

Financial Literacy (“finlit”)  
Winter Term 2023 - 2024  
December 6, 2023

# Making and Spending Money

## Class 5: Expenses = Spending Money



# Recap: Important Financial Terms



## **Income**

Making Money



## **Expenses**

Spending Money



## **Profit (Loss)**

= Income - Expenses



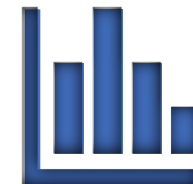
## **Assets**

The Stuff You Own



## **Liabilities**

The Stuff You Owe



## **Equity**

= Assets - Liabilities



*Class Discussion*

*How can people  
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 routine and predictable



## **Periodic**

Amounts spent are predictable, but less routine



## **Variable**

Amounts spent are not predictable and not routine

# Practical Application

A person incurs the following expenses. Work individually to categorize each 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. Work individually to categorize each item 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>Fixed</u>
Personal Upkeep	<u>Variable</u>
Rent	<u>Fixed</u>
Streaming Subscriptions	<u>Fixed</u>
Utilities	<u>Variable</u>

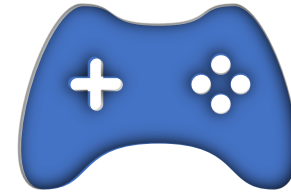


# Expense Classification



## Essential

Amounts spent are necessary or generally necessary to meet day-to-day needs



## Discretionary

Amounts spent are not necessary or generally not necessary to meet day-to-day needs



## *Class Discussion*

*Do all people have the same day-to-day 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 & games are essential for work. To others, those goods are discretionary.

# Classifying Expenses Requires Judgement

It is much like a  
Spectrum. Certain  
expenses are  
more (or less)  
necessary than  
others, based on  
values & personal  
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?*



## *Class Discussion*

*If a person cannot afford to spend money on something, what might a person do?*

# 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 odd jobs like babysitting and lawn mowing)

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; Transportation to Sports Events: \$50; Healthy Snacks and Supplements: \$70; Video Games: \$50; Movie 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.



## Delta: Tech-Savvy Teenager with a Focus on Electronics

Monthly Income: \$250 (from tutoring)

Expenses: Savings for a New Laptop: \$100; Mobile Data Plan: \$50; Online Subscriptions (gaming, apps): \$40; Snacks and Eating Out: \$30; Transportation: \$20; Clothing: \$10

Challenge: Help this tech-savvy student budget for a major electronic purchase while managing monthly subscriptions and personal expenses.



# Three Key Takeaways

1. Understanding the differences between fixed, periodic, and variable expenses helps in better managing and planning spending.
2. Recognizing what expenses are necessary (essential) versus what are optional (discretionary) can guide smarter financial decisions.
3. Effective expense management involves making informed choices about spending and saving, balancing immediate needs and wants with long-term financial goal.



## 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