Name:

Students will be able to:

- Categorize fixed and variable expenses
- Explain how four different budgeting strategies work and compare them.
- Consider tradeoffs when making budgeting decisions

Key Terms:

Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary and NGPF Flashcards.

- **50/30/20 Budget**
- **Cash Envelope Budget**
- **Fixed Expense**
- **Pay Yourself First**
- **Variable Expense**
- **Zero-Based Budget**

INTRO

PROMPT:
Use the space below to answer the prompt.

1. **Pretend you won $1,000 in a contest. Explain how much of this money you would allocate toward spending, saving, and other purposes and what led you to those decisions.**

LEARN IT

ARTICLE: Fixed vs. Variable Expenses

Every expense in your budget falls into one of two categories: **fixed** or **variable**. Knowing which is which helps you plan your spending and avoid surprises.

	FIXED EXPENSES	VARIABLE EXPENSES
WHAT IT MEANS	Costs that stay roughly the same each month	Costs that change from month to month
HOW PREDICTABLE?	Very predictable - you know the amount and when it is due	Less predictable - fluctuates based on your choices or unexpected needs
EXAMPLES	Rent, car payment, phone bill, insurance, gym membership	Groceries, gas, dining out, clothing, medical bills

Why It Matters for Your Budget

Fixed expenses are easier to plan for because the amounts are consistent, but they are also harder to change quickly. You can move to a cheaper apartment or switch phone providers, but those savings take time and effort to set up.

Variable expenses are the opposite. They are trickier to predict, which makes overspending easy if you are not tracking them. But they are also where you have the most flexibility in the short term. You can use coupons at the grocery store, skip dining out for a week, or take advantage of free entertainment in your community.

Source

1. **In your own words, explain the difference between a fixed expense and a variable expense.**

2. **Categorize each of the following expenses into the correct group.**
   a. Your internet bill — Fixed Variable
   b. Dining out at a restaurant — Fixed Variable
   c. Your Netflix subscription — Fixed Variable
   d. An emergency room bill — Fixed Variable
   e. School supplies — Fixed Variable

3. **Two months into college, Arlo realizes they're overspending. They need to reduce their costs to avoid taking on debt. Would you recommend they focus on reducing their fixed or variable expenses? Why?**

ARTICLE: Popular Budgeting Strategies

There are many popular budgeting strategies. You get to decide which one works best for you! Read the short article about four of the most popular budgeting strategies. Then, answer the questions.

1. **Match each budgeting strategy with its closest description.**

a. Pay Yourself First:	I. Assign every dollar to a budgeting category
b. Zero-Based Budget:	II. Put money into your savings automatically before anything else
c. 50/30/20 Budget:	III. Sort your money into buckets for different types of expenses. If a bucket is empty, you can't spend more on that expense type.
d. Envelope Budget:	IV. Divide your money into needs, wants, and savings

2. **Janelle's take-home pay averages $2,400. If she uses a 50/30/20 budget, how should she allocate (assign) her income?**

3. **The 50/30/20 budget recommends you spend 50% of your budget on needs. What factors would impact your ability to stick to this rule?**

4. **Desean sets up his zero-based budget and has $175 left after he assigns all his expenses to a category. What would be a good category for him to put that money in?**

5. **Imagine you're choosing a budgeting method.**
    a. **Which of the following factors would be most important to you: simplicity, cost, effectiveness for your goals, flexibility, or something else? Why?**

    b. **Which method do you think would work best for you, personally?**

DO IT

ACTIVITY: **INTERACTIVE: Money Magic**
ACTIVITY: **CASE STUDY: How Do I Budget?**
Creating and maintaining a budget is a key step towards financial security. Let's put budgeting into practice! Follow your teacher's instructions to complete one of the activities.

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.