



Freshman Academy Virtual Learning

Personal Finance

May 15, 2020



Lesson: May 15, 2020

Objective/Learning Target:

- How to define wealth and differentiate it from “having lots of fancy stuff”
- The importance of creating a budget and paying yourself first
- Key aspects of three popular budgeting strategies -- 50/30/20, Zero-based, and Cash Envelope

Warm up (think out loud, or write your answer down)

How would you describe the difference between wants and needs?

Give some examples for each.

Lesson

One of the most well known budgeting strategies is the 50/30/20 Rule, which relies heavily on categorization similar to the activity above. Watch this video to learn about this budgeting method. Then answer the questions within the EdPuzzle.

https://edpuzzle.com/media/5db88580804565410dea797b?utm_source=Next+Gen+Personal+Finance&utm_campaign=e857d72c53-6_Days_of_NGPF_2017_12_07_COPY_01&utm_medium=email&utm_term=0_3711609f5e-e857d72c53-191256973

Lesson

If you scroll a bit down this website, you'll find a calculator that will help you create the skeleton of a 50/30/20 budget. Use it to answer these questions.

<https://www.nerdwallet.com/blog/finance/what-is-a-budget/>

1. Assume Tristan's monthly post-tax income is \$2900. If he's using 50/30/20, how much money goes into each broad category?
 - a. Necessities:
 - b. Wants:
 - c. Savings & Paying Off Debt:

2. Is there any budget category Tristan should be concerned about? Explain your answer.

Lesson continued

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<https://www.nerdwallet.com/blog/finance/what-is-a-budget/>

1. Write an N, a W, or a S after each itemized expense below to denote which category it fits into:
 - a. \$100 toward emergency fund
 - b. \$750 in rent
 - c. \$200 in groceries
 - d. \$75 for cell phone bill
 - e. \$80 for streaming services
 - f. \$100 for gym membership
 - g. \$250 toward student loan debt
 - h. \$300 car payment
 - i. \$85 for gas
 - j. \$350 for insurance (all types combined)

Lesson

50/30/20 isn't the only budgeting strategy. Another popular one is called Zero-Based Budgeting. Watch both of these videos and then answer the questions about a Zero-Based Budget. *Start the second video at 0:30 and end around 2:48 to get the essentials.

<https://youtu.be/tvaFA9ij5Mw>

<https://youtu.be/u02Hx3AUmqA?t=30>

1. What is the core characteristic that defines a zero-based budget?
2. Bianca has take-home pay every month of \$800. She anticipates having \$675 of expenses in August.
 - a. In a zero-based budget, why is it important that she put the extra \$125 in **some** budget category?
 - b. Where might you suggest Bianca budget that extra \$125? Why?

Lesson continued

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1. Does using a zero-based budget mean that your bank account will hit \$0 at the end of every month? Explain.
2. Say that Bianca has take-home pay of \$800, she budgets every cent out at the start of the month, and she then she needs less gas money than expected in August. She no longer spends the full \$65 she budgeted there. What should she do with the leftover?

Exit Ticket

1. Complete this equation:

Wealth =

2. When using a 50/30/20 budget, what does each number represent?
 - a. Needs/Wants/Savings
 - b. Savings/Needs/Wants
 - c. Wants/Savings/Needs