



Financial Literacy with Mr. 401(k)
Winter Term 2024 - 2025
December 11, 2024

Making & Spending Money

Class 4: Smart Spending – Understanding and Managing Expenses



Recap: Important Financial Terms



Income

Making Money



Expenses

Spending Money



Profit (Loss)

= Income - Expenses



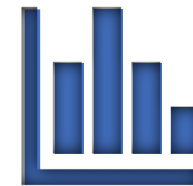
Assets

The Stuff You Own



Liabilities

The Stuff You Owe



Equity

= Assets - Liabilities



Class Discussion

*How do people
pay for stuff
when they
spend money?*

Common Ways People Spend Money



Cash/Coins

Ex: U.S. Currency



Checks

from a bank account



Credit or Debit

bank or credit accounts



Mobile Payments

Ex: Apple Pay, Google



Send ACH or Wire

from bank to bank



Send Bitcoin

or other cryptocurrencies

Three (3) Types of Expenses



Fixed

Amounts spent are **monthly** and **predictable amounts**



Periodic

Amounts spent are often **predictable**, but **less routine** than fixed expenses



Variable

Amounts spent are generally **not predictable** and generally **not routine**

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 are necessary or generally necessary to meet everyday needs

Discretionary

Amounts spent are not necessary or generally not necessary to meet everyday needs





Class Discussion

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

A gaming setup featuring a monitor displaying a rainbow light effect, a PC tower with RGB lighting, and a headset.

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.

What Matters Most?

Classifying expenses is much like a “dial” between essential and discretionary – it is not like a light switch or toggle. Expenses are more (or less) necessary than others, based on personal values and budget circumstances.



Practical Application

A student has been saving money from a part-time job. The student has saved \$500 and now faces a decision on what to do. Think about what you would do.

Option 1: Save for a Smartphone

The student has been wanting a new smartphone. The new smartphone costs about \$800. If the student saves the \$500 and adds a little more over the next few months, the new smartphone can be purchased. This smartphone has better features, a better camera, and would last longer.

Option 2: Spend on a Concert

The student's favorite band is coming to town, and concert tickets cost \$250. Additionally, the student would like to buy band merchandise and expects to spend about \$100 more on the night of the concert (transportation, food, etc.). This would be a memorable experience with friends but would use up most of the saved money.



Class Discussion

Which option would you choose? Would you have done something different? Why?

Money Mavericks

Objective: Analyze your workgroup's expense budget scenario. Tackle your workgroup's challenge question. Be prepared to share your approach and recommendations with the entire class.



Handout: Money Mavericks Expense Activity



Alpha: Student Balancing School & Part-Time Job

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

Expenses: 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

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



Beta: Teenager with a Passion for Music

Monthly Income: \$300 (from gig work)

Expenses: 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

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



Gamma: Student Athlete with Sports Expenses

Monthly Income: \$400 (weekend job)

Expenses: 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

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

Alpha: Money Mavericks Expense Activity

Student Balancing School & Part-Time Job



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

Expenses: 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

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

Beta: Money Mavericks Expense Activity

Teenager with a Passion for Music



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Gamma: Money Mavericks Expense Activity

Student Athlete with Sports Expenses



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

A group of people are gathered around a wooden conference table, working on a business plan project. The table is covered with various documents, including a large circular diagram with segments labeled 01 through 05, and several sheets of paper with text and charts. Numerous colorful sticky notes (pink, green, yellow) are scattered across the documents. A person's hand is visible, pointing at a document. In the background, there are office supplies like a white mug, a desk lamp, and a printer. The overall scene is a busy, collaborative workspace.

Business Plan Project

Customers Pay to Resolve a Problem

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



Class Discussion

*Has anyone
spoken with
others about the
problems they
encounter?*

Money Mavericks

Objective: Brainstorm 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 to resolve the problems.





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