

Student Handout: Economic Well-Being and Budgeting

Lesson Topic: Setting a Budget

Lesson Objectives:

- Understand the importance of budgeting for personal and financial well-being.
 - Learn how to create and follow a personal budget.
 - Recognize the importance of saving and the potential risks of borrowing and debt.
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Key Concepts:

1. What is Budgeting?

- **Budgeting** is the process of creating a plan to manage your income and expenses.
- It helps you allocate your money for daily needs, wants, and savings.
- Budgeting is essential for achieving **financial independence** and long-term financial stability.

2. The 50/30/20 Rule

A simple guideline to help manage your budget:

- **50% on Needs:** Essential expenses (food, rent, transport, bills).
- **30% on Wants:** Non-essential expenses (entertainment, hobbies, etc.).
- **20% on Savings:** Future financial goals (emergency fund, big purchases, etc.).

3. Why Start Budgeting Early?

- Developing budgeting habits now will help you handle larger financial responsibilities when you have a full-time job, a home, or long-term financial goals.
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Steps to Create Your Personal Budget:

Step 1: Identify Income

- List all sources of income, such as pocket money, part-time work, or money from chores.

Step 2: Track Expenses

- Write down everything you spend money on, from snacks to savings. No expense is too small to note.

Step 3: Set Financial Goals

- Identify what you want to save for (a gadget, trip, or future goals).
- Set a clear timeline for achieving these goals.

Step 4: Create Your Budget

- Allocate your money following the 50/30/20 rule, or adjust based on your goals.
- Example:
 - Income: £20 from chores or part-time job
 - Expenses: £10 on entertainment
 - Savings: £10 for future goals

Step 5: Monitor and Adjust

- Keep reviewing your budget each week or month to make sure you're on track with your spending and saving.

Budget Example:

If you earn £10 a week and want to save for a £50 item:

- You will need to save £10 each week for 5 weeks to meet your goal.
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Household Budgeting for the Future:

As you grow older and start living independently, you'll need to budget for more significant expenses like rent, bills, groceries, and transportation. Planning ahead will help you manage these responsibilities and avoid debt.

You can download a **Household Budget Template** to help you practice managing these future expenses.

Download Excel Home Budget Template here:

<https://tinyurl.com/2534jd96>

Reflection:

- Think about how you can start budgeting today.
- What are your financial goals?
- How will you manage your income and expenses to achieve these goals?

Homework:

Track your income and expenses over the next week. Create a budget based on what you've learned, and set a savings goal for something you want to purchase.

Want to Learn More?

- Visit www.discoverlifeskills.com for more free videos and lesson plans on budgeting and financial well-being.