

Financial Planning for Jane

SUBMITTED BY: K@WHS Summer 2011 Instructor

SUBJECT(S): Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

This lesson focuses on the task of budgeting. The students will work in groups to design a budget for “Jane,” a fictional character who has hired them to be her personal finance consultants.

≡ NBEA STANDARD(S):

- Personal Finance, I. Personal Decision Making
- Personal Finance, III. Managing Finances and Budgeting
- Personal Finance, IV. Saving and Investing

≡ RELATED ARTICLES:

- [“Zina Kumok: ‘Getting My First Credit Card Was So Exciting’”](#)
- [“Driver Alert: Car Insurance Will Cost You”](#)
- [“A Bank Account Is Your First Step to Financial Freedom”](#)

Common Core Standard(s):

- Reading Informational Text — RI.9-10.1.; RI.9-10.2.
- Speaking and Listening — SL.9-10.1.

Purpose:

- After this lesson, students will have practice in making a personal budget.
- Students will understand fixed expenses, variable expenses and occasional expenses.
- Students will understand how to focus on goals in budget making.

Materials:

- Exhibit 1 and 7
- Computer/Internet
- [Worksheet](#)

Activity:*1. General Discussion (5 mins)*

Ask students to think about the purpose of budgeting. Why is it important to budget? Where have they heard the term before? In what contexts?

2. Introduction (10 mins)

Introduce the project to the students. They have been hired by Jane Sims to make a budget for her. She has a new job as a web content writer. Her annual salary is \$68,000. She has certain necessary expenditures like her apartment rent, her car payments, and childcare. Assume there is no statewide tax in her state. Jane needs some financial planning assistance.

The students will be divided into 2 groups of financial planners. Jane has hired each team to put together a potential monthly budget. The students will make budgets for Jane and note the decisions they take using the rational decision-making process.

At the end of the group work, each team will present their budget to the class and the teacher can decide which budget addresses most of Jane's goals, manages her needs, and also stays within her budget. Students should be aware of the difference between Jane's wants and her needs. For example, since she is a web content writer, she needs the internet, but she may not need a home phone line if she has a cell phone.

Each team needs to come up with a feasible monthly budget that takes into account the following items. They should fill out the worksheet for the Item #, Item name, kind of expense (whether it is a fixed expense (F), a variable expense (V), or an occasional expense (O)) and the amount they want to put aside for that. The teacher will have to define what is the difference between a fixed expense (ex: rent), variable expense (ex: electricity bill or clothing), and occasional expense (ex: concerts).

The teacher can put these items on the board. The teacher can change the numbers based on where they live. These are some of Jane's current expenses:

- Apartment Rent (\$1,000-1,500/mo)
- Utilities (electricity and gas 130/mo)
- Medical Insurance (\$100/mo)
- Car Payment (\$250/mo) or Public Transportation?
- Auto Insurance (\$150/mo)
- Gas (\$100-200/mo)
- Telephone and/or Cell phone (One or both?)
- Cable TV and Internet
- Groceries (\$70/week)
- Clothing
- Life Insurance
- Medical Emergencies
- Other Emergencies (car breaking down, etc.)
- Credit Card Payments (current debt @ \$5,000)
- Entertainment (travel, movies, concerts)

Jane also has the following financial goals she hopes to reach:

Jane's short-term goals:

- Have a nice dinner twice a month. [\$200 for the month]
- Go for yoga three times a week. [\$200 for the month]

Jane's long-term goals:

- Go on a major vacation every summer. [savings needed \$6,000]
- Buy a house in the next three years. [savings needed \$30,000]

Following the model on this website: <http://politicalcalculations.blogspot.in/2008/01/your-2008-paycheck.html>, I calculated her biweekly income based on certain deductions and taxes. The 2008 Paycheck Calculator calculated her biweekly take home to be \$1,854. The following information will also be on the worksheet. The teacher should go over this information with the students together. Jane puts aside money from her paycheck for emergencies and uses the dependent care account as a back-up savings account.

Jane's Basic Pay Information

Basic Pay Information	
Input Data	Values
Current Annual Pay (\$USD)	68000.00
Pay Period	Biweekly
Federal Withholding Information	
Filing Status	Single
Number of Withholding Allowances	0
401(k) or 403(b) Contributions	
Pre-Tax Contributions (%)	2.0
After Tax Contributions (%)	0.0
Flexible Spending Account Options	
Annual Contribution to Health Care Spending Account	500.00
Annual Contribution to Dependent Care Spending Account	500.00
What if you had a raise?	
Desired Raise (%)	0.0

Jane's Take-Home Pay

Basic Income Data	
Calculated Results	Values
Proposed Annual Salary (\$USD)	68000.00
Typical Paycheck Amount (\$USD)	2615.38
Federal Tax Withholding Amounts	
U.S. Federal Income Taxes (\$USD)	470.53
U.S. Social Security Taxes (\$USD)	162.15
U.S. Medicare Taxes (\$USD)	37.92
401(k) or 403(b) Contributions	
Pre-Tax Contributions (\$USD)	52.30
After-Tax Contributions (\$USD)	0.00
Total Contributions (\$USD)	52.30
Flexible Spending Account Contributions	
Health Care Spending Account (\$USD)	19.23
Dependent Care Spending Account (\$USD)	19.23
Take Home Pay Estimate	
Net Paycheck Amount (\$USD)	1854.00

3. Small Group Work (15 mins)

Divide students into 2 groups of financial planners. They should fill out the worksheet together and be prepared to talk about their decisions. Since they are planners, students can give Jane advice (get a roommate; use public transportation; get a yoga DVD instead of going to a studio) to get her to save money.

4. Presentation (5-10 mins)

Ask each student team to share their budget and explain their reasoning for any major issues that diverge from what Jane asked for. Encourage students of the other team to ask questions or give comments.

5. Closing (5 mins)

Give feedback to the teams about their budgets and explain who got the account and why. Have a discussion about how this can be helpful for anyone wanting to make a monthly budget.

Tying it All Together:

This lesson is ideal to get students to think about the cost of living on one's own and how expenses can stack up. Also, students can get creative in suggesting ways for Jane to save and

hopefully do the same in their own lives.

What Worked and What I Would Do Differently:

This lesson really worked in its current form. I would definitely advise spending enough time explaining the differences between need and want and the various kinds of expenses.

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