Teacher Answer Key

Case Study

1. Teens who are involved in budgeting and saving money tend to develop better financial habits as adults, and learning these skills early may promote responsible money management in the future.

2. Answers will vary. A strong response names a real expense the student would track and ties it to the reading's point that these habits tend to carry into adulthood.

3. She spends her allowance on going out with friends, clothes, and entertainment, and by the end of the week she is left wondering where it all went. The reading says to keep a record of everything you spend, no matter how small the amount.

4. Tracking her income and expenses would show her where the $20 actually goes. Sorting that spending into needs and wants, then setting part of it aside for a savings goal, gives every dollar a job before she spends it.

Multiple Choice

1. B

2. D

3. A

Q1: Understanding where your money comes from and where it goes. (Tracking income and expenses is the foundation for creating a budget.)

Q2: Prioritize essential expenses like food and transportation. (Needs should be covered before allocating funds for wants.)

Q3: It helps you identify areas where you can adjust spending. (Regular review allows for adjustments based on spending habits.)

Matching

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

Fill-in-the-Blank

1) Needs and wants, 2) Needs, 3) No

Short Answer (Sample Responses)

Q1: Needs are essential expenses you can't live without (food, clothing, shelter). Wants are non-essential items you desire but can live without (entertainment, new

clothes). Prioritizing needs ensures you have enough money to cover basic living expenses before allocating funds for less essential items.

Q2: Two strategies to avoid impulse purchases include: Ask yourself "Do I need this, or just want it?" before making a purchase. Consider waiting a day or two before buying something non-essential. This "cooling-off" period can help you avoid unnecessary spending.

Q3: Two recommendations for Sarah: Track her income and expenses: This will help her see where her money is going and identify areas where she might be overspending. Create a budget: By allocating funds for needs, wants, and savings, Sarah can take control of her allowance and ensure she has enough money for what she truly needs. Tracking and budgeting will empower Sarah to make informed decisions about her spending.