

Know your cash flow



GRADES
9-12

In this lesson, students will identify and review their expenses and income and learn to create a budget.



Subject

BB110/BB120 – Introduction to Business
HIF10/20 – Exploring Family Studies
HIP40 – Personal Life Management

Suggested timing

70 minutes

Financial literacy objectives

At the end of this lesson, students will:

- know, understand and/or be able to distinguish between needs and wants;
- create a budget.

Curriculum expectations

Business Studies, grades 9 and 10 (2006)
Introduction to Business (BB110/BB120)

Finance

- Demonstrate financial-planning skills and produce a business or personal financial plan.

Social Sciences and Humanities, grades 9 to 12 (2013)
Exploring Family Studies (HIF10/20)

Daily living skills

C2.3 Describe and demonstrate financial strategies and the financial literacy skills necessary to manage financial resources to meet personal and family financial goals.

Personal Life Management (HIP40)

Daily living skills

C1.4 Analyze the relationship between effective decision making and personal well-being.

C2.1 Explain factors that affect the use of money as a resource.

C2.2 Demonstrate the use of effective money management strategies.

C2.3 Explain the reasons for setting aside a portion of income as savings.

C2.4 Demonstrate the use of strategies for effectively managing finances and planning next steps.

Assessment

Collect: Know your cash flow - worksheet (Appendix C)

What you need

- Living expenses (Appendix A)
- Know your cash flow (Appendix B)
- Know your cash flow - worksheet (Appendix C)
- Optional: computer lab

Minds on

Think-pair-share: brainstorming

- Distribute Appendix A.
- In pairs, students brainstorm with their partners, what living expenses/costs a person would likely have at each of the different life stages (baby, child/teenager, young adult, middle age, senior).
- Generate a master list (chart paper or electronic) for reference.

Whole class: discussion

- Examine each of the living costs, and identify which costs are needs and which costs are wants.
- Which costs change per month and which do not change?
- Explore the concept of fixed and variable costs:
 - Fixed costs remain at the same amount regardless of use
 - Variable costs change according to the amount used
- Which cost is easier to reduce? Why?
 - Variable costs are easier to reduce since the amount spent can change

Context for learning

Bill Fold is a character who is constantly getting himself in to financial scrapes. Use the scenario below to provide students with a context for learning.

Bill Fold is the new treasurer for the camera club. The teacher advisor has asked Bill to ensure that the club's finances are in the "black" and to ensure they always have money to cover the club's expenses. How will Bill know that the club is managing its money responsibly?

Action

Whole class: creating a personal budget

- Distribute Know your cash flow – worksheet (Appendix C).
- Optional: use an online calculator or spreadsheet software, to complete the question.
- Observe and circulate.
- Using the same template or (online calculator or spreadsheet software) have students develop and complete their budgets for life after graduating from a post-secondary program.
- Ask student volunteers to share their budgets.
 - Project the budget on screen.
- Class discusses ways students can save more.

Give ongoing feedback and have students review with their peers their monthly expenditure sheet. Ask questions to examine the concept of pay yourself first.

Consolidation/ debrief

As a class, discuss the following:

- Concept of budgeting
- Possible outcomes if a person does not follow a budget and if a person follows a budget
- If budgeting is so important, why do so few Canadians actually budget?

Students to consider

- Setting goals
- Planning for the future
- Preparing for different life stages



Living expenses

Brainstorm and list the type of living expenses for each case study.

Case study #1: High school student

Case study #2: Post-secondary student



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Students today are bombarded with credit card offers and incentives. Applying for the card is easy. Paying off the monthly statement is more difficult for many. Sales, advertisements and peer pressure also can cause you to spend more money than you actually have. One way to ensure that you spend only what you have is to know your cash flow - a map of your monthly inflow (income) and outflow (expenses) of cash.

You know you have to save for your post-secondary education and expenses. If you enroll in the program at the local university you won't need to move. If you decide to enroll in a specialized program, you will have to move. The tuition for the program you like is approx. \$4,500 a year. Over the last two years, you have saved \$600. You earn \$75 a week at your after school job and mainly spend it on entertainment, food and stuff. You're not quite sure where you're spending your money.

1. Based on the above scenario, use the cash flow template to map out your income and expenses for the next 12 months. The list of items on the template will guide your choices for income and expenses. Use a spreadsheet program to create your cash flow worksheet.
2. Record your income and expenses. Try to be as realistic as possible. Your expenses and income may fluctuate monthly. For example, you could earn more income during the summer months or incur higher expenses in December due to vacation and seasonal expenses.
3. What did you learn from doing this exercise?
4. Have you identified any changes you need to make with respect to your spending?



Know your cash flow

Know your cash flow – worksheet

Cash flow template

Income	Month
Net employment income	
Family support	
Cash gifts/allowance	
Investment (interest)	
Total net income	

Expenses	Month
Housing (rent, mortgage)	
Utilities (cell phone, cable, etc.)	
Food (groceries, eating out)	
Personal care	
Clothing	
Transportation	
Public transit	
Car expenses (gas, oil, etc.)	
Repairs, insurance	
Recreation	
Entertainment	
Hobbies	
Vacation	
Education	
Savings plan	
Debt repayment	
Total expenses	

Total income	
Less expenses	
Month-end cash balance	