

# Differentiating fixed and variable expenses

Using real-world scenarios, students identify fixed and variable expenses and reflect on how they are similar and different.

## Learning goals

### Big idea

To manage your cash flow and maintain a budget, it's helpful to understand different types of expenses.

### Essential questions

- What are different types of expenses?
- When might some of these expenses happen in my life?

### Objectives

- Understand what a fixed expense is
- Understand what a variable expense is

### What students will do

- Use the "Differentiating fixed and variable expenses" worksheet to identify fixed and variable expenses presented in real-world scenarios.
- Reflect on the similarities and differences between the two types of expenses.


### NOTE

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Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

### KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Budgeting, Buying things, Paying bills)

School subject: CTE (Career and technical education)

Teaching strategy: Simulation

Bloom's Taxonomy level: Understand, Create

Activity duration: 45-60 minutes

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### National Standards for Personal Financial Education, 2021

Saving: 8-1, 8-2

Spending: 12-1, 12-2, 12-6, 12-9

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## Preparing for this activity

- While it's not necessary, completing the “Analyzing budgets” activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

### What you'll need

#### THIS TEACHER GUIDE

- Differentiating fixed and variable expenses (guide)  
[cfpb\\_building\\_block\\_activities\\_differentiating-fixed-variable-expenses\\_guide.pdf](#)

#### STUDENT MATERIALS

- Differentiating fixed and variable expenses (worksheet)  
[cfpb\\_building\\_block\\_activities\\_differentiating-fixed-variable-expenses\\_worksheet.pdf](#)

## Exploring key financial concepts

To plan and follow a budget, it's helpful to identify which expenses are fixed and which ones vary month to month. Fixed expenses generally cost the same amount each month (such as rent, mortgage payments, or car payments), while variable expenses change from month to month (dining out, medical expenses, groceries, or anything you buy from a store).

#### TIP

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Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

## Teaching this activity

### Whole-class introduction

- Ask students to name some household expenses.
  - Examples may include rent, car payments, groceries, or utility bills.
- Read the “Exploring key financial concepts” section to students to explain fixed expenses and variable expenses.

- Be sure students understand key vocabulary:
  - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
  - **Fixed expenses:** Expenses, like bills, that must be paid each month and generally cost the same amount. Some fixed expenses, like a utility bill, may also be variable because the amount changes each month depending on usage.
  - **Variable expenses:** Expenses that change in amount from month to month.

#### TIP

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Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

### Individual or group work

- Distribute the “Differentiating fixed and variable expenses” worksheet, or have students access the worksheet electronically.
- Direct students to read the scenarios on the worksheet.
- Students can work individually or with a partner to determine whether each scenario describes a fixed or variable expense and explain how they came to their answer.
- Have students answer the reflection questions on their own.

### Wrap-up

- Review the scenarios as a class and have students share their answers from the worksheets.
- If time allows, ask for volunteers to share their answers to the reflection questions.
- Give students a few minutes to reflect about fixed and variable expenses.
- Gather their collective ideas through class discussion.

### Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including budgeting, buying things, and paying bills. Suggested activities include “[Categorizing expenses](#)” and “[Bouncing ball budgets](#)”.

## Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Differentiating fixed and variable expenses" worksheet. **Keep in mind that students' answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.

### Answer guide

1. Variable
2. Fixed
3. Variable
4. Variable
5. Fixed

### Reflection questions

Answers will vary.