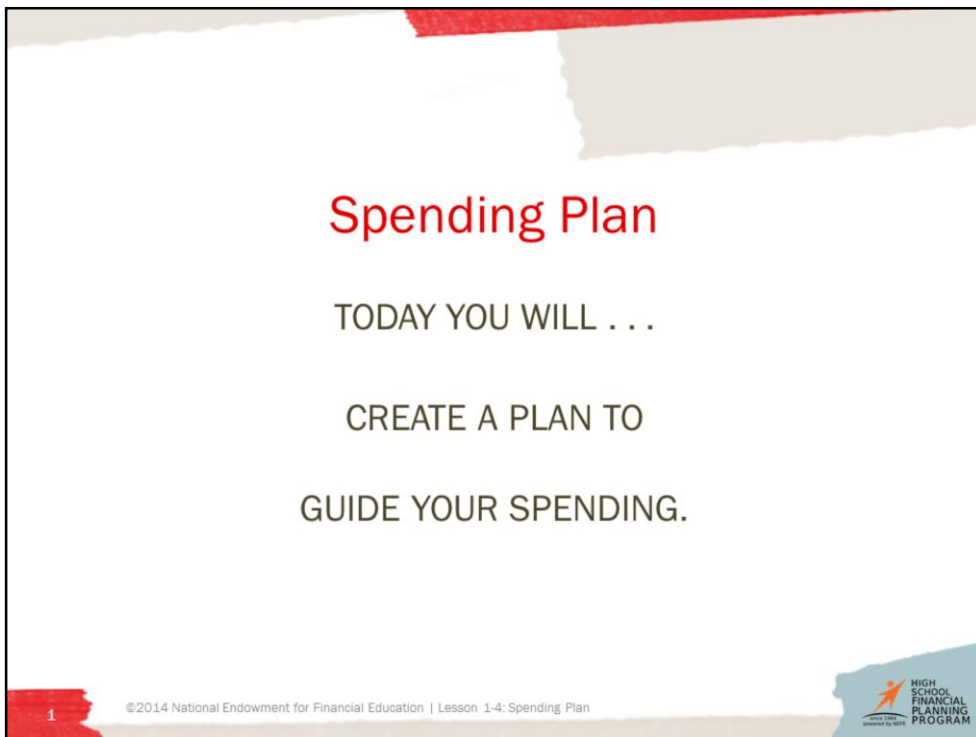
MODULE
01

**MONEY
MANAGEMENT:**
Control Your Cash Flow

WWW.HSFPP.ORG

HIGH SCHOOL FINANCIAL PLANNING PROGRAM

The image is a collage with a red and white torn-paper effect. It features three photographs: two students looking at a laptop, a young woman sitting on a bench outdoors, and a close-up of a smiling young man. The text is overlaid on a white background that also has a torn-paper effect.



- ❑ Display this slide as you transition into the lesson.

Gotcha!

- What is in the store window to get you to walk in? What techniques are used to get you into the door?
- What is the first thing you see when you walk into the store? Are you ever tempted to buy it?
- What do you have to walk past in order to get to the object you want to buy? Did you ever pick up anything on the way?
- When standing in line at the register, have you ever picked up anything on display to buy?
- When you get your item, do you receive any coupons or flyers that will encourage you to come back? Do they have expiration dates?

2 ©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan HIGH SCHOOL FINANCIAL PLANNING PROGRAM

- Ask students to brainstorm ways they think that businesses use sales and marketing tactics to entice shoppers to buy things. Use these questions to prompt the brainstorming. (Note: mind mapping works well for this brainstorm activity.)
- *What is in the store window to get you to walk in? What techniques are used to get you into the door?*
 - *What is the first thing you see when you walk into the store? Are you ever tempted to buy it?*
 - *What do you have to walk past in order to get to the object you want to buy? Did you ever pick up anything on the way?*
 - *When standing in line at the register, have you ever picked up anything on display to buy?*
 - *When you get your item, do you receive any coupons or flyers that will encourage you to come back? Do they have expiration dates?*

EXTENSION: For an alternate version, have older students consider a car sales pitch. If they have gone car shopping, what types of things did the salesperson do to increase the company's profits? Encourage students to go to a local car dealer with a low-end car in mind and see what the salesperson does to try to get shoppers to spend more money for a more expensive car.

Preview

Today we will answer these questions:

- How can a spending plan help me better manage my spending habits?
- What is a spending plan?
- How do I use a spending plan?

Use what you learn today to
create a spending plan.

3 ©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan HIGH SCHOOL FINANCIAL PLANNING PROGRAM

- ❑ Transition into the lesson by previewing the Learning Outcomes in the Student Learning Plan. Point out how planning ahead on how to spend money can help reduce the possibility of overspending or buying something that isn't wanted later.
- ❑ By the end of this lesson, the students should be able to outline a spending plan that is reasonable for their current situation.

Whoops!
What does the repair or replacement cost?

1. Break flat-screen TV
2. Break laptop (hardware)
3. Download virus on computer
4. Fender bender
5. Flat tire
6. Fractured/broken bone
7. Lost cell phone
8. Lost iPod
9. Run out of gas
(Unable to walk to a gas station. Need to have auto service company bring gas.)

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

4

HIGH SCHOOL FINANCIAL PLANNING PROGRAM

Student Guide, page 23

- ❑ Arrange for students to work individually or in small teams (2-3 students). Assign each group to conduct a quick online search to estimate the repair or replacement costs for one of the Whoops situations. Post costs for the whole class to see. [OPTIONAL: Have students add situations to the list.]

Note: To locate information on repair or replacement costs, have them use the phrase, “How much would it cost to fix...” or “How much would it cost to replace...” to search for information. For replacement costs, they can also opt to visit the websites of local retail stores that would carry that object to price out a new item. For auto repairs, imagine the item has to be completely replaced and installed professionally.

- ❑ Debrief by asking students if they would be able to cover the costs with cash on hand at that moment. Lead a discussion about how these types of unexpected costs might impact the ability to meet other spending obligations or derail progress towards a savings goal.

Spending Plan = Road Map for Success

By failing to prepare, you are preparing to fail.
Benjamin Franklin

Establish priorities; plan in advance to:

- Make progress to achieve goals.
- Avoid “traps” and buyer’s remorse.
- Deal with unexpected costly events.
- Have money on hand when you need it.
- Put you in control of how your money is used.

5 ©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan




Student Guide, pages 22-27

- Introduce spending plans as a way to prepare in advance for planned purchases and to have sufficient funds on hand for unexpected expenses. Introduce the concept that to create a spending plan, a person needs to 1) Identify the expected costs and savings goals, and 2) Figure out how to cover those costs (expenses) with money earned from jobs or received as allowance (income).

Can Michael and Selena Cover Expenses?

Monthly Expenses	Michael	Selena
Cellphone	\$45	\$0
Car Insurance	\$70	\$0
Food	\$120	\$60
Gas	\$40	\$0
Clothes	\$30	\$60
Entertainment	\$100	\$40
Personal Care	\$5	\$10
Donations	\$0	\$8
Total Expenses	\$410	\$178
Estimated Income	\$544	\$160
Difference	\$134	\$(18)

6



Student Guide, pages 16, 25-27

- ❑ Use this slide so students can assess whether or not Michael and Selena have enough income to cover what they have responsibility to pay for each month. Point out their estimated income (Student Guide, page 25) and their monthly expenses (page 27).

Click 1 on slide: Examine the expense and income amounts and challenge the students to calculate the difference (Student Guide, page 27).

Click 2 on slide: Show the difference to check calculations.

- ❑ Lead a discussion or arrange for students to discuss in small groups how Michael and Selena can adjust their expenses (or income) to ensure they cover their monthly obligations and also have money to set aside for their goals. Point out that Selena has set a goal to save \$25 each month and Michael wants to save \$40 each week. (Student Guide, page 16)

Building a Spending Plan

1. What are the goals?
2. How long will the plan be used?
3. How much income is available?
4. What are the anticipated expenses?
5. How does the plan need to be adjusted?

7

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
ESTABLISHED 1998

Student Guide, pages 24-25

- Introduce students to the steps to create a spending plan. Preview the steps to create a plan/budget.

Predict Your Income

Types of Income:

- Pay
- Allowance
- Interest
- Gift money
- Sales

Tips to Predict:

- Use what is known:
 - Pay
 - Regular allowance
 - Average interest earned
- Be conservative:
 - When estimating, aim lower rather than higher
 - Don't count on windfalls

8

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

HIGH SCHOOL FINANCIAL PLANNING PROGRAM
ESTABLISHED 1991

Student Guide, pages 24-25

- Point out examples of income, including how Michael and Selena receive income (pages 24-25).
- Guide students to identify their own sources of income, **Activity 1.7: My Income**.

Estimate Your Expenses

Classify Expenses:


- **Fixed:** Known, regular payments (Internet fee)
- **Variable:** Known but irregular payments (groceries)
- **Periodic:** Known but occasional payments (school fees)

Tips to Estimate:

- Use averages for variable expenses
- Split periodic expenses into chunks
 - Example: Plan to set aside \$100 a month to pay the annual \$1,200 car insurance premium.

9

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan



Student Guide, pages 26-27

- ❑ Describe and classify expenses as fixed, variable, and periodic. Provide examples (page 26) and reference the examples from Michael's and Selena's list (page 27).

PYF – Pay Yourself First!

Set aside money for “big ticket” items.

Avoid borrowing, which costs you more money.

Very wise to save a little now for later.

Every time you PYF you have more money to spend later on things that are important to you!

10

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

HIGH SCHOOL FINANCIAL PLANNING PROGRAM

Student Guide, page 28

- Introduce students to the “pay yourself first” (PYF) strategy used to regularly set aside chunks of money to save for bigger financial goals.
- Guide students to complete **Activity 1.8: My Expenses**. If available, they can use the responses from Activity 1.2: My Disappearing Dollars to classify their expenses.


Make Adjustments

Ideal Situation: Spend at or below your means

Income > or = Expenses

<p><u>If Expenses > Income</u></p> <ul style="list-style-type: none"> ↓ variable expenses ↑ income ↓ unnecessary expenses 	<p><u>If Income > Expenses</u></p> <ul style="list-style-type: none"> ↑ PYF savings funds ↓ any loan obligations
---	---

11


©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

Student Guide, page 30

- ☐ Point out Michael's plan (page 30) to illustrate an example of a month spending plan/budget. Display this slide as you suggest ways to adjust a plan so the income is equal to or more than the anticipated expenses.

Click 1: If expenses exceed income, determine ways to:

- decrease variable expenses
- increase income
- delay or decrease unnecessary expense(s)

Click 2: If income exceeds expenses, this is a good opportunity to:

- increase the amount set aside for the PYF funds and savings goals
- decrease the amount owed

Maya's Spending Plan

Scenario


Maya is a senior in high school who works part time. She is expected to pay her car loan and a few other bills. Help her set up a spending plan to cover her expenses and also allow room to save money for a trip and college tuition.

Answer the following as a guide to complete your task:

- What are Maya's goals?
- How much is her income?
- What are her fixed expenses?
- How should her variable expenses be adjusted?

12

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan




- ❑ Display and distribute Maya's Spending Plan task as you preview the task with the students. Have students independently create a spending plan for Maya. Circulate around the room to make sure students put the realistic amounts on a spending plan sheet.
- ❑ When finished, arrange for the students to work in pairs to compare solutions. Instruct them to reach consensus on how to adjust the total income to match the total expenses. Point out that there is no one way to balance it as long as the income covers the expenses and Maya's spending needs and goals are reflected in the final plan.

Without a Spending Plan

- May come up short on money before the next paycheck or allowance payment
- More likely to not reach long-term spending goals
- Added stress if struggling to keep up with payments
- May need to give up something you planned if money needs to be used for unexpected emergencies
- Give up independence if you need to rely on others for financial help

13

©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan



- Facilitate a brief discussion about the potential consequences of not following a spending plan.

Challenge page 31

Create a **spending plan** so you can pay for the things you need and want.

Choose one of the following situations:

- Big purchase
- Upcoming event
- Monthly expenses

14 ©2014 National Endowment for Financial Education | Lesson 1-4: Spending Plan

HIGH SCHOOL FINANCIAL PLANNING PROGRAM

Student Guide, page 31

- ❑ Guide students to use what they have learned to create their own spending plans for a specific event, financial goal, or to cover their currently monthly expenses. Direct students to use information that is realistic for their current situation as they complete **Challenge 1-C: My Spending Plan**.

Note: For students who don't have regular income, arrange for them to either work from a fictitious situation or arrange to use information for an existing club project or youth program. [See Extension Task]

