ngpf

Name:

Students will be able to:

- Describe the purpose of a budget
- Classify expenses as needs and wants
- Explain the difference between gross pay and net pay

NOTE: Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary

---

💡 INTRO

ACTIVITY: Money Magic

Creating and maintaining a budget is a key step of being financially secure. It can be challenging to come up with a plan that balances your needs and wants while also saving for future life events. Money Magic gives you the opportunity to make some of these decisions. Follow your teacher's directions to play Money Magic and help Enzo budget his way to Vegas!

📖 LEARN IT

ARTICLE: What Is a Budget?

Now that you've had a chance to see the challenges of balancing all of the things that you wanted to do for Enzo with the needs of day to day life, let's get back to basics and consider the reasons that you would want to create a budget. Why is budgeting so important to financial success? Read the short article about the purpose of a budget. Then, answer the questions.

1. **In your own words, explain why budgeting is important. Be sure to reference at least one of the reasons from the article.**

   Budgeting is important because it helps you **plan how to use your money**, make sure your needs are covered, avoid overspending, and save for future goals. A budget gives you control over your finances instead of wondering where your money went.

   According to the article, a budget allows you to **track income and expenses**, make sure your **needs are covered first**, and avoid spending more than you earn. Budgeting also helps you **reach financial goals**, such as saving money or paying off debt, by giving your

money a clear purpose instead of spending it randomly.

2. **Have you ever tracked your expenses? What benefit do you think doing this might have in your personal life?**

   Yes / or No (either is acceptable).
Tracking expenses helps you see where your money actually goes, identify unnecessary spending, and make better choices in the future.

VIDEO: Gross Pay vs. Net Pay: What's the Difference?
A vital part of creating a budget is understanding how much money you have available to budget. You might think that's as simple as multiplying your hourly wage by your total hours worked–but that's not the case. Watch this video about the difference between gross and net pay. Then, answer the questions.

1. **When you are creating a budget, should you use your gross pay or net pay? Explain your reasoning.**

   You should use **net pay** because it is the money you actually receive after taxes and deductions. This makes your budget more accurate and realistic.

   Using gross pay would make your budget inaccurate since you cannot spend money that is already taken out of your paycheck. Budgeting with net pay helps ensure you can realistically cover your expenses and savings goals.

VIDEO: Needs vs. Wants
The next thing you'll need to do when creating a budget is to look at your expenses and figure out which ones are needs and which ones are wants. Watch this video to learn about the difference between needs and wants. Then, answer the questions.

1. **Carly makes the following statement: "Everyone should have the same list of needs."**

Do you agree with this statement? Why or why not?

No, I do not agree. Needs can be different depending on a person's situation, location,   health, or job. What is necessary for one person may not be necessary for another.

2. **Describe one example of something that might be a need for you but a want for someone else.**

    A **car** might be a need for someone who lives far from work with no public transportation, but a want for someone who lives close and can walk or take a bus.

✏️ DO IT

ACTIVITY: COMPARE: Needs vs. Wants

It's time to think critically about your own Needs vs Wants. Follow the directions on the worksheet to complete this activity.

☑️ EXIT TICKET

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