

Oklahoma Cooperative Extension Service
Oklahoma State University

Pathways to Success

A Basic Living Skills Curriculum

Budgeting Money (Part 1)

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Leader Materials

Budgeting (Part 1)

Objective: To assist learner in developing a personal budget

Materials Needed: Learner's guide, pencils, calculator

Introduction: Read definitions of budgeting on page 1 of the learner's guide. Discuss other ways people try to save money.

NOTE: This lesson should be extended over a two-month period of time to allow learner the opportunity to write down expenses. It would be helpful if learner could keep receipts a week before this lesson.

To Say

To Do

	Read definitions of budgeting on page 1 of the learner's guide. Discuss other ways people try to save money.
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Budgeting (Part I)

Today you will learn: how you spend your money.

Budgeting

A Budget is . . .

- Starting to save money in January for the holiday next year
- Walking to the grocery store to get milk and a loaf of bread.
- Saving \$1 a week to give a birthday party.
- Buying yard sale jeans and day-old bread.
- Buying a dress at a discount store.

To Say

People have to budget their money to make it meet their needs and wants.

To Do

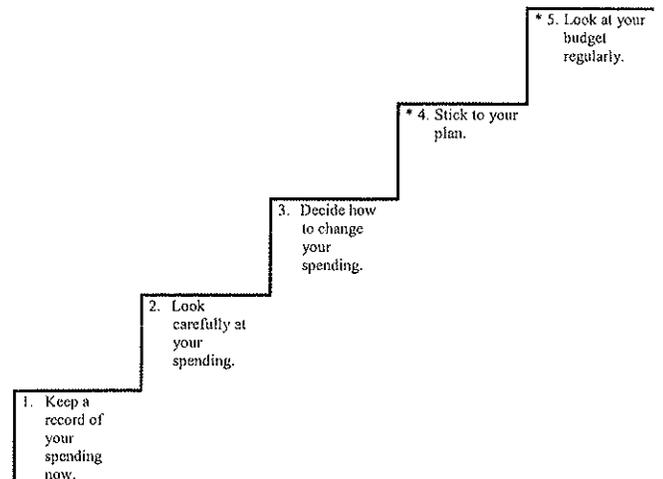
Read and discuss page 2 of the learner's guide.

Making a Budget

A budget is a plan for managing your money.

Everyone needs a budget, but some people can budget their money better than others.

There are 5 steps to making and keeping a budget.



* Step 4 and 5 are discussed in Budgeting (Part 2).

To Say

The first step in budgeting is to keep a record of how you are spending your money now. Then you will break them down into areas. Let's look at the spending areas.

To Do

Read page 3 of the learner's guide. Learners will probably have questions about where other things fit. Let them know it does not matter as long as they remember. Go on to page 4.

1. Keep a record of your spending now.



How to Keep a Record of Your Spending

Your spending will be broken down into the following areas:

- Food
- Housing and utilities
- Household supplies
- Car plus insurance
- Child care and child support
- Recreation and personal goods
- Medical plus insurance
- Savings
- Credit payments
- Clothing
- Other - gifts, church, school, sales tax, etc.



To Say

These are the directions for how we will begin writing down our expenses for a month

To Do

Go over instructions on pages 4 and 5.

- Write down and total your expenses every day of the week. You will want to save store receipts and break items into the areas of spending.



- Do this for each day of the month.
- At the end of the month, add expenses for each area of spending.
- Add all together.
- The total for the areas of spending will be the same as the total of the month.

To Say

If you are confused about this exercise, let's look at the example on page 6.

To Do

Go to page 6.



Now you are ready to write down your expenses for the month. Use page 7 to write down your expenses for one day at a time. Start on the day you began writing down your expenses. It is best to start on the first day of the month.

Begin writing on the day of the week that you start writing down your expenses. For example, if you are writing down your expenses in May and May 1 is on a Friday. Write those expenses in the Friday on the first row.

January						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

To Say

Let's look at this example.

To Do

Explain how to use the blank calendar to enter expenses. This calendar was started on Wednesday because the first day of the month was on a Wednesday.

Monthly Calendar for Recording Spending

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			\$25 gas \$15 groceries \$400 rent	\$5 lunch \$30 cable bill	\$45 day care	\$6 movie

To Say

To Do

After you keep track of your expenses for a month, you will have something to break into the areas we discussed earlier.

Review page 8 and 9.

Look at your calendar and break the expenses you listed into the areas of spending listed on page 9.

For example, if you have 4 payments to Gas and Guzzle, you add them and enter this amount in the car column.



Do this for all your expenses. When you add all items on page 7 and then page 10 the amounts should match.



To Say

Let's look at the example on page 9 so you will know how to break down your expenses.

To Do

Have learners compare page 9 to sample on page 6 to see how these expenses were broken down.

Areas of Spending

Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals
\$8.63 \$11.50	\$400 \$25.19		\$25.83	\$45	\$6.75							

Areas of Spending

Food	Housing & Utilities	Household Supplies	Car-Gasoline or Bus Fare	Child Care & Child Support	Recreation & Personal Goods	Medical plus Insurance	Savings	Credit Payments	Clothing	Restitution	Other-Gifts, Church, School, Sales Tax	Totals

To Say

There are other expenses that we have to pay that we have not discussed yet.

To Do

Review page 11.

If you look at your budget, you may see that some expenses are missing. These are the expenses that come at different times during the year. If you do not save for them, your budget will fail.



Clothing



Dentist



Taxes



Gifts



Care Insurance



Car Repairs

These expenses can pile up!

To Say

People who do not pay attention to these expenses cannot make a budget work.

To Do

Have learners read page 12.

Expenses that you pay every three months, every six months or once a year are call periodic expenses. Periodic expenses happen from time to time. You need to save some money every month to pay these bills when they are due.

What happens if you don't?

- You run out of money the week they are due.
- You pay them and fall behind on other bills.
Sometimes you can't catch up again.
- You can't pay at all and lose something.
- You have to borrow money to pay or use a credit card.

Use the periodic expenses sheet to figure your expenses for a year. Then divide by 12 to figure your monthly savings amount.

To Say

Here is an example of some of the expenses that people pay periodically. Think of some of your expenses and enter them on the blank sheet on the next page.

To Do

Review pages 13 and 14 with the learners.

Periodic Expenses Sheet

Expenses	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Home													
Maintenance													
Car	50.00				50.00			50.00			50.00		200.00
Insurance									120.00				120.00
Homeowner's													
Health													
Life						600.00							600.00
Property													
Car Life	50.00						50.00						100.00
Dentist													
Eye Care	15.00		15.00				15.00						45.00
Food													
Gas													
Chiropractor													
Car Repairs		30.00					30.00		50.00			30.00	140.00
Cell Phone													
Cell Phone	80.00						130.00						210.00
Cell Phone													
Other													
Health												600.00	600.00
Gifts													
Vacation													
Fun of Home													
Fun of Home													
Fees													2182.00

*Only enter costs you are not paying monthly.

Amount of your income you must set aside each month to meet all expenses.

\$2,182.00 + 12 month = \$182.00 Monthly Amount

Periodic Expenses Sheet

Expenses	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Home													
Maintenance													
Utilities													
Car													
Insurance													
Life Insurance													
Taxes													
Income													
Property													
Car Tax													
Dentist													
Eye Care													
Shampoo & Grooming													
Personal													
Car Repairs													
Club Dues													
Cashmere													
Other													
Holiday													
Gifts													
Memberships													
Cost of Form													
Taxes													
Total													

*Only enter costs you are not paying monthly.

Amount of your income you must set aside each month to meet all expenses.

\$ _____ Total + 12 month = \$ _____ Monthly Amount

To Say

Once you look at your spending, you will want to decide how to change your spending habits.

To Do

Encourage learner to answer question on page 15 of the learner's guide.

2. Look carefully at your spending.



Now take a good look at your spending. You may see you are spending so much in one area such as clothing.

List two areas you think are too high.

1. _____
2. _____

To Say

To Do

	Emphasize savings amount to set aside monthly is the amount from page 14. Read and discuss pages 16-17.
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3. Decide how to change your spending.



How do you want to spend your money?



What do you want or need to buy in the future?

What each person wants or needs is different.

To Say

Emergency savings should be six months of living expenses for one income family and three months for two income family.

To Do

Discuss emergency savings account and reasons for having one.

To get what you want or need, you may need to change your spending habits. You will have to lower your expenses. Spending for some items such as food, clothing and recreation can be easy to change. Other expenses such as housing, utilities and credit payments stay about the same each month.



Try to put money in savings each month. Save money for unexpected expenses and to pay for such things as insurance and car tags. Set aside the same amount at the beginning of each month. Also set aside money into an emergency account until it equals 3-6 months living expenses.

To Say

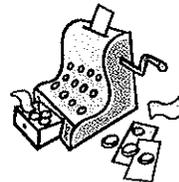
Here are some ways to cut expenses.

To Do

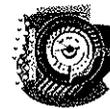
Review pages 18-20. Have learner list ways they could lower expenses on page 20.

To lower expenses you might:

- Buy fewer items for a while.
- Spend less for certain items.
- Make use of your own skills instead of paying someone else.
- Take a lunch from home instead of buying it.
- Use free community services.



- Lower utility costs by changing the heat or air conditioning.
- Turn down the heat. Turn up the air conditioning.
- Use fans.



- Move to lower price housing.
- Eat at home more often.
- Fill cracks around windows with foam insulation.

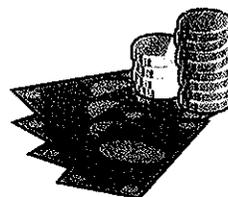
- Trade an expensive car for a cheaper one.
- Shop at thrift stores and garage sales.



On page 15 you listed two areas of spending that you thought were too high. What are these?



What can you do to lower these expenses?



To Say

When you have completed the activities in this lesson, you will be ready to make your budget.

To Do

Have the learner work with budget on page 21. Talk about how much they can expect to pay for certain things.

Now that you have some ideas of how to lower your expenses, you will need to write down a new budget plan.

It is easier to write down your expenses for one week at a time. Your new budget will also be set up for one week at a time.



Some bills are due once a month. Below is a list of bills usually due once a month. Check those that apply to you and write in the date due and amount.

Bill to be Paid	Date Due	Amount
..... House (rent or mortgage)
..... Car payment
..... Credit payments
..... Electricity
..... Gas
..... Phone
..... Water
..... Garbage
..... Cable TV
..... Child support
..... Other
..... Other

To Say

To Do

	Review page 22 and explain that there are blank budget sheets for their use on pages 23 and 24.
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Now take the bill due dates and write in the amount budgeted for each area of spending. Use the budget plan on the next page. Write your budget for one week at a time.

If rent is \$500.00 and due on the first of the month, Week 1 budget plan will include \$500.00 in the housing and utilities spending area. This will be the only week that will include rent in the weekly budget.



Budget Plan for the Month

	Food	Housing Utilities	Household Supplies	Car- rental or State Fair	Child Care & Child Support	Recreation Personal Goods	Medical Expense	Savings	Credit Payments	Clothing	Restoration	Other- Gifts, Charity, School, Sales Tax	Totals
Week 1													
Week 2													
Week 3													
Week 4													
Week 5													

Budget Plan for the Month

	Food	Housing Utilities	Household Supplies	Car Maintenance or Bus Fare	Child Care or Child Support	Recreation & Personal Goods	Medical Insurance	Savings	Credit Payments	Clothing	Restoration	Other Child, Church, School, Sales Tax	Totals
Week 1													
Week 2													
Week 3													
Week 4													
Week 5													

To Say

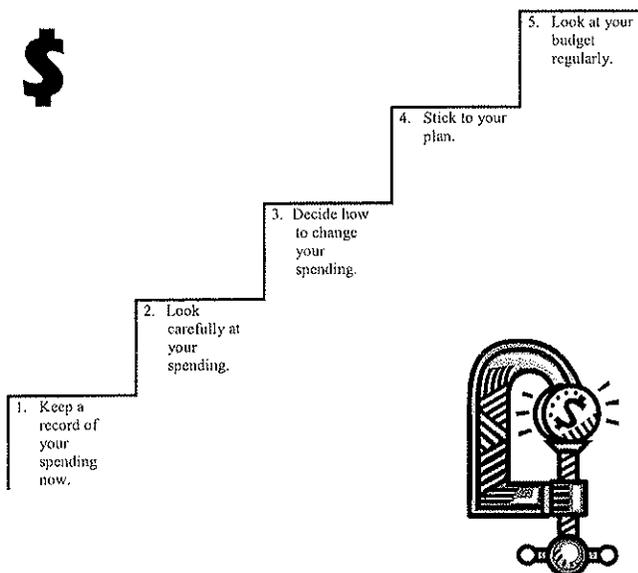
Steps 1, 2 and 3 are finished. Planning a budget is a big job. We have divided this job into two lessons.

To Do

Discuss any questions about keeping the spending plan for the next month, or any other activities from the lesson.

With learners, look at page 25 and explain what is to be done for Steps 4 and 5.

You have looked at Steps 1, 2 and 3. Keep a record of your spending for the next month. The second part of the Budgeting lesson will work through Steps 4 and 5.



Extra Activities:

- Have learner list things that are important to him or her. Encourage learner to have his or her family members do the same. Then compare lists. Help the family talk out the differences and compile a joint list on which they can agree.
- Encourage learner to list things he or she would like to buy this month, this year and perhaps 5 or 10 years from now.

Lesson References:

Osteen, S.R. (2005). The financial puzzle: Putting the pieces together. T-4149, Stillwater, OK: Oklahoma Cooperative Extension Service, Oklahoma State University.

Weston, L.P. (2008). How to build your first budget. Available <http://articles.moneycentral.msn.com/collegeandfamily/moneyinyour20s/howtobuildyourfirstbudget.aspx> Retrieved September 25, 2008.