

SETTING GOALS, MAKING BUDGETS

What is a budget?

A **budget** is a way of keeping track of the money you get and the money you spend. When you know how much things cost and how you are spending your money, lots of good things happen.

For example, if you know that a candy bar costs 50 cents at the drugstore, you won't pay 75 cents to buy it at a candy machine. If you know you want to buy a \$5.00 movie ticket Friday night, you won't spend your last \$5.00 on something else before then.

Some people give budgets a bad rap. They think that budgeting is like going on a weight-loss diet where you have to give up things you like. Just the opposite is true. A budget helps you get the things you like the most!

On pages 8 and 9, we'll show you how to make your own budget. But first, let's look at what happened when a boy named Thomas made a budget.

Source: *The Totally Awesome Money Book for Kids and Their Parents*
by Adriane G. Berg and Arthur Berg 16.

Activity

When you work with a budget, it is important to shop wisely. Practice smart shopping by looking in the newspaper ads for the best deal on a color television. Write a description of the best buy on these lines.

Thomas's totally awesome budget

Thomas was always running out of money. There was a long list of stuff this 14-year-old wanted and couldn't have.

How did Thomas eventually get what he wanted? With a budget! This is his story.

To make a budget, Thomas began by writing down all the money he could count on getting every week. In Moneytalk, all this incoming money is called **income**.

Here is Thomas's income:

n \$3.00 a day school lunch money (5 days x \$3.00)	\$15.00
n \$10.00 a week allowance every Saturday	\$10.00
n \$5.00 a week for mowing Mr. Willis's lawn	\$5.00
n Total income per week	\$30.00

Thirty dollars a week! Thomas was shocked at how much income he had — how come he never had enough money?

When Thomas did the second part of his budget — keeping track of his spending — the mystery was solved. Here are Thomas's regular **expenses**:

n \$3.50 a day for school lunch (The price of the school lunch went up by 50 cents; but since Thomas paid no attention, he never told his parents he needed more lunch money.) (5 days x \$3.50)	\$17.50
n \$2.50 a day for after-school snack (Every day, Thomas bought the special at the pizza shop: two slices and a soda for \$2.50. Thomas only ate one slice and threw the other one away — what a waste of pizza, and money!) (5 days x \$2.50)	\$12.50
n Total expenses per week	\$30.00

Thomas realized he never had money because he regularly spent all the money he regularly got. And even when extra money came his way — from gifts, for example — he spent all that extra money on gum, baseball cards, plastic charms, and other cheap stuff. He didn't save the extra money because he thought that what he *really* wanted was so expensive he could never get it.

Then Thomas took the third step in making a budget. He listed the things he really wanted, his **goals**:

- n a dog
- n another Nintendo game
- n pump sneakers



With his budget to guide him, Thomas then made a plan to achieve all of his goals. It took him only 13 weeks to get everything he really wanted! Here's how he did it:

Immediately, he told his parents that the price of a school lunch had increased, so they gave him the extra 50 cents each day. And instead of buying the pizza special, he bought one slice for \$1.50 and brought an extra juice from home. Those changes gave Thomas \$7.50 a week to spend on other things!

After one week,

Thomas asked permission from his parents to get a free dog from an animal shelter. The manager said there was a \$7.50 fee for the dog's shots. Thomas's parents were surprised when he had the money to pay the fee himself.

After two more weeks, Thomas told everyone he knew about the Nintendo game he wanted, asking if they knew where to buy it at a low price. A girl named Judy offered to trade her game in return for some baseball cards plus \$15.00 in cash. It was a fair deal for both of them. Instead of spending \$50.00 on a new game, Thomas spent two weeks' income and traded some of his duplicate cards. Judy got rid of a game she was tired of and got some money and cards she really wanted.

Ten weeks after that, having saved the \$7.50 he had left over each week, Thomas had \$75.00 — enough to buy the pump sneakers.



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