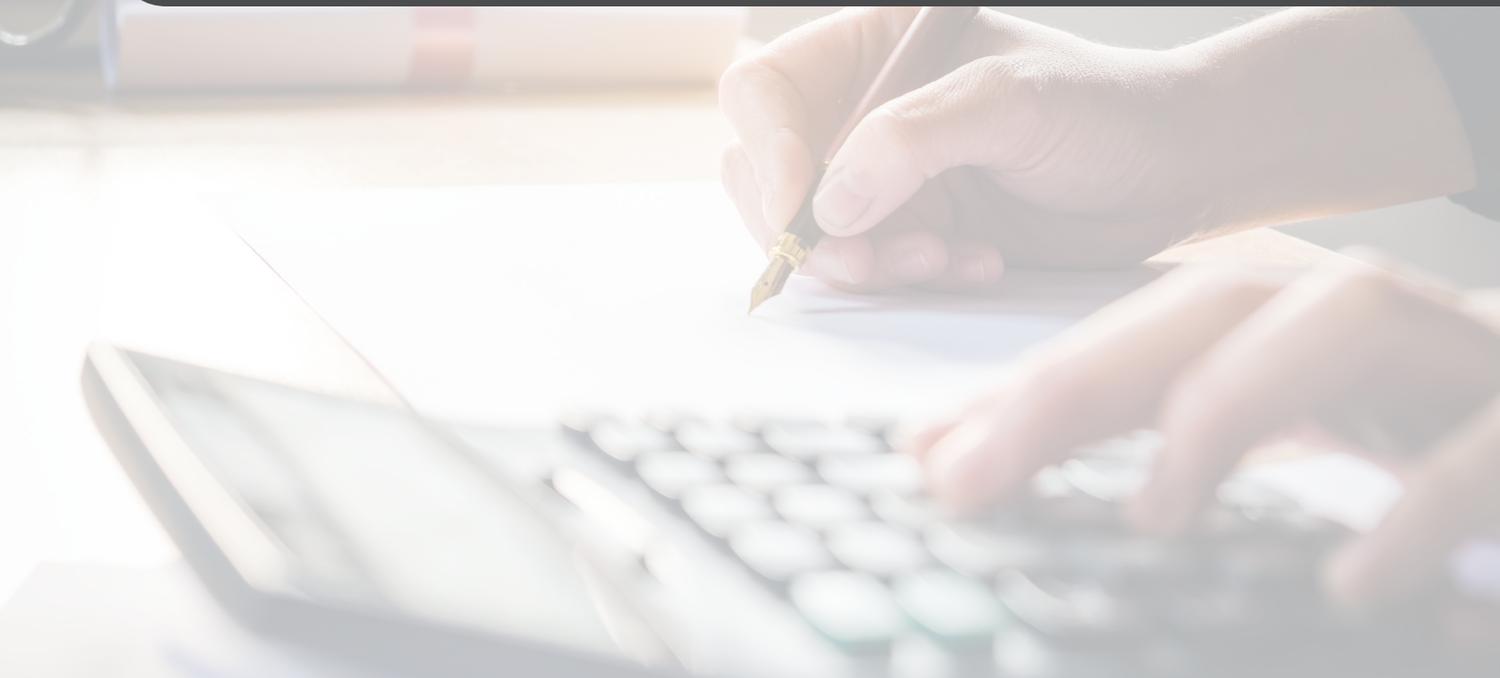


BALANCEDLIFE™

a classroom simulation

Post Lesson: Calculating Budget Categories



Notes to the Teacher:

Lesson: Calculating Budget Categories

This lesson asks the students to calculate percentages. Building a household budget that works requires benchmarks (guidelines) for each budget category. These spending benchmarks are a percentage of the overall household budget.

During the BALANCED Life Budget Simulation, your students made many decisions about how they spent their money, given their life scenario. Now, post-simulation, they can practice calculating budget category percentages for various net incomes.

When to use the lesson:

This practice will help the student think about their budget simulation a second time as they calculate percentages based on national averages.

Objectives of the Lesson:

1. Understand what the national averages are for various budget categories
2. Demonstrate the ability to calculate percentages for budget categories

Start the conversation with your students:

- What is a budget category? Name a couple categories we had to make budget decisions for in the simulation?
- What is a national average?
- Are there budget categories that you think your area has a higher or lower than average cost for?

Vocabulary:

- **Budget Category:** Could be anything the person budgeting routinely spends money on. Common categories include: Housing, Transportation, Child Care, Food, Utilities, Saving, Medical, etc....
- **National Average:** The average value (% of overall budget, for example) for something across a particular nation, in this case the United States.
- **Percentage:** A proportion of a whole, the amount in each hundred ($50/100 = 50\%$)

To calculate percentages use the formula: $P\% * X(\text{salary}) = Y(\text{Portion of Income})$

If we made \$20,000 per year and we wanted to know what 20% of our salary was so we could allocate it towards housing, we would use this equation: $20\% * \$20,000 = Y$.

$$Y = \$4,000$$

Budget Category	National Average (Percentage Range)	Net Income \$20,000
Housing & Utilities	20%-35%	\$4,000 - \$7,000

Student Handout:

Name: _____

Lesson: Calculating Budget Categories

Vocabulary:

- **Budget Category:** Could be anything the person budgeting routinely spends money on. Common categories include: Housing, Transportation, Child Care, Food, Utilities, Saving, Medical, etc.
- **National Average:** The average value (% of overall budget, for example) for something across a particular nation, in this case the United States.
- **Percentage:** A proportion of a whole, the amount in each hundred ($50/100 = 50\%$)

To calculate percentages use the formula: $P\% \times X(\text{salary}) = Y(\text{Portion of Income})$

For example, If we made \$20,000 per year and we wanted to know what 20% of our salary was so we could allocate it towards housing, we would use this equation: $20\% \times \$20,000 = Y$.

$$Y = \$4,000$$

Budget Category	National Average (Percentage Range)	Net Income \$20,000
Housing & Utilities	20%-35%	\$4,000 - \$7,000

Practice: Let's Calculate Percentages (%)

Budget Category	National Average (Percentage Range)	Net Income \$25,000	Net Income \$35,000	Net Income \$45,000	Net Income \$55,000
Housing & Utilities	20%-35%				
Transportation	10%-15%				
Food (grocery & dining out)	10%-15%				
Debt Payment or Savings	8%-10%				
Clothing	3%-5%				
Education	2%-3%				
Entertainment	4%-6%				
Charity	3%-5%				
Healthcare (Out-of-Pocket)	6%-10%				

Question: In what categories are you willing to cut back on, in order to fund other categories more heavily? What budget categories are you willing to spend more on?
