

Analyzing budgets

Students analyze case studies and apply the 50-30-20 rule of budgeting.

Learning goals

Big idea

Budgeting helps ensure that you'll have enough money for the things you need and the things you want, while still building your savings for future goals.

Essential questions

- What are rules to live by for budgeting?
- How can they help inform spending decisions?

Objectives


- Create a budget using the 50-30-20 rule
- Analyze a budget for accurate spending allocations of the 50-30-20 rule

What students will do

- Learn the concept of the 50-30-20 rule of budgeting.
- Use the "Analyzing budgets" worksheet to determine whether or not a scenario from the "Budget scenarios" handout meets the 50-30-20 rule.
- Give advice to help the characters in the scenario meet the 50-30-20 rule.

KEY INFORMATION

Building block:

 Financial habits and norms

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Budgeting)

School subject: CTE (Career and technical education), Math

Teaching strategy: Simulation

Bloom's Taxonomy level: Analyze

Activity duration: 75-90 minutes

STANDARDS

Council for Economic Education
Standard II. Buying goods and services

Jump\$tart Coalition
Financial decision-making - Standard 8

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Optional: Gather calculators for students to use as they're budgeting.

What you'll need

THIS TEACHER GUIDE

Analyzing budgets (guide)

[cfpb_building_block_activities_analyzing-budgets_guide.pdf](#)

STUDENT MATERIALS

- Analyzing budgets (worksheet)
[cfpb_building_block_activities_analyzing-budgets_worksheet.pdf](#)
- Budget scenarios (handout)
[cfpb_building_block_activities_budget-scenarios_handout.pdf](#)

Exploring key financial concepts

Knowing how to make a budget is an important step toward reaching your financial goals. A budget is a plan for how to spend and save money. It helps you decide how much you'll need to spend on necessities, how much money you'll put aside for savings, and how much you can use for your "wants," such as dining out or travel. It's important to remember that a budget should be made using your net income, which is the amount of money you bring home in your paycheck after taxes and other deductions are taken out.

One rule to live by when budgeting is to use 50 percent of your income on needs, 30 percent on wants, and 20 percent on saving for financial goals. The table below gives you a snapshot of the type of items that you might assign to each category.

TIP

Be clear that this is one rule to live by. Not everyone can follow it. Students should decide on their own personal rule to live by that works for their financial situation. Encourage students to set simple guidelines for spending that can help them also reach their savings goals.

Percent of net income	Budget category	Examples of items
50 percent	Needs	Rent or mortgage payments, groceries, utilities, transportation
30 percent	Wants	Dining out, vacations, entertainment
20 percent	Financial goals	Emergency savings, pay down debt, save for education plans, save for retirement

Teaching this activity

Whole-class introduction

- Distribute the “Analyzing budgets” worksheet and “Budget scenarios” handout, or have students access these materials electronically.
- Introduce students to the concept of budgeting and how it contributes to adult financial well being.
- Be sure students understand key vocabulary:
 - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
 - **Net income:** The amount of money you bring home in your paycheck after taxes and other deductions are taken out; also called take-home pay.
- Draw a pie chart showing the three categories of the 50-30-20 rule of budgeting for the students to see. Be sure to label each category.
- Ask students to create a similar pie chart on their “Analyzing budgets” worksheet.
- Discuss what each section of the pie chart means (50% needs; 30% wants; 20% financial goals).
- Have students brainstorm sample expenses that might fit in each category.
- Ask students to reflect on and discuss why dividing a budget in this way is a helpful personal finance strategy.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

Group work

- Have students work in pairs and assign each pair one of the budgeting scenarios (or have them choose one).

- Be sure to explain to students that budgeting is open for interpretation, as one person might categorize something as a need, while another might categorize it as a want.
- As students complete a budget for their scenario, instruct them to decide whether it meets the 50-30-20 guidelines.
 - If it doesn't, ask students to write advice on how to bring it closer to the 50-30-20 rule.

Wrap-up

Ask student pairs to share their findings with the rest of the class.

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving and investing, budgeting, buying things, saving for college, and saving for long-term goals.

Measuring student learning

Keep in mind that students' answers may vary, as there may not be only one right answer. The important thing is for students to have reasonable justification for their answers. For example, some students might justify Internet access as being a need, while others may say it is a want. Or, some students might say having a pet is a want, while others recognize that once you have pet, caring for it is a need.

While scoring is not necessary in this activity, you may choose to measure student learning by using the scoring rubric below. If you choose to use the scoring rubric to grade this activity, be sure to share it with all students so they know what criteria matter most and they can plan accordingly.

You can also have students assess themselves or their partners.

SCORING RUBRIC: 100 POINTS TOTAL

Requirement	Point value	Points achieved
Categorized expenses (into needs, wants, and goals)	30 points	
Justified their categorizations	30 points	
Calculated totals for each category and determined if it meets the 50-30-20 rule	20 points	
Written advice for bringing spending closer to this guideline	20 points	
	Total	