



Financial Literacy with Mr. 401(k)
Spring Term 2026
March 26, 2026

Making & Spending Money

Class 8: Smart Spending – Understanding and Managing Expenses



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

How People Spend Money

No matter how you pay, all spending creates expenses.



Cash

Physical bills or coins

Oldest form of payment.
Easy to track spending.



Debit or Credit

Swipe, tap, or insert

Most popular today. Credit
cards = borrowing money.



Mobile Payments

Apple Pay, Venmo,
Zelle

Growing fast among teens.
Quick and convenient.



Checks

Written payment
orders

Less common but still used
for rent and bills.



ACH / Wire

Electronic bank
transfers

Used for larger payments
like tuition or rent.



Bitcoin

Digital currency

Newest option. We'll
explore this in Module 4!

Three (3) Types of Expenses



Fixed



The same amount, every time. You know exactly what to expect.

Examples

Rent: \$2,000/mo

Cell phone plan: \$75/mo

Streaming: \$15/mo

Periodic



Happens on a schedule, but the amount can change.

Examples

Auto insurance: every 6 months

School supplies: each semester

Credit card interest: monthly

Variable



Changes based on how much you use or buy. Harder to predict.

Examples

Groceries: \$400–\$700/mo

Gas/fuel: depends on driving

Clothing: seasonal changes

Practical Application

A person incurs the following expenses. In your Money Journals identify each expense item as **fixed**, **periodic**, or **variable**.

Expense Item	Amount
Cell Phone (Data/Voice)	\$150
Clothing	\$500
Credit Card Interest	\$150
Fuel/Gas	\$150
Groceries	\$600

Expense Item	Amount
Insurance (Auto/Renter)	\$250
Personal Upkeep	\$100
Rent	\$2,000
Streaming Subscriptions	\$50
Utilities	\$400



Class Discussion

*How did you
categorize each
expense?*

Practical Application Answers

A person incurs the following expenses. In your Money Journals categorize each as **fixed**, **periodic**, or **variable**.

Expense Item	Amount
Cell Phone (Data/Voice)	<u>Fixed</u>
Clothing	<u>Variable</u>
Credit Card Interest	<u>Periodic</u>
Fuel/Gas	<u>Variable</u>
Groceries	<u>Variable</u>

Expense Item	Amount
Insurance (Auto/Renter)	<u>Periodic</u>
Personal Upkeep	<u>Variable</u>
Rent	<u>Fixed</u>
Streaming Subscriptions	<u>Fixed</u>
Utilities	<u>Variable</u>

Classifying Expenses



Essential

Amounts spent that are **necessary** or **generally necessary** to meet everyday needs.

Rent, groceries, transportation, utilities, basic clothing, school supplies



Discretionary

Amounts spent that are **not necessary** or **generally not necessary** to meet everyday needs.

Concert tickets, video games, dining out, designer clothing, streaming extras

Essential



Discretionary

Think of this as a dial and not like a light switch. Expenses are not simply “**essential**” or “**discretionary**.” Expenses fall on a spectrum. Some expenses are more necessary than others, based on personal subjective value, preferences, and budget circumstances.



Class Discussion

*Do all people
have the same
everyday needs?
How do people
determine their
day-to-day
needs?*



What is Discretionary to Some People May be Essential to Others.

Example: To professional video gamers, gaming equipment and video games are essential for work. To others, those goods are discretionary.

How to Analyze Your Expenses

Use these three steps for your Money Mavericks expense scenario:

1

Categorize

Label each expense as fixed, periodic, or variable. Which expenses can you predict? Which ones change?

Ask: Do I pay the same amount every time, or does it change?

2

Classify

Identify each expense as more essential or more discretionary. Remember: it's a dial, not a switch.

Ask: Could I live without this, or is it something I truly need?

3

Adjust

Find opportunities to reduce, eliminate, or redirect spending. Can you make room for future spending or saving?

Ask: What would happen if I spent less here? What could I do with the savings?

Money Mavericks Expense Activity



Alpha & Beta

Student Balancing
School & Part-Time Job

Income: \$500/mo (part-time job)

Expenses:

Cell Phone: \$75 | Bus Pass: \$50 |
Lunch: \$100 | College Savings:
\$100 | Entertainment: \$75 |
Clothing: \$50 | Misc: \$50

Challenge: Balance the budget while saving for college and managing day-to-day expenses.



Gamma & Delta

Teenager with a
Passion for Music

Income: \$300/mo (gig work)

Expenses:

Streaming: \$10 | Guitar Lessons:
\$100 | Concerts: \$50 | Guitar
Savings: \$50 | Eating Out: \$60 |
Clothing: \$20 | Misc: \$10

Challenge: Prioritize music expenses while maintaining a social life and saving for a new guitar.



Epsilon & Zeta

Student Athlete with
Sports Expenses

Income: \$400/mo (weekend job)

Expenses:

Equipment: \$100 | Gym: \$30 |
Sports Transport: \$50 | Snacks: \$70
| Games: \$50 | Streaming: \$15 |
Camp Savings: \$85

Challenge: Allocate funds for sports while enjoying leisure and saving for sports camp.

Alpha & Beta: Money Mavericks Expense Activity

Student Balancing School & Part-Time Job



Monthly Income: \$500 (part-time job)

Your Challenge

Help this student balance their budget while saving for college and managing day-to-day expenses.

Your Approach



Categorize

Fixed, periodic, or variable?



Classify

Essential or discretionary?



Adjust

What can change? What stays?

Expense

Amount

Cell Phone Bill

\$75

Transportation (bus pass)

\$50

Lunch Money

\$100

Savings for College

\$100

Entertainment (movies, games)

\$75

Clothing

\$50

Miscellaneous (snacks, hobbies)

\$50

Total Expenses

\$500

Gamma & Delta: Money Mavericks Expense Activity

Teenager with a Passion for Music



Monthly Income: \$300 (gig work)

Expense	Amount
Music Streaming Subscription	\$10
Guitar Lessons	\$100
Concert Tickets	\$50
Savings for a New Guitar	\$50
Eating Out with Friends	\$60
Clothing	\$20
Miscellaneous (gifts, stationery)	\$10
Total Expenses	\$300

Your Challenge

Advise on how to prioritize music-related expenses while maintaining a social life and saving for a new guitar.

Your Approach

- 1 Categorize**
Fixed, periodic, or variable?
- 2 Classify**
Essential or discretionary?
- 3 Adjust**
What can change? What stays?

Epsilon & Zeta: Money Mavericks Expense Activity

Student Athlete with Sports Expenses



Monthly Income: \$400 (weekend job)

Expense	Amount
Sports Equipment	\$100
Gym Membership	\$30
Sports Event Transportation	\$50
Healthy Snacks and Supplements	\$70
Video Games	\$50
Streaming Service	\$15
Saving for Sports Camp	\$85
Total Expenses	\$400

Your Challenge

Determine how to effectively allocate funds for sports while enjoying leisure activities and saving for a sports camp.

Your Approach

- 1 Categorize**
Fixed, periodic, or variable?
- 2 Classify**
Essential or discretionary?
- 3 Adjust**
What can change? What stays?



Three Key Takeaways

1. Knowing the difference between fixed, periodic, and variable expenses can help you plan your spending and avoid surprises.
2. Understanding what expenses you need (essential) versus what you want (discretionary) can help you make smarter money choices.
3. Good expense management means making thoughtful decisions about spending and saving, so you can cover your needs today while working toward future goals.



Where to Learn More

- [Money Management for Kids \(How to Set Up Your System\)](#) by Amanda Grossman
- [Smart Spending: The Teens' Guide to Cash, Credit, and Life's Costs \(Financial Literacy for Teens\)](#) by Kara McGuire
- [Spending for Teens](#) by Lucia Caldera

A wooden conference table is covered with various business documents, including spreadsheets, charts, and reports. Numerous colorful sticky notes (pink, green, yellow, blue) are scattered across the papers. Several people's hands are visible, actively engaged in reviewing and organizing the documents. In the background, there are office supplies like a white mug, a desk lamp, and a printer. The overall scene depicts a collaborative business meeting or project planning session.

Business Plan Project

Money Mavericks

Objective: Continue the brainstorm on problems that people face. These could be day-to-day problems, simple problems, or complicated problems. Discuss whether those problems have potential customers who are willing to pay for a solution.



Customers Pay to Resolve a Problem

People part with their money only if they can satisfy a **'need'** or a **'want'**

Business Plan: Defining Your Value Proposition

1 What problem does your business solve?

Remember: customers pay to resolve problems.

2 Who are your customers? What do they value?

Think about their preferences and circumstances.

3 What makes your solutions valuable to customers?

Why would they choose you over other options?

4 How will your business make money?

What products or services will your business sell?

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Learn. Save. Grow.

Empowering Young Minds to
Understand Money

Financial Literacy with
Mr. 401(k)

<https://petros.us/about-finlit>

