

## Theme Introduction: Budgeting

COURSE TITLE:  
**Personal Finance**

THEME TOPIC:  
**Budgeting**

GRADE LEVEL:  
**10-12**

### Missouri Competencies:

- I.3: Relate taxes, government transfer payments, and employee benefits to disposable income.
- MM.1: Explain how limited personal financial resources affect the choices people make.
- MM.2: Interpret the opportunity costs of financial decisions.
- MM.3: Evaluate the consequences of personal financial decisions.
- MM.7: Design a financial plan (budget) for earning, spending, saving, and investing.

### Theme Rationale:

When people learn budgeting vocabulary and skills early, they are likely to be successful money managers. Good financial management skills require the abilities to establish a budget and understand the trade-offs required to adhere to a budget. Students must learn to apply budgeting skills as they enter the working world if we they are to be successful in managing their income.

### Essential Questions:

1. How does budgeting help consumers balance income, spending and savings goals?

### Instructional Objectives in This Unit:

- A: Explain how scarcity affects economic decisions. (MM.1)
- B: Prioritize personal and financial goals. (MM.1)
- C: Construct a plan to achieve those goals. (MM.1)
- D: Examine current saving and spending behaviors and patterns. (MM.2, MM.3)
- E: Identify key terms such as gross pay, net pay, deductions and benefits. (I.3)
- F: Explain the types of benefits provided by employers. (I.3)
- G: Distinguish between required and optional deductions. (I.3)
- H: Identify key terms such as disposable income, variable, fixed and period expenses.
  - Complete a W-4 form. (I.3)
  - Identify the various designations on a paycheck/stub. (I-3)
  - Analyze a W-2 statement. (I.3, MM.7)
- I: Develop a budget. (MM.7)

## Instructional Components

### Summary:

1. Pretest and post test with record sheet.
2. CSI lesson 6: Family Budget Forensics.

### Sample Pretest and Post Test:

These tests are intended only as sample questions to assess student mastery, not as end-of-unit exams, nor are the questions representative of the state's end-of-course exam for Personal Finance. Some questions require higher order thinking skills. The accompanying record sheet is designed to help teachers compare student mastery throughout a course before and after instruction.

Forms for the test can be found at the following web sites:

<http://www.irs.gov/pub/irs-pdf/fw4.pdf> and

[http://www.core-ct.state.ct.us/employee/stuffer/new\\_paycheck.pdf](http://www.core-ct.state.ct.us/employee/stuffer/new_paycheck.pdf).

### Technology Integration:

*Keep in mind that as you locate and use websites, updates can change links and availability of information. Check any website you plan to use BEFORE sending students to it.*

- Use search words for articles and calculators: budgeting, budget calculators, net worth statement, income tax.
- Possible web sites:
  - [www.money.com](http://www.money.com)
  - [www.usaweekend.com](http://www.usaweekend.com)
  - [www.irs.gov](http://www.irs.gov) (forms and publications link)
  - [www.taxfoundation.org](http://www.taxfoundation.org)
  - [www.hrblock.com/tax-center/index.html](http://www.hrblock.com/tax-center/index.html)
  - [www.taxcut.com](http://www.taxcut.com) (tax tips and withholding calculator)
  - [www.smartmoney.com/tax](http://www.smartmoney.com/tax)
  - [www.yahoo](http://www.yahoo)

*Note: Many search engines have links to tax tips, especially in the spring.*

| SCHEDULE:      | NUMBER OF CLASSES: |
|----------------|--------------------|
| 50-min Period  | 10 Class Periods   |
| 90-min Period  | 6 Class Periods    |
| 120-min Period | 5 Class Period     |

Also consider the enclosed lesson activity recommendations. Instructional objective references are included for each lesson.

### Reading and Writing Resources:

- Track spending, income and saving patterns by completing a tracking sheet for a month.
- Develop budgets and use decision-making skills to determine how to adapt and change budgets.
- Prepare personal income statements.
- Complete a property inventory (to use with net worth statement and later with insurance projects). Have students inventory their living spaces for current list.
- Complete employment related forms.
- Do federal and state income tax forms using given scenarios or student's own information.

### Higher Order/Critical Thinking Instructional Strategies:

CSI 6 Assignment – (planning and evaluating plan)

### Key Vocabulary:

- Asset
- Balanced budget
- Budget
- Budget deficit
- Budget surplus
- Financial plan
- Fixed expense
- Liabilities
- Net worth statement
- Purchasing power
- Save
- Saving
- Savings accounts
- Scarcity
- Variable expense

# Recommended Lesson Activities

## Budgeting

with Instructional Objective Alignments

### Instructional Objectives in This Theme:

- A: Explain how scarcity affects economic decisions. (MM.1)
- B: Prioritize personal and financial goals. (MM.1)
- C: Construct a plan to achieve those goals. (MM.1)
- D: Examine current saving and spending behaviors and patterns. (MM.2, MM.3)
- E: Identify key terms such as gross pay, net pay, deductions and benefits. (I.3)
- F: Explain the types of benefits provided by employers. (I.3)
- G: Distinguish between required and optional deductions. (I.3)
- H: Identify key terms such as disposable income, variable, fixed and period expenses.
  - Complete a W-4 form (I.3)
  - Identify the various designations on a paycheck/stub (I-3)
  - Analyze a W-2 statement (I.3, MM.7)
- I: Develop a budget. (MM.7)

### Using the Activities Chart:

MATCH ACTIVITIES TO THE MISSOURI PERSONAL FINANCE INSTRUCTIONAL OBJECTIVES.

1. Lesson activity recommendations are listed alphabetically by source and activity name.
2. Web addresses (URLs) are provided for all activities found online.
3. Activities are aligned to the objectives at right, indicated by the letter designation.
4. Additional space is provided for teachers to add their own lesson activity ideas to the listing.

### Relevant Competencies:

- I.3 Relate taxes, government transfer payments, and employee benefits to disposable income.
- MM.1 Explain how limited personal financial resources affect the choices people make.
- MM.2 Identify the opportunity costs of financial decisions.
- MM.3 Evaluate the consequences of personal financial decisions.
- MM.7 Design a financial plan (budget) for earning, spending, saving, and investing.

## Recommended Lesson Activities

### Budgeting

with Instructional Objective Alignments

| <i>Budgeting</i> |                                                                                                                                                                                                                                                   | A. | B. | C. | D. | E. | F. | G. | H. | I. |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----|----|----|----|----|----|----|----|
| 1.               | Federal Reserve Bank of Dallas, <i>Building Your Wealth: A Beginner's Guide to Securing Your Financial Future</i><br><a href="http://www.dallasfed.org/ca/wealth/">http://www.dallasfed.org/ca/wealth/</a>                                        |    | ✓  |    | ✓  | ✓  |    |    | ✓  | ✓  |
| 2.               | Internal Revenue Service,<br><i>Module 1: Payroll Taxes and Federal Income Tax Withholding</i><br><a href="http://www.irs.gov/app/understandingTaxes/jsp/hows/lp/IM01lp.jsp">http://www.irs.gov/app/understandingTaxes/jsp/hows/lp/IM01lp.jsp</a> |    |    |    |    | ✓  |    | ✓  | ✓  |    |
| 3.               | Internal Revenue Service,<br><i>Module 2: Wages and Tip Income</i><br><a href="http://www.irs.gov/app/understandingTaxes/jsp/hows/lp/IM02lp.jsp">http://www.irs.gov/app/understandingTaxes/jsp/hows/lp/IM02lp.jsp</a>                             |    |    |    |    | ✓  |    | ✓  | ✓  |    |
| 4.               | Internal Revenue Service,<br><i>Theme 4, Lesson 1: What is Taxed and Why?</i><br><a href="http://www.irs.gov/app/understandingTaxes/jsp/whys/lp/IWT4L1lp.jsp">http://www.irs.gov/app/understandingTaxes/jsp/whys/lp/IWT4L1lp.jsp</a>              |    |    |    |    | ✓  |    | ✓  | ✓  |    |
| 5.               | NCEE, DVED Series, <i>Financing Your Future, Program 3, Lessons 1, 2 and 3</i><br>Pricing and ordering information:<br><a href="http://store.ncee.net/">http://store.ncee.net/</a>                                                                |    |    |    |    |    |    |    |    |    |
| 6.               | NCEE, CD-ROM Curriculum,<br><i>Financial Fitness for Life, Lesson 7: Uncle Sam Takes a Bite</i><br>Pricing and ordering information:<br><a href="http://store.ncee.net/finfitperfin2.html">http://store.ncee.net/finfitperfin2.html</a>           |    |    |    |    | ✓  | ✓  | ✓  | ✓  |    |
| 7.               | NCEE, CD-ROM Curriculum, <i>Financial Fitness for Life, Lesson 20: Managing Your Money Insurance</i><br>Pricing and ordering information:<br><a href="http://store.ncee.net/finfitperfin2.html">http://store.ncee.net/finfitperfin2.html</a>      |    | ✓  | ✓  |    | ✓  | ✓  | ✓  | ✓  | ✓  |





# Personal Finance Pretest

## Budgeting

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

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

Class Period: \_\_\_\_\_

Grade: \_\_\_\_\_

### Objectives:

- A: Explain how scarcity affects economic decisions. (MM.1)
- B: Prioritize personal and financial goals. (MM.1)
- C: Construct a plan to achieve those goals. (MM.1)
- D: Examine current saving and spending behaviors and patterns. (MM.2, MM.3)
- E: Identify key terms such as gross pay, net pay, deductions and benefits. (I.3)
- F: Explain the types of benefits provided by employers. (I.3)
- G: Distinguish between required and optional deductions. (I.3)
- H: Identify key terms such as disposable income, variable, fixed and period expenses.
  - Complete a W-4 form (I.3)
  - Identify the various designations on a paycheck/stub (I-3)
  - Analyze a W-2 statement (I.3, MM.7)
- I: Develop a budget. (MM.7)

1. Define scarcity and explain its effects on economy.

2. Define “goal” and list 2 short-term and 2 long-term personal goals. List 2 short-term and 2 long-term financial goals.

3. Create a plan to achieve one of the goals listed in your answer to the previous question.

4. Define the following terms:

Gross Pay –

Net Pay –

Deductions –

Benefits –

Disposable Income –

Variable Expenses –

Fixed Expenses –

Period Expenses –

5. Read the following scenario and answer the questions that relate to John's experiences.

John Rice is at a call-back interview for an up-and-coming business in his town. He has an opportunity to ask the boss of the company questions about salary and benefits. He would like to know more about the benefits that he may be eligible for. What are 3 questions John could ask to tactfully and effectively give him some answers about benefits?

John was hired by the company with which he was interviewing. Now, he must fill out a W-4 form. Use the attached form and fill it in using John's name and ID # 123-45-6789, fill out the rest of the form using your personal information (address, phone, etc.).

# Form W-4 (2006)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

**Exemption from withholding.** If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2006 expires February 16, 2007. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** You cannot claim exemption from withholding if (a) your income exceeds \$850 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

**Basic instructions.** If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-

earner/two-job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

**Head of household.** Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax.

**Two earners/two jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

**Nonresident alien.** If you are a nonresident alien, see the Instructions for Form 5233 before completing this Form W-4.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2006. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$160,000 (Married).

**Recent name change?** If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 to initiate a name change and obtain a social security card showing your correct name.

## Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for yourself if no one else can claim you as a dependent. A \_\_\_\_\_

B Enter "1" if: B \_\_\_\_\_

- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.

C Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) C \_\_\_\_\_

D Enter number of dependents (other than your spouse or yourself) you will claim on your tax return. D \_\_\_\_\_

E Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above). E \_\_\_\_\_

F Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit. F \_\_\_\_\_

(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G Child Tax Credit (including additional child tax credit): G \_\_\_\_\_

- If your total income will be less than \$55,000 (\$82,000 if married), enter "2" for each eligible child.
- If your total income will be between \$55,000 and \$84,000 (\$82,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have four or more eligible children.

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) H \_\_\_\_\_

For accuracy, complete all worksheets that apply.

- If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$35,000 (\$25,000 if married) see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Form <b>W-4</b><br>Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>Employee's Withholding Allowance Certificate</b><br>▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS. | OMB No. 1545-0074<br><b>2006</b>                                                                                                                                                                                                               |
| 1 Type or print your first name and middle initial. Last name                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                | 2 Your social security number                                                                                                                                                                                                                  |
| Home address (number and street or rural route)                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                | 3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate.<br>Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box. |
| City or town, state, and ZIP code                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                | 4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a new card. <input type="checkbox"/>                                                                                    |
| 5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                | 5 _____                                                                                                                                                                                                                                        |
| 6 Additional amount, if any, you want withheld from each paycheck                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                | 6 \$ _____                                                                                                                                                                                                                                     |
| 7 I claim exemption from withholding for 2006, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> <li>• Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and</li> <li>• This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.</li> </ul> If you meet both conditions, write "Exempt" here. <span style="float:right">▶ 7 _____</span> |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                |
| Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                |
| Employee's signature<br>(Form is not valid unless you sign it.)                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                | Date                                                                                                                                                                                                                                           |
| 8 Employer's name and address (Employer. Complete lines 8 and 10 only if sending to the IRS.)                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                | 9 Office code (optional)                                                                                                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                | 10 Employer identification number (EIN)                                                                                                                                                                                                        |

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2006)

Also attached is a copy of John’s first pay check. Explain each item in the following list. If an item is a deduction, list how much was deducted.

Gross Pay –

Net Pay –

Health Net Charter HMO –

Fed Withholding –

Fed OASDI/EE –

John’s check is in the amount of \$1,436.75. He will receive 2 checks each month for this amount. Construct a typical budget for John using his salary information, the chart and standard budgeting categories. You may use a calculator.

| Budget Category: | Percent of Salary: | Amount John Can Spend: |
|------------------|--------------------|------------------------|
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |

# SAMPLE PAY CHECK

State of Connecticut  
Office of the State Comptroller, 55 Elm Street  
Hartford, CT 06106-1775

|                                      |          |                        |
|--------------------------------------|----------|------------------------|
| Pay Group: B41-All Biweekly 14-Day 1 | <b>1</b> | Business Unit: AGENCY  |
| Pay Begin Date: 11/14/2003           |          | Check #: 00001590      |
| Pay End Date: 11/27/2003             |          | Check Date: 12/12/2003 |

|                                                                                       |                 |                          |                 |                              |                 |                         |                       |                |               |
|---------------------------------------------------------------------------------------|-----------------|--------------------------|-----------------|------------------------------|-----------------|-------------------------|-----------------------|----------------|---------------|
| Employee ID: 00000                                                                    | TAX DATA:       | Federal                  | CT State        | <b>TAXES</b>                 |                 |                         |                       |                |               |
| Department: CGC15000 - Off of State Comptroller                                       | Marital Status: | Single                   | Single (F)      | Description                  | Current         | YTD                     |                       |                |               |
| Location: Accounts Payable                                                            | Allowances:     | 0                        | 0               | Fed Withholding              | 1,113.61        | 2,227.22                |                       |                |               |
| Job Title: Manager                                                                    | Addl Pct:       |                          |                 | Fed MED/EE                   | 50.75           | 101.50                  |                       |                |               |
| Pay Rate: \$3,375.00 Biweekly                                                         | Addl Amt:       |                          |                 | Fed OASDI/EE                 | 217.00          | 434.00                  |                       |                |               |
|                                                                                       |                 |                          |                 | CT Withholding               | 180.85          | 361.70                  |                       |                |               |
| OSC 15000 OSC064004<br><b>Employee Name</b><br>Street Address<br>Town, State Zip Code |                 |                          |                 | <b>Total</b>                 | <b>1,562.21</b> | <b>3,124.42</b>         |                       |                |               |
|                                                                                       |                 |                          |                 | <b>BEFORE-TAX DEDUCTIONS</b> |                 |                         |                       |                |               |
|                                                                                       |                 |                          |                 | Description                  | Current         | YTD                     | HealthNet Cluster HMO | 2.56           | 5.12          |
|                                                                                       |                 |                          |                 | DefCompHTF                   | 100.00          | 200.00                  | <b>Total</b>          | <b>102.56</b>  | <b>205.12</b> |
|                                                                                       |                 |                          |                 | <b>AFTER-TAX DEDUCTIONS</b>  |                 |                         |                       |                |               |
|                                                                                       |                 |                          |                 | Description                  | Current         | YTD                     | Life Ins. - Basic     | 17.00          | 34.00         |
|                                                                                       |                 |                          |                 | Life Ins - Sup               | 6.74            | 13.48                   | Sh/Tm Disab           | 43.98          | 87.96         |
|                                                                                       |                 |                          |                 | Cr/UncSE                     | 100.00          | 200.00                  | Life Ins/DNG          | 57.48          | 114.96        |
|                                                                                       |                 |                          |                 | Life Ins/DNG                 | 57.48           | 114.96                  | LtCare Aul            | 48.48          | 96.96         |
|                                                                                       |                 |                          |                 | LtCare Aul                   | 48.48           | 96.96                   | <b>Total</b>          | <b>273.68</b>  | <b>547.36</b> |
| <b>LEAVE BALANCES AS OF: 11/27/2003</b>                                               |                 |                          |                 |                              |                 |                         |                       |                |               |
| Description                                                                           | Current         | YTD                      | Sick            |                              | 26.20           |                         |                       |                |               |
| Vacation                                                                              |                 | 30.70                    | Personal        |                              | 24.00           |                         |                       |                |               |
| Personal                                                                              |                 | 24.00                    | Holiday         |                              | 11.40           |                         |                       |                |               |
| Holiday                                                                               |                 | 11.40                    | Comp Time       |                              | 9.60            |                         |                       |                |               |
| Comp Time                                                                             |                 | 9.60                     | <b>Total</b>    |                              | <b>96.96</b>    |                         |                       |                |               |
| <b>HOURS AND EARNINGS</b>                                                             |                 |                          |                 |                              |                 |                         |                       |                |               |
| Description                                                                           | Rate            | Hours                    | Earnings        | Hours                        | Earnings        |                         |                       |                |               |
| Regular Pay                                                                           | 42.190000       | 52.00                    | 2,193.88        | 104.00                       | 4,387.76        |                         |                       |                |               |
| Holiday                                                                               | 42.190000       | 8.00                     | 337.52          | 16.00                        | 675.04          |                         |                       |                |               |
| Sick Pay                                                                              | 42.190000       | 20.00                    | 843.80          | 40.00                        | 1,687.60        |                         |                       |                |               |
| Longevity                                                                             |                 |                          | 0.00            |                              | 142.00          |                         |                       |                |               |
| <b>Total</b>                                                                          |                 | <b>80.00</b>             | <b>3,375.20</b> | <b>160.00</b>                | <b>6,892.40</b> |                         |                       |                |               |
| <b>TOTAL GROSS</b>                                                                    |                 | <b>FED TAXABLE GROSS</b> |                 | <b>TOTAL TAXES</b>           |                 | <b>TOTAL DEDUCTIONS</b> |                       | <b>NET PAY</b> |               |
| Current:                                                                              | 3,375.20        | 3,272.64                 | 1,562.21        | 376.24                       | 1,436.75        |                         |                       |                |               |
| YTD:                                                                                  | 6,892.40        | 6,687.28                 | 3,124.42        | 752.48                       | 3,015.20        |                         |                       |                |               |

|                             |                 |
|-----------------------------|-----------------|
| <b>NET PAY DISTRIBUTION</b> |                 |
| Check #000001590            | 1,436.75        |
| <b>Total:</b>               | <b>1,436.75</b> |

MESSAGE: This is a sample pay check.

THIS CHECK IS BLUE. THE BACK CONTAINS A STATE SEAL WATERMARK. HOLD AT ANGLE TO VERIFY.

|                                                                             |                                                                                        |                                                                                 |                                                                                       |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| State of Connecticut<br>Off of State Comptroller OSC15000                   | <b>6</b>                                                                               | 51-00440119 FLEET BANK<br>Hartford CT 06115                                     | Check No. 00001590                                                                    |
| ISSUED IN PAYMENT OF STATE PAYROLL OR RETIREMENT                            |                                                                                        | OFFICE OF THE STATE COMPTROLLER TO THE TREASURER<br>OF THE STATE OF CONNECTICUT |                                                                                       |
|                                                                             |                                                                                        | Date: 12/12/2003                                                                | Pay Amount: \$1,436.75 *****                                                          |
| PAY to the order of                                                         | EMPLOYEE NAME<br><br>**** ONE THOUSAND FOUR HUNDRED THIRTY SIX AND 75/100 DOLLARS **** |                                                                                 |                                                                                       |
| CHECK NOT VALID UNLESS SIGNED BY BOTH STATE TREASURER AND STATE COMPTROLLER |                                                                                        |                                                                                 |                                                                                       |
| Employee Name                                                               |     |                                                                                 |  |
| Street Address                                                              | Nancy Olympe<br>Comptroller of the State of Connecticut                                |                                                                                 | Denise L. Nappier<br>Treasurer of the State of Connecticut                            |
| Town, State Zip Code                                                        |                                                                                        |                                                                                 |                                                                                       |

M 00001590 M I: 011900445I: 00574 03966M

# Personal Finance Post Test

## Budgeting

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

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

Class Period: \_\_\_\_\_

Grade: \_\_\_\_\_/66

### Objectives:

- A: Explain how scarcity affects economic decisions. (MM.1)
- B: Prioritize personal and financial goals. (MM.1)
- C: Construct a plan to achieve those goals. (MM.1)
- D: Examine current saving and spending behaviors and patterns. (MM.2, MM.3)
- E: Identify key terms such as gross pay, net pay, deductions and benefits. (I.3)
- F: Explain the types of benefits provided by employers. (I.3)
- G: Distinguish between required and optional deductions. (I.3)
- H: Identify key terms such as disposable income, variable, fixed and period expenses.
  - Complete a W-4 form (I.3)
  - Identify the various designations on a paycheck/stub (I-3)
  - Analyze a W-2 statement (I.3, MM.7)
- I: Develop a budget. (MM.7)

(1 pt for definition, 2 pts for explanation. Total 3 pts.)

1. Define scarcity and explain its effects on economy.

(1 pt for definition, 1 pt for each goal. Total 5 pts.)

2. Define “goal” and list 2 short-term and 2 long-term personal goals. List 2 short-term and 2 long-term financial goals.

(1 pt for each step in planning process. Total 5 pts.)

3. Create a plan to achieve one of the goals listed in your answer to the previous question.

(1pt. for each term. Total 8 pts.)

4. Define the following terms:

Gross Pay –

Net Pay –

Deductions –

Benefits –

Disposable Income –

Variable Expenses –

Fixed Expenses –

Period Expenses –

5. Read the following scenario and answer the questions that relate to John's experiences.

(1 pt for each question. Total 3 pts.)

John Rice is at a call-back interview for an up-and-coming business in his town. He has an opportunity to ask the boss of the company questions about salary and benefits. He would like to know more about the benefits that he may be eligible for. What are 3 questions John could ask to tactfully and effectively give him some answers about benefits?

(1 pt for each section. Total 10 pts.)

John was hired by the company with which he was interviewing. Now, he must fill out a W-4 form. Use the attached form and fill it in using John's name and ID # 123-45-6789, fill out the rest of the form using your personal information (address, phone, etc.).

(1 pt for each. Total 5 pts.)

Also attached is a copy of John's first pay check. Explain each item in the following list. If an item is a deduction, list how much was deducted.

Gross Pay –

Net Pay –

Health Net Charter HMO –

Fed Withholding –

Fed OASDI/EE –

(1 pt for each box completed correctly. Total 27 pts.)

John's check is in the amount of \$1,436.75. He will receive 2 checks each month for this amount. Construct a typical budget for John using his salary information, the chart and standard budgeting categories. You may use a calculator.

| Budget Category: | Percent of Salary: | Amount John Can Spend: |
|------------------|--------------------|------------------------|
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |
|                  |                    |                        |



## Family Budget Forensics

### The Set Up:

The Pence family currently does not have a budget for family expenses. They are a young couple who would like to starting saving for a house. Their monthly disposable income totals \$2,500.00, and their monthly expenditures are shown in the table on the left. They currently have \$500 in a savings account.

| Current Expenditures                    | Dollar Amount | Recommended Expenditures                | Percent of Income |
|-----------------------------------------|---------------|-----------------------------------------|-------------------|
| Short-term Saving                       | 0             | Short-term Saving                       | 3%                |
| Long-term Saving                        | 0             | Long-term Saving                        | 7%                |
| Housing/Insurance                       | \$700         | Housing/Insurance                       | 31%               |
| Food                                    | \$400         | Food                                    | 15%               |
| Car payment                             | \$350         | Car payment                             | 12%               |
| Car Expenses/Gasoline                   | \$100         | Car Expenses/Gasoline                   | 4%                |
| Utilities                               | \$150         | Utilities                               | 8%                |
| TV/Cable/Dish                           | \$100         | TV/Cable/Dish                           | 2%                |
| Phones (2 cells)                        | \$100         | Phones (2 cells)                        | 2%                |
| Clothing                                | \$175         | Clothing                                | 4%                |
| Entertainment/<br>Recreation/Eating Out | \$250         | Entertainment/<br>Recreation/Eating Out | 4%                |
| Credit Card (\$1200 balance)            | \$50          | Credit Card (\$1200 balance)            | 5%                |
| Miscellaneous Expenses                  | \$100         | Miscellaneous Expenses                  | 3%                |

### The Investigation:

Unfortunately, the Pence family is not saving for any future wants. Based on the recommended expenditures in the table above right, evaluate the current expenditures of the Pence family.

Based on the recommendations, determine in which categories the family is overspending.



# Family Budget Forensics

How could this family adjust current expenditures so that they can have money to put into both the short- and long-term saving categories?

Use the following table to solve their saving problem.

| Adjusted Expenditures for the Pence Family | Dollar Amount |
|--------------------------------------------|---------------|
|                                            |               |
| Short-term Saving                          |               |
| Long-term Saving                           |               |
| Housing/Insurance                          |               |
| Food                                       |               |
| Car payment                                |               |
| Car Expenses/Gasoline                      |               |
| Utilities                                  |               |
| TV/Cable/Dish                              |               |
| Phones (2 cells)                           |               |
| Clothing                                   |               |
| Entertainment/Recreation/Eating Out        |               |
| Credit Card (\$1200 balance)               |               |
| Miscellaneous Expenses                     |               |

Write an explanation for each of your changes.

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## Family Budget Forensics

1. Given the information about the Pence family in the above table, the category in which spending is equal to the recommended amount is:
  - A. clothing.
  - B. housing.
  - C. utilities.car expenses/gasoline.
  - D. car expenses/gasoline.utilities.
  
2. According to their current expenditures, the Pence family is overspending by the greatest dollar amount on:
  - A. food.
  - B. clothing.
  - C. car payment.
  - D. entertainment.
  
3. Two of the categories that the Pence family are currently under spending on include:
  - A. housing and utilities.
  - B. credit card payment and clothing
  - C. utilities and food.
  - D. phone and housing.





Consumer Scene Investigation Grade Sheet  
CSI 6 - Family Budget Forensics

**Competencies:** MM.1: Explain how limited personal financial decisions affect the choices that people make.  
MM.3: Evaluate the consequences of personal financial decisions.  
MM.7: Design a financial plan (budget) for earning, spending, saving and investing.

**Objectives:** A: Explain how scarcity affects economic decisions. (MM.1)  
B: Prioritize personal and financial goals. (MM.1)  
C: Construct a plan to achieve those goals. (MM.1)  
D: Examine current saving and spending behaviors and patterns. (MM.2, MM.3)  
I: Develop a budget. (MM.7)

Answers:

1. D
2. D
3. A

| Adjusted Expenditures for the Pence Family | Dollar Amount | Possible Answers |
|--------------------------------------------|---------------|------------------|
| Short-term Saving                          |               | \$75             |
| Long-term Saving                           |               | \$175            |
| Housing/Insurance                          |               | \$775            |
| Food                                       |               | \$375            |
| Car payment                                |               | \$300            |
| Car Expenses/Gasoline                      |               | \$100            |
| Utilities                                  |               | \$200            |
| TV/Cable/Dish                              |               | \$50             |
| Phones (2 cells)                           |               | \$50             |
| Clothing                                   |               | \$100            |
| Entertainment/Recreation/Eating Out        |               | \$100            |
| Credit Card (\$1200 balance)               |               | \$125            |
| Miscellaneous Expenses                     |               | \$75             |



Family Budget Forensics

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

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

| Criteria:                     | 4                                                                                                             | 3                                                                                                 | 2                                                                                                          | 1                                                                                          | Total: |
|-------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------|
| Budget Figures                | Expenditure adjustments were correct.                                                                         | There was 1 mistake in the calculations.                                                          | There were 2 mistakes in the calculations.                                                                 | There were 3 or more mistakes in the calculations.                                         |        |
| Overspending Determinants     | Student looked at overspending and proposed changes that were effective and realistic.                        | Student looked at spending and proposed changes that could be effective.                          | Changes proposed were not effective or realistic.                                                          | Changes were attempted.                                                                    |        |
| Budget Problem Solving        | The budget problem was solved and figures are correct, effective and realistic.                               | The budget was solved with 1 incorrect figure; realistic but not completely effective.            | The budget was solved with 2 incorrect figures; not truly effective or realistic.                          | The budget was attempted but had 3 or more incorrect figures causing in to be ineffective. |        |
| Reflection of Budget Changes  | Student reflected on the situation and used knowledge of goal setting and budgeting in writing the rationale. | Student reflected on the situation but didn't cover knowledge of both goal setting and budgeting. | Student reflected but the reader is unclear as to what the student knows about goal setting and budgeting. | Student made an attempt but has not learned the concepts.                                  |        |
| Personal Budget Effectiveness | Personal budget is effective and realistic.                                                                   | Personal budget has a minor flaw but could still be effective.                                    | Personal budget is missing a major point and would not be effective.                                       | Personal budget was attempted but could not be used.                                       |        |
| Spending Diary                | Spending diary was complete and effective for budget making.                                                  | Spending diary was missing minor pieces that would cause the budget to need editing.              | Spending diary didn't account for all of the spending. It was ineffective.                                 | Spending diary was attempted.                                                              |        |
| Personal Budget               | Calculations were correct.                                                                                    | One calculation was incorrect.                                                                    | Two calculations were incorrect.                                                                           | Three calculations were incorrect.                                                         |        |
|                               |                                                                                                               |                                                                                                   |                                                                                                            | <b>Total:</b>                                                                              |        |