

Creating a budget

Learning how to create a budget may not seem like the most exciting thing in the world for young people, but it's a vital step in helping them reach their personal and financial goals. Participants will have already been involved in activities that explore saving and spending issues. This Session builds on this learning - pulling together their personal goals, their income, their saving and their spending - to create a budget.

Lesson objectives: By the end of this Session, participants will be able to:

1. Understand the terms 'budget', 'surplus' and 'deficit'.
2. Create a simple budget.
3. Apply this learning in their own lives.

Key learning:

- Budgets help us balance income with spending needs and wants, and so manage money responsibly.
- Money issues can be a cause of stress, and learning how to be in control of your financial situation and live within your means can contribute to well-being and meeting personal goals.

Materials Needed:

- Starter: Ten 'balls' per team (e.g. soft ball, ball of string, or rolled up paper); three 'baskets' or hoops per team.
- Option 1: Budget Plan (Figure 3.4), which defines the terms budget, surplus and deficit, and includes a sample budgeting form; prepared cards with various amounts of money written on them (see instructions below).
- Option 2: Spending Wants and Needs cards; Budget Plan (Figure 3.4), which defines the terms budget, surplus and deficit, and includes a sample budgeting form.

Information for Facilitator

- Due to the complexity of this Session, it is advisable for facilitators to practice the Creating a Budget activities prior to conducting the Session.
- As a follow-up, separate Session, participants could play the Survivor simulation game (see Appendix) in which players survive by completing money-making challenges, by making budgets and by making spending choices. It aims to simulate real life, and brings together the leanings of this section to date.

1 Start: Basket Budget

In this game, participants will be introduced to the idea of making a budget as a group after they 'earn' points, or 'money', through a game.

Method (10-15min)

1. Start by asking for quick feedback regarding the enquiry questions from the end of the last Session that they asked the adults in their family:
 - What are the three most important things that you have to spend money on each month/week?
 - How do you make sure there is enough money for these things?
2. If they haven't mentioned the word 'budget', introduce the word and say that in this Session, they will practice making a budget to help them manage their money responsibly.
3. In preparation for the game, ask participants to form groups of approximately five to seven, and to list on a piece of paper as many things as they can, in two minutes, that families spend money on. Next, identify the five most essential ones and number them 1 to 5, in order of importance (e.g. food, rent, transport, education, fuel), with 1 being 'most important' and 5 being 'least important'.
4. Each group can then share their list with another group, and compare their ideas.
5. Discuss as a whole group. Explain that they will use this discussion after the game to help them create a budget.
6. Staying with the same groups, give 10 'balls' to each one. Explain that each group has to shoot the balls in the baskets to win points that will then be translated into 'money'. Each group has three baskets, and they are worth different amounts of points.
7. Give one group the extra instruction that they can only use one hand. Instruct another group that they can only use their left hand. Take note of their reactions to these extra instructions.
8. Groups should form a line at least three meters away from their baskets.
9. When you say "Go", they need to shoot as many balls as they can in two minutes, making sure that each group member has a chance to shoot at least one ball.
10. When the time is up, ask the participants to add up their points.
11. Assign a suitable amount of money for the points so that the groups can translate their points into money.
12. Ask how much money each group has.

Guide questions

- How did the groups who were disadvantaged by only being allowed to use one hand feel?
 - Did they feel it was fair?
 - Why did they think the game involved this extra instruction?
13. Explain that some people in the world start life more disadvantaged than others, e.g. by not being able to go to school or not having access to healthcare. These things can affect someone's ability to make a decent living.
 14. Now, explain that their groups are families. They have one month to use the money that they have, and they have to decide as a group how they will spend their money.
 15. First, they need to make a list of things they need to spend money on (remind them of their list of five essentials), and then decide how much will be spent on each. Give them 5 to 10 minutes to discuss this.
 16. Groups should make sure that their total expenses are less than their income.
 17. After their discussions, ask for volunteers to present their decisions, and invite comments from the others. Remind the groups that there are no right or wrong answers.

2 Learn: Investigate and act

Choose one of the following two activities:

NOTE: Option 1 is a group activity in which participants will collectively create a budget referring to the Imaginary Friend activity in Learning about Spending. Option 2 is an individual activity in which participants think more about creating a budget for themselves. They can refer to the Spending Wants and Needs cards, if they find them helpful.

Option 1: Creating a Group Budget

Make the cards prior to the Session: Follow the same differentiating system used for income and expense in the Imaginary Friend activity of the Learning about Spending Session. Make sure that the total amount of the income cards is close in value to the total amount of the expense cards. The suggested amounts below are generic because they do not have a specific currency. On the cards you prepare, use the local currency and amounts that are realistic estimates of sources of income and expense. Use simple numbers (for example, multiples of ten) to make it easy for participants to add them together. Suggested income amounts: 20, 30, 50, 100 and 200. Suggested expense amounts: 10, 20, 50 and 100.

Place the prepared cards in a box.

Method (25-30 m)

1. Explain that you're going to create a budget for one of the imaginary friends from the previous Learning about Spending Session.
2. First define the term 'budget'. Refer to the Budget Plan (Figure 3.4), which defines the terms budget, surplus and deficit, and includes a sample budgeting form.
3. Display the blank sample budgeting form on a flip-chart so that everyone can see it clearly. Explain the income and expense sections of the budget. Tell the participants that they will complete this from the perspective of one of the imaginary young people created in the previous Learning about Spending Session.
4. Choose one of the imaginary personas to be the 'star' of the activity, and place that picture (with expenses and income cards attached) on the wall next to the blank sample budgeting form.
5. Point to the sources of income of the chosen imaginary friend, and ask for a volunteer to take the imaginary friend's income cards and post them on the form on the lines below the income heading.
6. Then point to the expense categories and ask for a volunteer to post the imaginary friend's expense cards on the form, placing each card in the expense category where it belongs.
7. Next, ask each participant to take a card from the box. Explain that the number on the card signifies the amount of money earned or spent on an item (depending on whether it is an income or expense colour/shape), and that they must decide where to put it on the budget chart. If the participants draw an income card, they must place it in the amount column opposite any income item. If they draw an expense card, they must put it in the amount column opposite the expense item of their choice.
8. Send two or three participants to the flip-chart at the same time.
9. Once all the line items in the budget have been given amounts, ask participants to help you add up the income and expenses. Ask:
 - Which section of the budget has the highest value, income or expenses?
 - What else do you see in this budget?
10. Point out the last line of the budget form. Explain that this last line is one of the most important on the budget form. The number put here can either be positive or negative, depending on whether there is enough income to cover the expenses. If the number is positive, then [imaginary friend] has more income than expenses. If it is negative, it means that [imaginary friend's] expenses are greater than his/her income. Inform the participants that they will learn terms for each situation.

Guide questions

11. Show the participants the Budget Plan (Figure 3.4), and ask them:
 - What is another word, in any language, that you might use to describe a surplus? (Write any local phrases or slang terms that the young people use to talk about surplus next to this word.)

- What is another word, in any language, that you might use to describe a deficit? (Write any local phrases or slang terms that the young people use to talk about deficit next to this word.)
 - In the case of the budget we have just created, how can a surplus occur? (It would mean that there is money left over after paying for all expenses.)
 - How can a deficit occur? (Not enough income to pay for all expenses creates a deficit.)
 - How do we figure out the number that goes on this line of the budget? (Point to the surplus and deficit lines respectively.) (We must subtract the total expenses from the total income. A positive number is a surplus and a negative number is a deficit.)
12. Show the calculation, subtracting total expenses from the total income on the budget flip-chart that you have been using as an example. Ask the participants the following:
- Does this budget show a surplus or a deficit?
 - Why is it important to keep a record of your income and expenses?
13. Summaries by telling the participants that keeping a record of their income and expenses helps them to know where their money goes. If they have extra, or a surplus, they can save it for a future need. If their budget tells them that they won't have enough money to pay for their expenses, or a deficit, they know to cut back on some of them.

Option 2: Creating a Personal Budget

Method (25-30 min)

1. Remind participants of the Spending Wants and Needs activity in the Learning about Spending Session in which they thought about essential and desirable spending.
2. Give out the cards, if they will be helpful.
3. Explain that the participants are going to create a personal budget based on their actual, or anticipated, income and spending habits for a month.
4. First define the term 'budget'. Refer to the Budget Plan (Figure 3.4), which defines the terms budget, surplus and deficit, and includes a sample budgeting form.
5. Display the sample budgeting form on a flip-chart so that everyone can see it clearly. Explain the income and expense sections of the budget.
6. Tell participants that they can adapt the Expenses headings to match their own spending habits.
7. Point to the sources of income and ask participants for a realistic monthly amount as an example.
8. Next, point to the expense categories and ask for some realistic examples. You don't need to fill out all sections, just one or two as examples.
9. Explain that once all the items in the budget have been given amounts, the participants first need to add up the sources of income, and then they add up all the expenses.
10. Highlight the totals, and ask:
 - Which section of the budget has the highest value?
 - What else do you see in this budget?
11. Point out the last line of the budget form. Explain that this last line is one of the most important on the budget form. The number put here can either be positive or negative, depending on whether there is enough income to cover the expenses. If the number is positive, it is called a surplus, which means the participant has more income than expenses. If it is negative, it is called a deficit, which means the participant's expenses are greater than his/her income.
12. When you have completed the example, ask participants to work either individually or in pairs to work out their own budgets.
13. Make sure those who need support are given help.

Follow-up Activity

1. As an additional activity, you can pose these final questions:
 - What could the participant do if he/she has surplus, or money left over?
 - What could the participant do when he/she has a budget deficit?
2. Give them three minutes to work in pairs, and the pair with the most suggestions wins a prize or a round of applause!

3 Reflect

Method (10-15 min)

- Remind the participants that, in creating a budget, they will have better control over their money and will know how much they can save for the things identified in earlier Sessions.
- Ask the participants to keep a written record of their income, everything they buy, and everything they spend money on for one month to see how they keep their income and expenses in balance.
- Point out that they can use the budget framework that you have used in class to track their own income and expenses.
- In a quick Vote With Your Feet activity, ask participants if they think, at the end of the month, they will have a:
 - Deficit
 - Surplus
 - Perfect balance

NOTE This will give you the opportunity to make sure they understand the terms, and encourage them to carry out the activity to see if they were right!

Enquiry Question for the next Session

Encourage participants to ask family and friends the following question about living expenses and spending habits, in preparation for the next Session: Saving Options

- Where is the best place to keep money that you want to save and why?

Figure 3.4
Budget Plan

Definition of budget

A budget is a summary of estimated income and how it will be spent over a defined period of time.

Definition of surplus and deficit

A surplus is the amount of money or quantity of goods that remain when use or need is satisfied.

A deficit is a shortfall in the amount of money or other good that is needed.

Budget	
Budget line items:	Week 1: Amount
Income	
TOTAL INCOME:	
Expenses	
Personal	
Entertainment	
Education	
Transport	
Family	
TOTAL EXPENSES:	
TOTAL SURPLUS / DEFICIT (Balance)	