

# Session Overview

## *Budgeting Skills Training - Instructor Notes*

### **Thank you for teaching the Budgeting Skills Training Class :D**

The instructor notes contain suggestions for you on how to teach this class. We have included a sample lesson plan that lists the relevant sections of this curriculum with instructions for you, handouts and materials needed, as well as proposed time-frames for each part of the lesson.

It is most important to us, however, that you are comfortable teaching according to your own style. So, if you have ideas as to how you would like to change certain aspects of the lesson, please go ahead. If your session focuses more on questions from participants and you adapt your plan accordingly, that is GREAT! Our materials are always work-in-progress; if you have suggestions and ideas for improvement, please share your feedback with the Lifelong Learning Coordinator ☺

For the budgeting session it is important to us that a few general objectives are met and focused on:

- Participants will understand the important link between setting financial goals and making a plan (savings and spending plan) for their money
- Participants can explain the importance of saving
- Participants will be able to create a balanced household budget and discuss different strategies for budgeting successfully
- Participants will be able to identify strategies to pay bills on time that work for them

With respect to different budgeting tools detailed steps for a written household budget as well as brief introduction of the envelope budgeting method are included in this guide. If you have other ideas or personal favorites, feel free to add to it. Also, draw from the expertise in the group by having participants share approaches that work well for them.

To ensure a comfortable learning atmosphere for your participants, try to arrive early at the location to set up and prepare for your class. Greet participants as they arrive and introduce yourself. At the beginning of the session, introduce yourself and ask participants to briefly introduce themselves to their neighbors (or the whole group, depending on the class size). Provide an overview of the session before you start teaching.

**Please ensure that participants complete both the *PRE-CLASS* as well as the *POST-CLASS* evaluations. In addition, we have developed an instructor feedback form and ask that you take a few minutes after the class to provide us with feedback on your teaching experience. This will help us continually improve the experience for both participants and volunteers.**

If you have any questions while you prepare for your class or need additional materials, feel free to contact the Lifelong Learning Coordinator at 425-644-7911.

Thank you again for your time and efforts – enjoy your class!

# Session Overview

## ***Budgeting Skills Training - Instructor Notes***

*DISCLAIMER:* Many of the materials we use were adapted from other sources. For this session we are particularly indebted to *Project Money* for their friendly permission to use and adapt their “Reach for Your Dreams: Start Saving Now” workbook. We would also like to thank Washington Mutual for sharing their educational materials with us and for their generous financial support for our program. More resources to find additional information on the topics covered can be found at the end of this instructor guide.

## **SMART BUCKS Lesson Plan**

<b>Topic</b>	<b>Activity</b>	<b>Notes</b>	<b>Materials</b>	<b>Time</b>
Introduction	Briefly introduce yourself and start "reach activity"			5
Reach	TRUE / FALSE - Budgeting REACH Activity	refer to section "REACH Activity" for instructions	signs - "TRUE" / "FALSE"	10
Reach	Learning goals discussion		Handout - Pre-Class Assessment	5
Review / Teach / Try	Money beliefs and childhood experiences	refer to section "Goal Setting Review"	Handout - Money Styles / Handout - Setting Financial Goals	15
Teach / Try	Needs vs. Wants	refer to section "Needs vs. Wants"	Handout - Needs vs. Wants	10
Teach	What is a Savings & Spending Plan?	refer to section "Smart Bucks"	Handout - Sample Budget Form / pocket books to track expenses	20
Try	Help balance Rao & Sheila's budget	refer to section "Budgeting Exercise Instructions"	Handout - Budgeting Exercise	15
Teach / Try	Prioritizing Expenses / Cost Savings	refer to section "Prioritizing Expenses"	Handout - Credit Card Payment / Handout - Savings Tips / Handout - Prioritizing Expenses with the Envelope Method / Handout - Online Resources; envelopes, monopoly money	30
Apply	Putting Your Plan into Action	refer to section "Session Wrap-Up"	Handout - Road Map to Financial Success / Handout - Evaluation	10
				<b>120</b>

# Budgeting Reach Activity

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### Objectives

- Participants reflect on and share their attitudes and beliefs with respect to budgeting

### Instructions

- Put up two signs on opposite sides of the room, one that reads, “True” and the other, “False”.
- Ask learners to stand in a line between the two signs.
- Tell them you will read statements about budgeting and money. Since everybody probably heard something about budgeting before, we want to get an idea where we all stand on budgeting before we start with our class.
- Ask participants to respond to the statements you read in the following manner:
  - If that statement describes them they should move toward the sign that says “TRUE” to the degree that they identify with the statement (they move all the way to the sign or just a little).
  - If they don’t agree with the statement, they should move towards the “FALSE” sign as far as they feel their degree of disagreement requires.
- Read the statements from the list below and for each statement allow participants to sort themselves – occasionally, ask for volunteers to briefly explain why they stand where they are standing.

### List of Statements

- Budgets don’t work!
- I don’t have enough money to budget.
- I don’t need a budget – I know what my expenses are.
- I have a budget.
- I use my budget.
- I don’t have a budget because I want to buy what I want any time.
- I spend too much money.
- I save a lot of money.
- I don’t know how to budget.
- I don’t want to budget.
- I hope I learn something helpful in this lesson.

### Talking Points

- Use the last statement – after participants sit back down – as transition into brief discussion of participants’ learning goals for the session. Use *handout* – **Pre Class Assessment**.

# Goal Setting Review

## *Budgeting Skills Training - Instructor Notes*

### Objective

- Participants will reflect on how they currently deal with money
- Participants will identify money behaviors they have that they would like to change
- Participants will set financial goals they want to reach

### Instructions

- **NOTE:** For participants who attended the Goal Setting Skills Training this will be review – ask them to reflect some more on the goals they started working on the previous week and to be more detailed if they can
- Briefly review the importance of setting goals – as a starting point to develop a plan and a way of measuring success (refer to instructor notes for Goal Setting Skills Training)
- Provide participants with the *Handout – What is Your Money Style* – facilitate a discussion about how participants currently deal with money
- Stress that it is never too late to change things about themselves that participants don't like – and that this session will help them prepare a plan to change the way they are currently dealing with money if they want to
- Refer to *Handout – Setting Financial Goals* and ask participants to formulate at least one short-term goal and one long-term goal they have with respect to their financial situation (stress that it could be as simple as paying bills on time, having enough money to buy some nice Christmas presents, or big things like buying a house or being debt-free)
- As additional tools for participants to work with on their own after class you could distribute the other handouts from the Goal Setting Skills Training, such as *handout – Personal Strength Inventory*, *handout – Asset Inventory Plan*, and the *handout – SMART Goals*

### Talking Points

- Preparing a spending and savings plan – the objective of this skills training class – is like making a road map to success; but FIRST we need to know where we are going

# Needs vs. Wants

## *Budgeting Skills Training – Instructor Notes*

### Objective

- Participants will be able to explain the difference between needs and wants.
- Participants will be able to identify needs they have

### Instructions

- Stress that setting goals is really important to know what you want to work on.
- Ask participants to look at the financial goals they wrote down as part of the goal setting review section – would they say those goals are things they want or things they need? Ask participants to share their reflections.
- TEACH: Explain **needs** and **wants** concepts in the context of buying things and working towards your goals:
  - **Needs** – what you MUST have
  - **Wants** – what you would like to have
  - **Example:** we need clothes, but we might like fancy or expensive clothes
- Tell participants you have a list of things and would just ask them to decide whether each is a want or a need.
- Read the list, one by one, and wait for participants to decide – as a group.

#### List of Statements

- Health insurance
- Weekly trip to the nail shop
  - Latte at Starbucks
  - A place to live
  - Going out for lunch
  - Lottery tickets
- Retirement savings
  - A car
- Use *handout* – **Needs vs. Wants** to have participants work in small groups on deciding what constitutes a need and what a want for the Clarke family. Have the small groups share their results. Where appropriate, facilitate a brief discussion of why perceptions might be different.
- Then use reverse side of *handout* – **Needs vs. Wants** to have participants think about things they bought during the last week and classify them as needs and wants respectively.

### Talking Points

- Stress that needs and wants are different for each person.
- Stress that it is important to reflect on your habits and to know yourself to decide what is a need and want for you.
- When you are tempted to buy something that you don't really need – remind yourself of your long-term goals

# SMART BUCKS

## *Budgeting Skills Training – Instructor Notes*

### Objective

- Participants will start to prepare a savings and spending plan
- Participants will share different approaches to budgeting that work for them
- Participants will address problems that keep them from maintaining a balanced budget and explore solutions to those problems to change their behavior

### Instructions (TEACH)

- Let participants know that making a plan for their money that works for them is key – so you will show them one way to do it, but maybe they will find other ways that will work better for them
  - Explain the concept of **Smart Bucks – every dollar has a job to do**; participants will learn to control their money by deciding what every dollar they earn will do for them
  - TEACH: Walk participants through the five main steps to creating a good savings and spending plan:
  - For each of the steps, allow time for participants to suggest examples first themselves – write down examples participants provide for each category on the white board or flip chart
  - Allow enough time for participants to get started working with the budgeting sheet by filling in their own numbers – they will not have all the relevant information, but by getting started during the session, they are more likely to complete the exercise at home and have a chance to ask questions about categories they don't understand
1. **Figure out your monthly income – define income – MONEY COMING IN**; use the after-tax “take-home” amount of your paycheck, don't forget to add social security or pension, alimony or child support and any other regular income you have;
  2. **Figure out your monthly expenses – define expenses – MONEY GOING OUT**; a good way is to TRACK YOUR EXPENSES for at least one month (hand out little pocket books to write everything down) and organize by category; don't forget to break periodic expenses into monthly amounts; look at *Handout – Sample Budget* for expense categories
    - Ask participants to use the sample budget handout to fill in information they already know (for expenses as well as income) and mark categories they know apply to them but for which they don't know how much they spend each month in the “Budgeted” column
    - **Stress – pay yourself first!** Try to save at least 6 to 7 per cent of your paycheck!
  3. **Balance your budget** – plan so that your expenses are the same as your income (expenses INCLUDE SAVINGS – pay yourself first!); make sure you don't plan to spend more than you earn!
  4. **Track your spending** – the PLAN is just that, a plan; you need to check it against reality by writing down your actual income and your actual expenses each month

# SMART BUCKS

## *Budgeting Skills Training – Instructor Notes*

5. **REVISE** – in life things change and so do your goals; maybe you will want to start saving for a new car at first and a few years later put more money away for your children's college education; these things require a changed savings and spending plan to account for your changed needs!
- Ask participants to share other approaches to budgeting that work for them – stress that it is important to develop a system that really works for you individually and that the presented approach is just a starting point

### Talking Points

- Why is it important to have a spending and savings plan?
  - **It's your PLAYBOOK for SUCCESS** 😊
  - Spell out short- and long-term goals
  - Give each dollar of money coming in a job to do
  - Avoid over-spending
- **PLAN YOUR MONEY COMING IN AND GOING OUT SO THAT YOU CAN PAY ALL YOUR BILLS ON TIME!!! AVOID LATE FEES**
  - Utilize a calendar to mark when bills are due
  - Consider online banking and online payments
  - Track your expenses to see whether you paid all your bills
- **Periodic expenses** – illustrate with example of car registration (\$80 per year): divide annual amount by 12 to get monthly amount for budget; put this money aside into a savings account, so that you have the money when the bill is due
  - Encourage participants to apply the same strategy for Christmas presents – either buy them over the year, or set a goal of how much money they need to buy Christmas presents and put enough money aside EACH month for it
- Helpful hints for successful budgeting
  - **Always pay yourself first!** Use a savings account for savings and emergency money
  - **Try to save at least 6 or 7 per cent of your paycheck each month!**
  - Make budgeting a family effort – discuss everybody's wants, needs, and their contributions towards the family's goals
  - Make a calendar of when bills are due, when you get paid, and when big expenses are expected – make sure you see the calendar every day
  - Track your expenses every month to base your expenses on realistic numbers and track your spending
  - Review your budget every month, balance your checkbook – make occasional adjustments to reflect new savings goals and changes in your circumstances
  - If you continuously overspend, despite having a budget, seek professional help – many credit counseling agencies provide help for free!

# Budgeting Exercise

## *Budgeting Skills Training – Instructor Notes*

### Objective

- Participants will identify budgeting and savings strategies to implement in their own life by working through a hypothetical scenario (helping Rao and Sheila balance their budget)
- Participants will increase confidence in handling a budget through simulation

### Instructions for Facilitator

- Hand out the budget exercise spread sheet to participants
- Introduce the budget and guide participants through it by asking questions such as:
  - How much money do Rao and Sheila bring home each month?
  - What is their highest expense each month?
  - Do Rao and Sheila have a balanced budget? (No, overspend by \$295 each month)
  - What is missing from their budget? (car registration, savings, emergency funds, insurance etc.)
- Facilitate a discussion of the following questions:
  - Are Rao and Sheila prepared for financial emergencies?
  - How are Rao and Sheila most likely paying for the extra expenses they have beyond their income every month? (hint: regular expenses lists **3** credit card accounts)
- Have participants work in pairs / small groups to try and adjust Rao and Sheila's budget. The objective is to balance the budget – but they cannot increase the monthly income to do so.
- Then bring the group back together to discuss their solutions and facilitate a discussion of the following points:
  - What changes did the groups make to the budget? **Why?**
  - What would you advice Rao and Sheila to do when they feel constraint by their tight budget?
  - What can Rao and Sheila do to prevent future overspending?
  - How might Rao and Sheila increase their income?
- Transition to discussion on prioritizing expenses

### Talking Points

- Address the difference between **fixed** and **variable** expenses – especially in the context of making adjustments to a budget in order to balance it

# Prioritizing Expenses

## *Budgeting Skills Training – Instructor Notes*

### Objective

- Participants will identify strategies to pay bills on time that work for them
- Participants will be able to describe the importance of interest
- Participants will identify benefits of paying down debt
- Participants will discuss strategies to reduce liabilities and increase assets

### Instructions for Facilitator

- Based on the discussions about how to balance Rao and Sheila's budget, transition into a more general discussion of **How to deal with money problems?**
- **Discuss how to make sure you pay bills on time:**
  - Prioritizing payments – roof (utilities), food, clothing first (!)
  - Consider using the **ENVELOPE BUDGETING METHOD** – briefly explain method here, as there will be an exercise with later (see next page!)
  - **USE A CALENDAR** – to mark important dates such as your payday and dates when bills are due!
  - **ALWAYS OPEN YOUR MAIL** – ignoring a bill does not make it go away!
  - **If you cannot pay on time, call the creditor FIRST** – they will often work out a solution with you!
- Pay yourself first! – savings or eliminate debt (potentially higher yield due to saved interest)
  - Paying down debt
    - **snowball technique:** Pay minimum on all outstanding debt, put every other available dollar to the debt with the lowest balance; once its paid off, celebrate and put every dollar to the next lowest balance etc. NEVER use savings from a paid debt towards anything other than paying debt until you are debt free
    - Alternatively – apply same technique but pay highest interest debt first
    - Illustrate this technique on the example of Rao and Sheila – they might set aside an extra \$50 to pay down their debt each month; first they would pay \$100 (instead of \$50) on Credit Card 2; once it is paid off, they would pay \$175 (instead of \$75) for Credit Card 1, and finally, \$250 for credit card 3 – once all their debt is gone, they would put the \$250 towards savings each month
- **Increase income** – have participants brainstorm ideas (suggest that for long-term goals, Hopelink can help through Individual Development Accounts, computer skills training, GED help etc.)



# Session Wrap Up

## *Budgeting Skills Training - Instructor Notes*

### Objective:

- participants review what they learned during the session
- participants provide feedback on the session
- participants receive information about the next skills training classes

### Instructions

- Address any remaining questions
- Summarize for participants what you have covered during the session
- Use *handout – Roadmap to Financial Success* to encourage participants to apply what they learned during the session at home and to track their progress
- Ask participants to complete the *handout – Evaluation*
- Provide participants with a brief overview of the topics of the next skills training classes (credit management)

# Bibliography

Many partner organizations have generously agreed to share the curriculum materials they use for review and inspiration. We would like to acknowledge the following organizations for providing us with valuable input that helped improve our curriculum:

*The American Center for Credit Counseling Education* for providing complimentary copies of their various course materials: **Check Wi\$e**, **Credit When Credit is Due**, and **Money in Motion**

*FDIC* for developing a great curriculum that is available to anybody free of charge at <http://www.fdic.gov/consumers/consumer/moneysmart/index.html>

*Neighborhood House* for sharing their **Money Matter\$** curriculum

*Port Jobs* for sharing their **Financial Tools for the Trades** curriculum

*Project Money* for allowing us to adapt their **Reach for Your Dreams: Start Saving Now** curriculum (find more information at [www.projectmoney.org](http://www.projectmoney.org))

*Solid Ground* for sharing their **Take Control of Your Money** curriculum

*Washington Mutual* for sharing their entire financial literacy curriculum series

*Washington Society of CPAs* for sharing their curriculum materials as well as their educational games

**Furthermore, a lot of great information is available online. Here is a list of sources that we found most helpful in developing our curriculum:**

[www.360financialliteracy.org](http://www.360financialliteracy.org) (American Institute of CPAs)

[www.ace.uiuc.edu/cfe/](http://www.ace.uiuc.edu/cfe/) (University of Illinois - Consumer and Family Economics Extension Program - *All My Money*)

[www.bankrate.com](http://www.bankrate.com)

[www.dontborrowtrouble.com/](http://www.dontborrowtrouble.com/) (Freddie Mac)

[www.fanniemaefoundation.org/publications/Growing\\_Your\\_Money.html](http://www.fanniemaefoundation.org/publications/Growing_Your_Money.html) (Fannie Mae)

[www.mindyourfinances.com](http://www.mindyourfinances.com) (INCharge Education Foundation)

[www.mymoney.gov](http://www.mymoney.gov) (US Financial Literacy and Education Commission)

[www.practicalmoneyskills.com/english/index.php](http://www.practicalmoneyskills.com/english/index.php) (VISA)

[www.powerpay.org](http://www.powerpay.org)

[www.thebeehive.org](http://www.thebeehive.org)