NO PREP

Budgeting Basics

How to Plan and Track Your Spending

Includes: Student reading, case study, differentiated questions, teacher key

Name: Period: Date:

Budgeting Basics: How to Plan and Track Your Spending

A budget is a powerful tool that helps you manage your money effectively. Whether you're saving for a new phone, preparing for college, or simply trying to make sure you don't run out of cash before your next paycheck, budgeting can provide clarity and control. Learning how to create and stick to a budget is one of the most important financial skills you can develop, especially as you prepare for adulthood.

What is a Budget and Why Does It Matter?

A budget is a plan for managing your income and expenses. It shows how much money you have coming in, how much you're spending, and how much you can save. Budgeting is essential because it prevents overspending, reduces stress, and helps you achieve your financial goals. Without a budget, it's easy to lose track of your

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Steps to Create a Budget

Creating a budget may sound complicated, but it's a straightforward process. Follow these steps to get started: Determine Your Income: List all sources of money, including part-time jobs, allowances, and side hustles. Make sure to calculate your income after any deductions, like taxes. Track Your Expenses: Write down everything you spend money on, no matter how small. Divide these expenses into categories, such as food, transportation, entertainment, and savings. Set Financial Goals: Decide what you want to accomplish with your money. Goals can be short-term, like saving for a concert ticket, or long-term, like building an emergency fund. Allocate Funds: Assign a portion of your income to each expense category. Prioritize

needs, like food and transportation, before wants, like streaming subscriptions. Review and Adjust: Your budget isn't set in stone. Check it regularly to make sure you're staying on track and make adjustments as your income or expenses change.

Common Expenses and How to Manage Them

When you're new to budgeting, it helps to understand typical expenses and how to handle them. Fixed Expenses: These are costs that stay the same each month, like a gym membership or a subscription service. Variable Expenses: These change from month to month, such as food, entertainment, and gas. Keeping track of variable expenses is key to staying within your budget. Savings: This should be treated as a non-negotiable "expense." Aim to save at least 10–20% of your income for future goals or emergencies. Unexpected Expenses: Life is full of surprises, from a broken phone screen to an unplanned outing. Building an emergency fund helps you handle these without derailing your budget.

Budget Allocation Table Example

Instructions: Below is a sample budget that includes the planned amount for each category and the actual amount spent. Fill out the Difference column to analyze how well the budget was followed.

Key Information

Category	Planned Amount	Actual Amount	Difference
Transportation	$50	$45	
Snacks & Eating Out	$100	$120	
Personal Care	$50	$60	
Entertainment	$25	$30	
Savings	$100	$100	
Total Monthly Income	$400		

Case Study: Maya's Budgeting Journey

Maya, a high school senior, works a part-time job at a coffee shop and earns $400 a month. She wants to save for prom, which costs $300, and still have enough money for her regular expenses. Maya decides to create a budget to help her manage her money and meet her goal. First, Maya calculates her income: $400 per month. Next, she tracks her expenses. On average, she spends $50 on transportation, $100 on snacks and eating out, $50 on personal care, and $50 on entertainment. This leaves her with $150 unallocated. Maya decides to put $100 into savings each month to reach her prom goal in three months. She adjusts her entertainment budget by cutting back $25, which gives her extra flexibility for unexpected expenses.

1. How did Maya prioritize her spending to achieve her goal?

_____

_____

2. What changes did Maya make to her budget to allow for savings?

_____

_____

Multiple Choice

1. What is the purpose of a budget?

    a) To record only long-term financial goals

    b) To calculate taxes owed to the government

    c) To track how much money others owe you

    d) To manage income and expenses effectively

2. Which of the following is considered a variable expense?

a) Monthly subscription service

b) Snacks and eating out

c) Rent payment

d) Monthly gym membership fee

3. Why is it important to save at least 10–20% of your income?

a) To prepare for future goals or emergencies

b) To increase the amount of your tax refund

c) To avoid paying late fees on monthly expenses

d) To decrease your variable expenses

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Fixed Expense	A) Costs that change monthly
2. ___ Variable Expense	B) Money allocated for emergencies
3. ___ Savings	C) Checking and modifying your budget
4. ___ Emergency Fund	D) Costs that remain consistent
5. ___ Review and Adjust	E) Money set aside for future goals like buying a car

Fill-in-the-Blank

1. Expenses that vary from month to month are called _____.

2. _____ should be treated as a non-negotiable expense to build financial security.

3. A budget allows you to plan for the _____ you have coming in and track your spending habits.

Short Answer

Answer each question in 2-4 complete sentences.

1. Why is it important to review and adjust your budget regularly?

2. What steps can you take to prepare for unexpected expenses in your budget?

3. How can prioritizing savings in your budget benefit you in the future?