

Analyzing budgets

Students analyze case studies and apply the 50-30-20 rule of budgeting.

Learning goals

Big idea

Budgeting helps ensure that you'll have enough money for the things you need and the things you want, while still building your savings for future goals.

Essential questions

- What are rules to live by for budgeting?
- How can they help inform spending decisions?

Objectives


- Create a budget using the 50-30-20 rule
- Analyze a budget to see if it meets the 50-30-20 rule

NOTE

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), Math

Teaching strategy: Simulation

Bloom's Taxonomy level: Analyze

Activity duration: 75-90 minutes

National Standards for Personal Financial Education, 2021

Saving: 8-1, 12-8

Spending: 12-1, 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.

What students will do

- Learn the 50-30-20 rule of budgeting.
- Use the “Analyzing budgets” worksheet to determine whether a scenario from the “Budget scenarios” handout meets the 50-30-20 rule.
- Give advice to help the characters in the scenario meet the 50-30-20 rule.

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Optional: Make sure students have access to calculators.

What you’ll need

THIS TEACHER GUIDE

- **Analyzing budgets** (guide)
[cfpb_building_block_activities_analyzing-budgets_guide.pdf](#)

STUDENT MATERIALS

- **Analyzing budgets** (worksheet)
[cfpb_building_block_activities_analyzing-budgets_worksheet.pdf](#)
- **Budget scenarios** (handout)
[cfpb_building_block_activities_budget-scenarios_handout.pdf](#)
- **Calculators** (optional)

Exploring key financial concepts

Knowing how to make a budget is an important step toward reaching your financial goals. A budget is a plan for how to spend and save money. It helps you decide how much you’ll need to spend on necessities, how much money you’ll put aside for savings, and how much you can use for your “wants,” such as dining out or travel. It’s important to remember that a budget should be made using your net income, which is the amount of money you receive in your paycheck after taxes and other deductions are taken out.

TIP

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

One rule to live by when budgeting is to use 50 percent of your income on needs, 30 percent on wants, and 20 percent on savings goals. The table below gives you a snapshot of the type of items that you might assign to each category.

Percent of net income	Budget category	Examples of items
50 percent	Needs	Rent or mortgage payments, groceries, utilities, transportation
30 percent	Wants	Dining out, vacations, entertainment
20 percent	Savings goals	Emergency savings, saving for education, saving for retirement

TIP

Be clear that this is one rule to live by. Not everyone can follow it. Students should decide on their own personal rule to live by that works for their financial situation. Encourage students to set simple guidelines for spending that can help them also reach their savings goals.

Teaching this activity

Whole-class introduction

- Ask students to share what kinds of things people or households spend money on.
- Read the “Exploring key financial concepts” section to students to explain budgeting and how it helps people reach their financial goals.
- 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.
 - **Net income:** Amount of money you receive in your paycheck after taxes and other deductions are taken out; also called take-home pay.
- Draw a pie chart showing the three categories of the 50-30-20 rule of budgeting. Be sure to label each category.
- Discuss what each section of the pie chart means (50 percent needs, 30 percent wants, 20 percent savings goals).
- Have students brainstorm sample expenses that might fit in each category.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

- Ask students to reflect on and discuss why dividing a budget in this way is a helpful personal finance strategy.

Group work

- Hand out the “Analyzing budgets” worksheet and “Budget scenarios” handout, or have students access these materials electronically.
- Ask students to create a 50-30-20 pie chart on their worksheet.
- Have students work in pairs and assign each pair one of the budgeting scenarios (or have them choose one).
- Be sure to explain to students that budgeting is open for interpretation, as one person might categorize something as a need, while another might categorize it as a want.
- As students complete a budget for their scenario, instruct them to decide whether it meets the 50-30-20 guidelines.
 - If it doesn’t, ask students to write advice on how to bring it closer to the 50-30-20 rule.
Note: This activity focuses on categorizing expenses in a budget. The monthly expenses in the scenarios aren’t intended to equal monthly net income.

Wrap-up

Ask student pairs to share their findings with the rest of the class.

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 “[Bouncing ball budgets](#)” and “[Differentiating fixed and variable expenses](#)”.

Measuring student learning

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

If you choose to use the scoring rubric on the next page to grade this activity, be sure to share it with all students so they know what criteria matter most and they can plan accordingly.

SCORING RUBRIC

Requirement	Possible points	Points earned
Categorized expenses (into needs, wants, and savings goals)	30	
Explained their categorizations	30	
Calculated totals for each category and determined if it meets the 50-30-20 rule	20	
Included written advice for bringing spending closer to this guideline	20	
Total points	100	