

Name:

Date:



INTRO

TALK WITH A PARTNER

Discuss these questions with your classmates or with a partner, and take notes below:

1. What items do you spend money on currently?

2. Now, imagine yourself as a junior in high school who has a part-time job. How do you think your spending as a high schooler will compare with your current spending as a middle schooler?



DO IT

CASE STUDY: Let's Make a Budget!

A budget can be a helpful tool when it comes to managing your money. Read and answer the questions in the case study to help Shaun guide his little cousin Virgil through his budgeting process from start to finish!

Part I: Income

Cousins Shaun and Virgil live next door to each other and enjoy spending time together. Shaun is a junior in high school and works at the local rock climbing gym after school. Virgil is a 7th grader in middle school and looks up to his older cousin.



One Friday, Shaun gets home from working his shift at the rock climbing gym and joins his little cousin eating snacks at the kitchen table.

“Happy Friday!” Virgil says as he passes the chips to his cousin. “What are you up to this weekend?”

“Well, I DID just get paid today!” Shaun replies as he waves his pay stub in the air. Virgil’s eyes follow the paper in Shaun’s hands.

“Don’t be shy, go on and open it!” Virgil is curious about what a pay stub looks like since he has never had a job before.

Budgeting Boulders Climbing Gym				EARNINGS STATEMENT		
Budgeting Boulders Climbing Gym, 123 Any Street, Big City, CA 94301						
EMPLOYEE NAME		SSN	EMPLOYEE ID	CHECK NO.	PAY PERIOD	PAY DATE
Shaun Garcia		xxx-xx-2345	12345	98765	10/1/2019 - 10/15/2019	10/22/2019
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR-TO-DATE
GROSS WAGES	13.00	16	208.00	FICA MED TAX	3.02	57.30
				FICA SS TAX	12.90	245.02
				FED TAX	5.46	103.74
				UT ST TAX	12.38	235.14
YTD GROSS	YTD DEDUCTIONS	YTD NET PAY		CURRENT TOTAL	CURRENT DEDUCTIONS	NET PAY
3,952.00	641.21	3,310.79		208.00	33.75	174.25

“Awesome, you’ve got \$208 now!” Virgil exclaims. “Imagine all of the video games you could buy with all that money!”

Shaun holds up a hand. “I don’t actually have \$208 to spend.” He grabs a notebook and some colored pencils off of the counter.

1. Draw a picture that would help Shaun explain to his cousin the difference between **gross pay** and **net pay**.

2. Should Shaun use gross pay or net pay when creating his budget? Explain your

reasoning.

Virgil nods. "Ah okay, thanks for breaking that down! So, why do we pay taxes? Why wouldn't you just get you \$208 because that's what you earned!"

3. What should Shaun say to answer his cousin? In two sentences, describe why we pay taxes. Include at least 3 things that tax money is used for.

Part II: Needs v Wants

"All right, that makes sense! All right, at least you've got \$174.25 to spend! We can definitely afford to get that newest video game that was released today!" Virgil starts putting on his jacket to get ready to go to the game shop. "You could probably get the new one and two other games that my friend at school told me about that are cheaper but still really fun and -"

Shaun puts Virgil's hood from his jacket over his head and sits him back down in the chair. "Not so fast!"



Virgil plops back down and resumes eating the chips.



"I have to make sure that I use this money wisely." Shaun explains. "I did NOT work all those hours at the climbing gym just to use all the money on the day I get paid! I need to stay on top of my money so that all of my hard earned cash is going to good use."

Virgil nods and reflects on all of the hours he put in for his chores, only to quickly spend all of his allowance at once. "How do you stay on top of your money?"

"You have to budget! It's a skill that I'm learning!" Shaun shares. "I keep track of where my money comes from and where the money I earn goes."

Shaun turns the notebook to a new, blank page and draws the table below. "It's important to understand the difference between essential items, which are my NEEDS, versus the items that make me happy, which are my WANTS."

Virgil looks confused by this so Shaun explains further.

4. What should Shaun say so that Virgil understands the importance of identifying needs vs. wants?

5. Identify which of Shaun's purchases are considered NEEDS vs WANTS by placing them in the appropriate columns.

Gasoline for car	School Supplies	Video Games	Snacks
Netflix subscription	Phone Data	Haircuts	Clothes

Needs	Wants

Part III: Budgeting Strategy

"Now that we have planned ahead for my expenses, I won't be tempted to make extra purchases that I can't afford and I'll be able to rest easy knowing I can pay for those snacks because I budgeted for it!" Shaun explains.

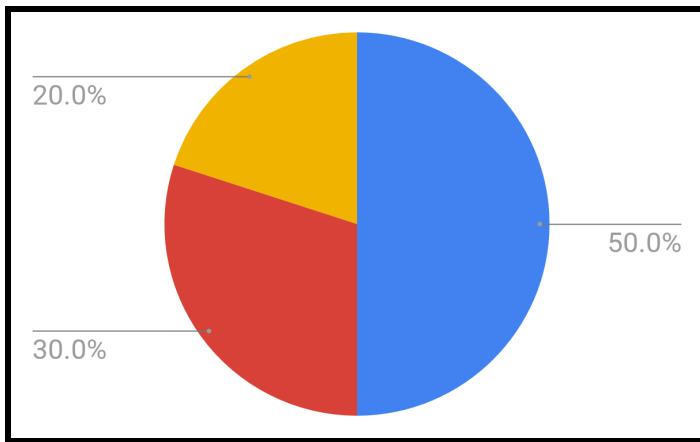
Virgil raises his eyebrows. "I guess it does make sense to plan for yourself. So what's next?"

Shaun smiles and asks, "It's math time. You got a calculator?"

"I can use my phone calculator!" Virgil takes his phone out of his pocket.

"One helpful strategy that I've been trying out is the 50/30/20 rule." Shaun explains.

6. Label the 3 basic budgeting elements (needs, wants, savings) on the pie chart below.



50% = _____

30% = _____

20% = _____

7. If Shaun receives a paycheck every two weeks, how much does he receive in NET PAY every month?

8. Use your answer above from Question 7 as Shaun's monthly income. Calculate how much he can spend on his needs, wants, and savings according to the 50/30/20 budgeting strategy.

	\$ Amount
Needs	
Wants	
Savings	

Part IV: Wrap Up

"Nice! I just did the same calculations on my phone and I got the same numbers you did," Shaun confirms his little cousin's math.

"If we already went over needs and wants, what would you put in this savings category?" Virgil points to the last category in the table.

"Those are for bigger goals. Right now, I'm saving up for two things. First, new climbing shoes," Shaun holds up his old pair of shoes and Virgil grimaces in agreement. "And after high school, I want to pay for my tuition for trade school to study how to become an electrician. I've been getting into the habit of paying myself first, then spending money on my needs, and finally, my wants."



9. Why might it be a good idea to prioritize savings and needs first when budgeting?

At this time, Shaun's mom also gets home from work and greets the two boys. "How are we doing over here?"

"Great!" Virgil shares. "Shaun taught me how to start budgeting!"

"Oh I see!" Shaun's mom looks over their notebook. "So why is it so important to budget?"

10. What can Virgil say to his mom?



Shaun gives Virgil a high five. "You got it! When you have a job in high school, you'll have those money management skills. Actually, now that I think about it, you can even start practicing now with your allowance from your chores!"

Virgil stands up and offers a game plan. "I'm going to go home, count all of my allowance, plan my own budget and see how I can start spending my money in a smart way. I'm going to come back in an hour and if I've got enough budgeted in my WANTS category...to the game shop we go!"

"And what if you don't have enough money in the WANTS category, then what?" Shaun asks.

"Then, looks like I've got to pick up on some more chores!" Virgil replies as he runs out the door.



EXIT TICKET

1. What are some ways you can start practicing smart budgeting right now as a middle schooler?