

## LESSON PLAN

### Allowances and Spending Plans

Provide practice developing effective spending plans and following where money goes.

#### Learning Objectives:

- Recognize how to divide an allowance into a spending plan.
- Learn how to balance income and expenses.
- Gain confidence in preparing spending plans.

#### Target Group:

- **Grade 3 – Grade 6**

#### Lesson Excerpt:

Children in grades three through six are capable of managing small amounts of money. They can divide their money into several categories, including "spend," "save," and "give." At the same time, they can spend their money and keep a record of what was spent.

This lesson provides an introduction to allowances for third through sixth graders. Allowances are the first step to understanding written spending plans or budgets. With guidance managing allowances in childhood, children can become financially responsible adults. Adults with effective budget skills create healthier family relationships and contribute to building a stronger economy.

Teachers and parents can encourage children to keep track of the money that they spend for their needs and wants.

#### Students' Activities:

##### 1-1 Allowance Allocation Game

Related Worksheet: allowance allocation

- Play a simulation game to help students practice making choices about where to place allowance money.

##### 1-2 Spending Diary

Related Worksheet: spending diary

- Use a diary technique to help students track how they spend their money.

##### 1-3 Make A Spending Plan

Related Worksheet: spending plans

- Assist students in making a sample spending plan during math time.

##### 1-4 Lesson Quiz

---

## 1-1 Allowance Allocation

This activity helps students learn that money is a limited resource.

- Give each student a set of expenditure cards and 15 beans (or similar small objects).
- Explain that the beans represent their allowance (income).
- Ask the students to allocate their allowance to the expenditure categories on the cards by placing beans on squares.
- There are more squares than beans, so students must make choices of where to spend their allowance.
- Each card offers different amounts of spending choices. This helps students consider alternatives within each spending category.
- Discuss the choices they made.
- Optional: After students have allocated their allowance, take away four beans.
- This represents loss of income.
- It forces students to further refine their spending choices.

## 1-2 Spending Diary

This activity helps students track how they spend their money.

- Ask students to keep a spending diary for one week.
- Give each student a diary form.
- After one week, use class time to look at expenses.
- Group similar expenses together.
- Decide on names for expense categories (for example: food, transportation, clothes, entertainment).

## 1-2 Spending Plans

Students focus on their own spending patterns and integrate them into a written plan.

- Use the information from the spending diary in Activity 1-2.
- Have each student total the amount spent in each category.
- Ask students to compare their income (allowance) to outgo (expenses).
- Subtract outgo from income.
- Is the answer positive or negative?
- What adjustments need to be made to keep the net balance positive?
- Discuss decreasing expenses or increasing income.
- Now ask students to put 10 percent of their income into a savings category and 10 percent into donations.
- Students will need to reallocate their expense plans.
- Discuss making changes in allowances as needs change.
- Give each student a spending plan form to put a personal spending plan in writing.
- Ask students to keep track of their spending for a month.

- Encourage them to continue working with a spending plan.
- Remind students that no two spending plans are exactly the same.

#### **1-4 Lesson Quiz**

This activity tests each child's ability to manage allowances and generate spending plans.

- Generate a simple multiple choice quiz
- Craft – make spending diaries.

## LESSON MATERIALS

### Multiple Choice Quiz

Circle the correct answer for each question.

1. Spending plans are decisions about how you spend your allowance.

True \*

False

2. A written spending plan is the best way to manage an allowance.

True \*

False

3. Spending plans should be discussed with parents.

True \*

False

4. Everyone has the same spending plan.

True

False \*

5. My spending plan must remain the same for an entire year.

True

False \*

6. Giving to a church or charity can be part of my spending plan.

True

False \*

7. Changes can be made in my written spending plan:

- a. Only once a week
- b. Only once a month
- c. Only every six months
- d. As my needs change \*

8. Saving provides money for:

- a. Emergency expenses
- b. Unplanned expenses next year
- c. Expenses in five years
- d. All of the above \*

9. A spending plan can be made by:

- a. Keeping a diary of expenses \*
- b. Asking a friend to make it for you
- c. Deciding what to purchase when you go to the store
- d. Checking how much money is in your pocket

10. Which of the following is NOT a spending plan category:

- a. Transportation
- b. Entertainment
- c. Candy bars \*
- d. Clothing

### Allowance Allocation

Your teacher will tell you how much "money" you have to spend. You may be using beans or other objects to represent money. Now, you need to make spending decisions in all of these categories. Place one bean in each square next to the option you choose in each category. Your goal is to spend something in each category, making sure you have enough money to cover all categories.

#### **school lunches**

take packed lunch from home

buy lunch at school

buy lunch at nearby fast-food restaurant

#### **video games**

play with games you already have

purchase used video games

play video games at an arcade

buy new video games

**sports equipment**

use equipment that you already have

buy used sports equipment

buy new sports equipment

buy brand-name sports equipment

**clothes**

wear what you already have

buy at a thrift store

buy at a discount store

buy at a department store

**donations to church or other charity**

less than five percent

five percent

ten percent

## Spending Diary

For one week, keep track of how you spend your money. At the end of the week you may be surprised to see where your money goes. After you fill out this chart, answer the questions below.

day	Item	amount spent

### setting up a spending plan

What are the common categories for the expenses in you spending diary?

- 1.
- 2.
- 3.
- 4.
- 5.

**how much did you spend in each category?**

category	total amount spent

