

Raising financially savvy kids

Building blocks: Learning the basics of budgeting



Budgeting to prepare for milestones in your child’s life is an important part of parenthood. But as kids grow up and begin to gain independence, it’s important that they learn to budget for themselves, too. This worksheet is designed to help kids understand the real cost of things so they can start applying budgeting skills in their own lives.

Before you work through these fun exercises together, let’s establish a basic definition of the term “budget.”



What is a budget?

A budget is a financial tool that people use to help manage their day-to-day priorities, balance spending and saving, and save money toward their goals.

Exercise 1: How much do things really cost?

Instructions: Understanding the real cost of everyday items is an essential part of budgeting. First, kids should read through the list of monthly expenses in this exercise and give their best estimate of how much these items cost. Try not to provide any input until kids have finished with their part. Once kids have filled in their responses for the first column, you can go through and provide the actual cost of each item. Take some time to discuss your responses afterwards. Are kids surprised by how much some of these things cost?

| Bill (monthly) | Kid's estimate | Real cost |
|------------------------------------|----------------|-----------|
| Electric | \$ | \$ |
| Heating for your family's home | \$ | \$ |
| Cell phone (each plan) | \$ | \$ |
| Internet and streaming services | \$ | \$ |
| Car payments | \$ | \$ |
| Car insurance (each family member) | \$ | \$ |
| Groceries | \$ | \$ |

Exercise 2: My first budget

Instructions: Teaching kids how to build a basic budget can be a great way to review many key financial wellness concepts. This exercise challenges kids to combine their knowledge of real costs with some basic goal-setting principles. As kids work through the four steps below, they'll likely need some guidance. Here are some tips to help kids navigate building their first budget:

STEP 1: IDENTIFY GOALS. WHAT ARE YOU SAVING TO BUY?

Ask kids to list the total cost of the item – you can research this online together to confirm the amount. Then, have them select a target monthly contribution amount to save toward this goal. You can remind kids that the more they save, the sooner they'll reach their goal.

| Savings goal | Total cost | Monthly contribution |
|------------------|------------|----------------------|
| Savings goal #1: | \$ | \$ |
| Savings goal #2: | \$ | \$ |
| Savings goal #3: | \$ | \$ |

Total monthly savings goal: _____

STEP 2: ADD UP MONTHLY INCOME, OR MONEY IN

Kids should list their total “money in” each month. In a traditional budget, the first step after setting goals is to add up income – but for kids, total money in may include allowance, money earned from odd jobs, or monetary gifts.

| Type of money in | Amount |
|----------------------|-----------|
| Allowance | \$ |
| Odd jobs; extra work | \$ |
| Gifts | \$ |
| TOTAL | \$ |

STEP 3: ADD UP MONTHLY EXPENSES, OR MONEY OUT

Ask kids to add up the total value of their “money out” – or monthly expenses. Kids should list anything they routinely purchase for themselves, including clothes, entertainment, and snacks. If they're having trouble coming up with monthly expenses, encourage them to use purchases made during the past month as an example.

| Type of money out | Amount |
|--------------------|-----------|
| Clothes | \$ |
| Entertainment | \$ |
| Lunch money/snacks | \$ |
| TOTAL | \$ |

STEP 4: MONEY IN – MONEY OUT. DO YOU HAVE ENOUGH LEFT FOR SAVINGS GOALS?

Ask kids to subtract their total money out from total money in to determine how much they have left over for savings goals. Once kids complete the equation, encourage them to reflect on the amount left. How does it compare to their target monthly contribution? Remind kids that they can always make changes to their budget to meet their goals.

Complete the following equation:

$$\text{Total money in } \underline{\hspace{2cm}} - \text{Total money out } \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

Is this amount greater than, less than, or equal to the amount you'd like to contribute monthly toward your savings goal?

Nice job completing these exercises – you're well on your way to mastering the basics of budgeting! Maintaining the budget you've created today can be a great way for kids to continue strengthening their financial skills. Budgeting is a lifelong skill that can be useful at any age – and the more work you put in now, the better off kids will be in the long run!



If you'd like more information about financial wellness and budgeting, consider speaking to a financial professional.

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