

financial literacy

lesson 3: budgeting



Learning objectives

By the end of this lesson, you will be able to...

1. Understand the purpose of cash flow planning.
2. Explain the difference between a cash flow statement and a budget.
3. Write a check.

Key terms

- ▶ _____: A written cash flow plan
- ▶ _____: A summary that shows total income and spending for a given time period
- ▶ _____: An item that is bought without previous planning or consideration of the long-term effects

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Cash flow vs budget

- ▶ **What is the Difference Between a Cash Flow Statement and a Budget?** A cash flow statement _____ all the income and spending over a certain time period. A budget is a _____ for saving, giving and spending. The cash flow statement shows what you have already spent, and a budget is a proactive plan of what will take place.

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Why are budgets important?

- ▶ A budget makes sure you have enough money each month to cover your expenses.
- ▶ They also makes sure you have enough money to cover your living expenses once you _____.
- ▶ It will also help you reach your _____ (either small or large purchases).
- ▶ A budget will help you to avoid making too many _____.

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Start Here
To begin your journey toward financial success!

<p>GIVING Budgeted</p> <p>Charity \$ _____</p> <p>Other: _____ \$ _____</p> <p>GIVING TOTAL:</p>	<p>TRANSPORTATION Budgeted</p> <p>Gas \$ _____</p> <p>Car Insurance \$ _____</p> <p>Oil Changes \$ _____</p> <p>License & Taxes \$ _____</p> <p>TRANSPORTATION TOTAL:</p>
<p>SAVING Budgeted</p> <p>Emergency Fund \$ _____</p> <p>College \$ _____</p> <p>Car & Repairs \$ _____</p> <p>Computer \$ _____</p> <p>Other: _____ \$ _____</p> <p>SAVING TOTAL:</p>	<p>PERSONAL Budgeted</p> <p>Cosmetics / Hair Care \$ _____</p> <p>Music / Technology \$ _____</p> <p>Gifts \$ _____</p> <p>Pocket Money \$ _____</p> <p>Cell Phone \$ _____</p> <p>Other: _____ \$ _____</p> <p>PERSONAL TOTAL:</p>
<p>FOOD Budgeted</p> <p>Restaurants / Eating Out \$ _____</p> <p>School Lunch / Snacks \$ _____</p> <p>FOOD TOTAL:</p>	<p>RECREATION Budgeted</p> <p>Movies \$ _____</p> <p>Concerts \$ _____</p> <p>Sporting Events \$ _____</p> <p>Other: _____ \$ _____</p> <p>RECREATION TOTAL:</p>
<p>CLOTHING Budgeted</p> <p>Clothes \$ _____</p> <p>Sports Jerseys / Apparel \$ _____</p> <p>CLOTHING TOTAL:</p>	

\$ _____ - \$ _____ = \$ _____
 Monthly Income - Monthly Outgo = ZERO!

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Writing a check

- ▶ Parts of a check
 - ▶ 1. Name and address of account holder
 - ▶ 2. Bank name and branch location
 - ▶ 3. Nine-digit ABA (routing) number
 - ▶ 4. Account number
 - ▶ 5. Check number

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Writing a check

1 [I AM STUDENT
123 YOUR STREET
ANYTOWN, USA 12345

341

Date _____ 31-5/1240

Pay to the
Order of _____ \$ _____

_____ Dollars

2 [BANK OF LAMPONIA
1470 MAIN STREET
LAMPONIA, TENNESSEE

FOR EDUCATIONAL USE ONLY
SAMPLE-VOID

For _____

3 24000054 4 001 00000 0 5 034

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Writing a check

1. ____: Write out the month, day, and year.
2. ____ _ ____ _ ____: This is the person or business to which you are writing the check.
3. ____ _ ____: This is the numerical amount of the check you are writing.
4. ____ _ ____: The written out amount of the check. For example, \$108.34 would be written as: One Hundred Eight Dollars and 34/100's.
5. ____ (or "Memo"): Description of what the check is paying for, such as account numbers, "cable bill," "electric bill," "groceries," etc. (This is optional.)
6. ____: Must match the name of the account holder listed at the top of the check.

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Writing a check

I AM STUDENT 123 YOUR STREET ANYTOWN, USA 12345		341 31-5/1245
Date <u>March 13, 2013</u>		
Pay to the Order of <u>Popular Grocery Store</u>	\$ <u>52.17</u>	
<u>Fifty two dollars and 17/100</u>		Dollars
BANK OF LAMPONIA 1470 MAIN STREET LAMPONIA, TENNESSEE		FOR EDUCATIONAL USE ONLY SAMPLE-VOID
For <u>groceries</u>	<u>John Student</u>	
⑆ 24000054 ⑆ 00 ⑆ 00000 0 ⑆ 034 ⑆		

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At the bank

- ▶ https://youtu.be/dlZWqlv_fIA

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Learning check

1. What is the purpose of cash flow planning?
2. Explain the difference between a cash flow statement and a budget.
3. Can you write a check?

journal

In your journal, please answer the following question:

- 1. What do you think is most challenging when it comes to keeping a monthly budget?**

Activity: write a check