

# Lesson Plan 3: Dollars and sense

**SUBJECT(S):** Math, Economics

**GRADE LEVEL:** 7 - 10

**DURATION:** two class periods

## Objectives

Students will understand that:

- personal finance involves a balance between income and expenses
- “making ends meet” requires prioritizing

Students will be able to:

- compare prices and make choices based on available income

## Warm-up/Discussion

Tell students that in this exercise they’ll imagine that they’re moving out to live independently, making decisions and living on what they earn themselves. The assumption is that they have a job in which they earn \$29,000 per year, which is an estimate of the median income for the Chicago region for a single person under the age of 25. The only things they can take with them when they move are their clothes and other items that belong only to them. Ask students to consider the following questions:

- 1) What do you need to make it your own (housing, food, personal items, furniture, phone, transportation, etc.)? List these on the board. (You can use the handout called *Do I really need this?* (pg. 97) to generate ideas.
- 2) How will you determine whether an item you want to purchase is something that you really need or just something that you’d like to have?
- 3) What do you need to consider when making a decision about where to live and what to buy?
- 4) If you have money left over, what will you do with it?

## Materials Included:

- Do I really need this? [pg. 97]
- Now that I’ve made it! [pg. 98]

## Additional Materials Needed:

- recent newspapers
- scissors
- glue
- paper
- calculator (optional)

## Vocabulary

**budget:**

*an estimate of expected income and expenses; a systematic plan for expenditures during a given period*

**prioritize:**

*put things in order of importance*

## Learning Activities

### Period 1

Distribute the *Now that I've made it!* (pg. 98) handout. Tell students that each of them has \$29,000 dollars per year (the median income for a single person under the age of 25 living alone in the Chicago region) to get started on his or her own.

Tell students that they'll use the real estate section of the newspaper (weekend editions are especially good) to find a place where they'd like to live and find ads for the things they'll need. Tell them to cut out the advertisements and keep a record of all expenses. They can use the *Do I really need this?* (pg. 97) handout to get a sense of some of the expenses they're likely to have (rather than to fill in specific amounts for each item).

If students have internet access, they can use the real estate sections of the newspaper websites below: <http://www.chicagotribune.com>, <http://www.suntimes.com>, <http://www.chicagoreader.com>

### Homework

Students should complete their search for a home and furnishings.

### Period 2

After students have found a place to live and paid for the things they need, they should create a balance sheet to show their monthly income and expenses. The balance sheet should be included in their portfolio of real estate and household item advertisements.

## Assessment

Students can write about the experience of considering what it would take for them to become independent, addressing the questions below:

- Were you able to find housing that you could afford in a community where you would like to live? Explain your answer.
- What influenced the decisions you made?
- Can you give an example of something that you learned in this lesson plan that surprised you?
- Evaluate student portfolios for completeness and the accuracy of their calculations.

## Wrap-up/Reflection

Have a discussion with the students about investing and saving money. Did anyone have money left after choosing a place to live and buying furnishings? What would they do with the money they had left? Ask them to think about why establishing a routine for saving some money from each paycheck might be a good idea. What kinds of emergencies might create a need for extra cash?

## Ideas for Additional Activities

Ask students to keep track of their actual expenditures for a week, accounting for every dollar spent and creating a balance sheet of income and expenses.

Ask students how much they make an hour when they work and have them think of an item that they'd like to purchase. Ask them to calculate how many hours they would need to work to pay for

## **Do I really need this?**

### **EXPENSES**

Mortgage or rent

Homeowner/renter insurance

Heat/air conditioning

Electricity

TV (cable)

Telephone(s)

Home repairs/maintenance

Car payments

Gasoline

Auto repairs/maintenance/city sticker

Other transportation (tolls, bus, subway, Metra, taxi, bike)

Car insurance

Internet

Health insurance

Life insurance

Entertainment/recreation/vacation travel

Charitable/religious giving

Groceries

Toiletries, household products

Clothing

Eating out

Hobbies

Magazines/newspapers

Federal Income Tax

State Income Tax

Social Security/Medicare Tax

Pet food/medical care

## Now that I've made it!

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**SALARY: \$29,000 per year**

### Instructions:

You can afford to buy a house that is no more than 2.5 times your annual income or to rent an apartment that is no more than 30% of your income. On your annual income of \$29,000, how much can you afford to spend on housing?

**Annual rent I can afford:** \_\_\_\_\_

**Monthly rent I can afford:** \_\_\_\_\_

**Selling price of a house I can afford:** \_\_\_\_\_

Use the real estate section of the newspaper to find **one house** and **one apartment** that you would consider living in and can afford on your income. Cut out the ads and attach them to this handout.

Why did you choose the community that you did as a place where you'd like to live? Was the community your first choice?

Was it easy to find housing that you could afford in the community where you'd like to live? If not, explain the process you went through when you looked for affordable housing.