Why is it necessary to have a plan for spending money? Have students brainstorm the need for a plan to spend money.
In this lesson you will:

Create a Personal Budget Based on Your Selected Lifestyle

Today we will create a budget based upon the lifestyle you have chosen.
There are several components of a budget that are important to know. Some of the components of a budget are the rent/mortgage payment, utilities, savings, transportation and groceries.
Here is an example of a budget that you may want to plan out.
There are numerous ways to spend your money. Here are a few examples of categories you may need to include in your budget planning.
Savings
Why save?

Money put away into savings are important because it gives you a security blanket to fall onto when the unexpected happens. The general rule of thumb is to save about 3-6 months salary in case you lose your job, or you are unable to work.
Why Save?

- Emergencies
- Specific goals (vacation, tuition)
- Retirement
- ???

Other than for emergencies, savings can also be used for specific goals, such as vacations, tuitions, birthdays, celebrations and retirement. Can you think of any other reasons to save money?
What is the difference between a mortgage payment and a rent payment? Ask for volunteers to look up the differences. The major difference between a mortgage and a rent payment is money that is spent on rent is not applied to investment into a property like a mortgage payment. Eventually, one can own a home that mortgage is being paid toward. However, individuals who pay a rent payment will never own the property.

What are the pros and cons of each? Have students brainstorm the answers in groups or pairs.

What is a down payment? A down payment is an initial payment made toward a large purchase.
Utilities are extra expenses associated with owning or renting a home that are separate from the mortgage or rent payment. Sometimes apartment complexes include some utilities, such as water, in the rent payment. What are some other utilities that are not listed?
Whether you use public transportation, or a personal vehicle, you will incur transportation costs. While a personal vehicle may seem like the cheaper option over the long term, it has many costs some people may be unaware of, such as car insurance, gasoline, car maintenance, registration and inspections.
Child Care Expenses

- Formula
- Diapers and Clothing
- Medical expenses
- Day Care fees
- Private vs. Public education

Children demand or need a large part of a person's household budget because as they grow, they have many expenses. Some of the expenses include new clothes, food, regular doctor's visits, day care and more. What other expenses do children have?
Medical/Insurance Expenses

- Prescriptions
- Medical/Dental Expenses
- Medical/Dental Insurance (often provided by employers)

The rising costs of medical care is becoming a burden to some Americans. This means that Americans have more reasons to budget expenses to accommodate the costs of medications, doctor office co-pays, insurance premiums and more.
In addition to the many expenses a person must allocate funds for, groceries and household items need to be accounted for as well. Everyone will need to do household cleaning, although it may not be a desired chore. And, of course, we all eat food; therefore groceries need to be figured into the budget. What could result if a family did not budget for meals?
Clothing should be budgeted for also, even though you may not shop for clothing every month.

Toiletries and other personal care products should be budgeted for each month too.
Be sure to allow for an entertainment budget also. This would include items such as going to concerts, athletic events, movies or dining out. Why might it be hard to stick to an entertainment budget? What are the benefits of creating an entertainment budget?
All budgets should be unique to the individual’s household. What might you include that we have not discussed today?
Now it is your turn to complete a personal budget.
Complete the budget based upon the amount of money you plan to spend in each category.
Complete the budget based upon the amount of money you plan to spend in each category.
Resource and References

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