Teacher Answer Key

Case Study

1. Devon budgeted on gross income of five hundred seventy-six dollars instead of the four hundred forty-one that actually arrived after taxes, Social Security, and other withholding. The reading calls this one of the most common budgeting mistakes, because a plan built on money that never reaches the account is short from the very first day.

2. She is describing a sinking fund, which divides a known periodic cost by the number of months until it is due and sets that amount aside every month. Because car registration and insurance are predictable rather than surprises, saving about one hundred two dollars a month means the bill is already covered when it arrives instead of becoming an emergency.

Multiple Choice

1. A

2. B

3. D

Matching

1-B, 2-C, 3-E, 4-A, 5-D

Fill-in-the-Blank

1) net, 2) fixed, 3) sinking

Short Answer (Sample Responses)

Q1: Writing a lower number than the household actually spends does not save any money, it just guarantees the plan fails in the second week. When that happens people conclude budgets do not work, when the real problem was that the plan described a household that does not exist.

Q2: In high-cost areas those percentages are frequently impossible to hit, so treating them as a moral standard just makes people feel like failures. Used as a diagnostic, a household spending seventy percent on housing alone learns that housing cost is the actual problem rather than that it broke a rule.

Q3: Income that changes week to week cannot be counted on, so planning around the average leaves the household short in every below-average month. Budgeting on the lowest month from the past year means the plan always works, and everything above that becomes surplus that can be assigned deliberately to savings.