



Financial Literacy with Mr. 401(k)
Spring Term 2026
April 1, 2026

Making & Spending Money

Class 10: Balancing Needs & Wants – Budgeting Basics



Making & Spending Money Recap and Today's Focus



Making Money

Earned, passive, and portfolio income categories

CLASS 6 & 7



Spending Money

Fixed, periodic, and variable expense categories

CLASS 8



Paying Taxes

Income taxes, payroll taxes, and sales taxes, among others.

CLASS 9



Budgeting Basics

Putting it all together with a written plan

TODAY'S FOCUS

Important Financial Terms Recap



How money flows:

 **Income**

Making Money

Earned, passive, or portfolio

—

 **Expenses**

Spending Money

Needs, wants, and taxes

=

 **Profit (or Loss)**

What's left over after spending

Positive = profit | Negative = loss

What you're worth:

 **Assets**

The Stuff You Own

Cash, investments, property

—

 **Liabilities**

The Stuff You Owe

Loans, debts, bills due

=

 **Equity (Net Worth)**

Your true financial position

The goal: grow this number over time



Class Discussion

Do you think it is important to have a plan for your money? Why or why not?

Budgets are Forecasts:



Forecasts of Income and Forecasts of Expenses



Budget Surplus

forecasted income >
forecasted expenses

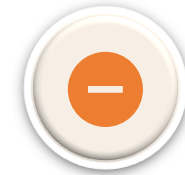
Forecasted Income	\$1,000
Forecasted Expenses	\$800
Surplus (Shortfall)	\$200



Balanced Budget

forecasted income =
forecasted expenses

Forecasted Income	\$1,000
Forecasted Expenses	\$1,000
Surplus (Shortfall)	\$0



Budget Shortfall

forecasted income <
forecasted expenses

Forecasted Income	\$800
Forecasted Expenses	\$1,000
Surplus (Shortfall)	-\$200



Class Discussion

If you got \$100 today, how would you decide what to do with it? Not what, but how?

Assessing 'Needs' and 'Wants'

Remember: Personal Preferences and Circumstances Matter



Must Haves

Necessary to satisfy day-to-day needs
(ex. Transportation to/from activities, school, job, etc.)



Should Haves

Important, but generally not necessary to satisfy day-to-day needs
(ex. Personal vehicle)



Could Haves

Nice to have, but not necessary to satisfy day-to-day needs
(ex. Premium electric personal vehicle)



Wants

Entirely discretionary, but may enhance lifestyle
(ex. New high-end sports car)

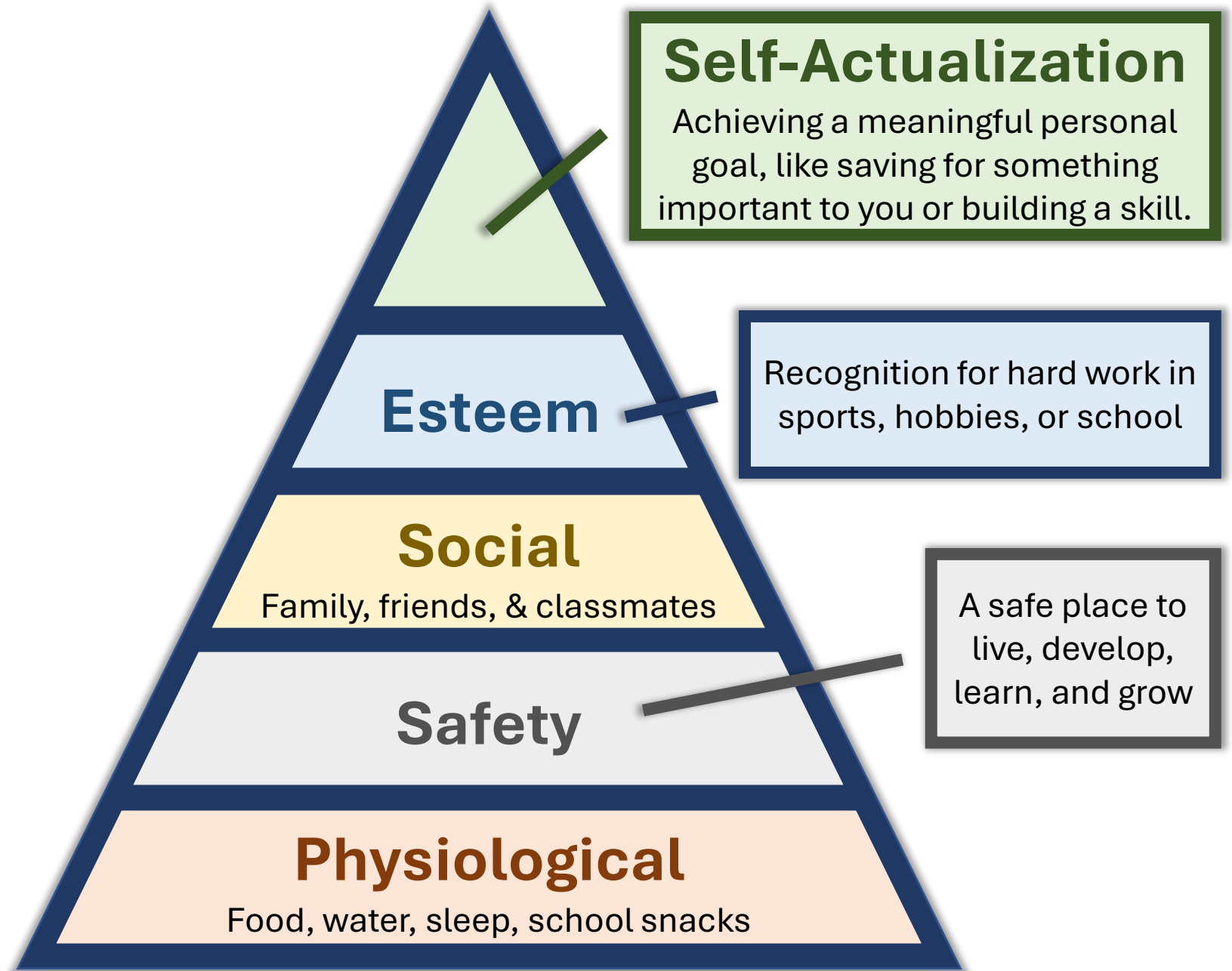
Must Haves

Wants

Like expense classification, **needs** and **wants** are not like a light switch. They fall on a spectrum. One person's budget may have different needs and wants than another person.

Maslow's Hierarchy of Needs

Maslow's Hierarchy of Needs, created by psychologist Abraham Maslow in 1943, is a five-level model of human needs. **People meet basic needs before focusing on higher goals.** This model applies to budgeting because you should start with your basic needs (essentials), like food and safety, before spending on extras (wants), like games or fun activities.



Three Approaches to Budgeting

We will apply the 50/30/20 framework to build a sample budget.



Goal-Oriented

Set a savings goal. Put money aside regularly until you reach it.



Envelope System

Divide income into labeled envelopes for each category. When it's gone, it's gone.

OUR APPROACH TODAY



50 / 30 / 20 Rule

Determine total monthly income. Then, allocate the income as follows:

50% **Essentials**

30% **Wants**

20% **Save & Invest**

Sample Budget Guide

Consistent with the 50/30/20 budgeting framework



A = Income

Total earned, passive, and portfolio income.



B = Long-Term Savings

Invest 15% for long-term goals.

$$B = A \times 15\%$$



C = Income Taxes

Estimate taxes from income and rates.

$$C = A \times \text{Tax}\%$$



D = Emergency Savings

Save 5% of after-tax income for emergencies.

$$D = (A - C) \times 5\%$$



E = Essentials

Spend $\leq 50\%$ of after-tax income on essentials.

$$E = (A - C) \times 50\%$$



F = Wants or Other

The rest goes to wants, extras, or more saving!

$$F = A - B - C - D - E$$

Money Mavericks

Objective: Use the Sample Budget Guide to help a student develop a budget. The student forecasts **total income for the year of \$6,000**. The student anticipates a **10% income tax rate**. Calculate the budget for: **Long-Term Savings**, **Income Taxes**, **Emergency Savings**, **Essentials**, and **Wants**



Once you have spent money on something, you cannot allocate the same money to something else: another goal, investing, emergencies, etc.

Beware of 'Sneaky' Costs

Don't forget about ancillary costs when budgeting. They add up quickly!



Game Console

\$700 + Sales Tax

Beware of 'Sneaky' Costs

Don't forget about ancillary costs when budgeting. They add up quickly!



Game Console

\$700 + Sales Tax



Controllers

\$75 Each + Sales Tax



Video Games

\$20 to \$70 Each +
Sales Tax



Monitor or TV

\$200 to \$2,000 +
Sales Tax



Headphones

\$50 Each + Sales Tax



Batteries

\$10 / Pack + Sales Tax



Electricity

\$3 / Month + Taxes

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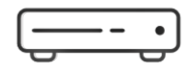
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\$10 / Pack + Sales Tax



Electricity

\$3 / Month + Taxes



New Console

5-Year Obsolescence
\$800 + Sales Tax



Class Discussion

If you started budgeting today, what would your first savings goal be?



Three Key Takeaways

1. A budget helps forecast income and expenses to manage money better.
2. Balancing “needs” over “wants” is essential to building a successful budget.
3. Budgeting systems like Goal-Oriented, Envelope, and 50/30/20 can help you save and spend wisely.



Where to Learn More

- [Budgeting for Teens: 18 Tips for Growing Your Money Young](#), by Intuit CreditKarma
- [Budgeting for Teens: What You Need to Know](#) by Rebecca Lake
- [The Budget Book for Young Adults: Guide on Budgeting Basics for Beginners, Including the 50/30/20 Budget Approach](#) by Sasha Winters

Money Mavericks Exercise Answers

Given: Income = \$6,000 | Income Tax Rate = 10%

Budget Item	Calculation	Answer
A = Income	(given)	\$6,000
B = Long-Term Savings	$\$6,000 \times 15\%$	\$900
C = Income Taxes	$\$6,000 \times 10\%$	\$600
D = Emergency Savings	$(\$6,000 - \$600) \times 5\%$	\$270
E = Essential Expenses	$(\$6,000 - \$600) \times 50\%$	\$2,700
F = Other / Wants	$A - B - C - D - E$	\$1,530

Verify: $\$900 + \$600 + \$270 + \$2,700 + \$1,530 = \$6,000$

B + D combined savings = \$1,170 (19.5% of income)

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Learn it. Earn it. Own it. Grow it.

Teaching young people how
money really works

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