

# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 3

# Budgeting and Shopping

*How can I spend wisely?*

**Having a budget or a plan can help you with your savings goals.** Remember Noah from our last chapter? He was interested in music and wanted to buy an electric guitar and amplifier. He needed to save \$25 a week for five weeks in order to buy it. However, Noah's friends want to go to the movies on the weekend. Noah wants to go with them, but it will cost him \$10. How does Noah budget for both his guitar and a trip to the movies?

### WHAT IS A BUDGET?

A budget is an organized plan that can help you keep track of how much money you earn, how much you spend, and how much you have saved. As we learned in our last chapter, we save and spend money on the things that are important to us, so a budget can help us with our savings goals and setting priorities. A budget can also help us keep track of what we want and what we need.

A need is something you cannot live without like clothes. A want is something you would like to have but can live without, such as a new guitar or movies with your friends.

A budget will help you decide how much money you can afford to spend when you go shopping for both a need and a want. It can also help you determine how much money you have to save for short-term and long-term goals.

A budget typically has three parts: income, expenses, and savings. Income is the money you receive from jobs, allowances, and other sources like chores or birthday gift money. Expenses are the cost of goods and services of the needs or wants you spend your money on. When you subtract expenses from your income, any leftover money can be saved. If you do not have enough income to cover expenses, you need to make choices based on what is important to you and what you can do without.

When Noah started his savings plan, he did not budget for going to the movies with his friends. If he wants to see a movie and have popcorn, he will need \$10 each time he goes. If he goes with his friends this weekend, he will not reach his goal to purchase his guitar in five weeks. Noah should create a budget that includes how often he wants to go to the movies with his friends and how much it will cost as he saves for his guitar.

### HOW CAN COMPARING CHOICES HELP YOU DECIDE WHAT TO BUY?

Comparing choices can help you decide which item is more important to buy or has the best value. You can choose between a need and a want. Let's say you need a new pair of shoes and you have the choice between a pair that costs \$20 and a pair that costs \$100. In order to

*see the next page*

---

from the previous page

stay within your budget, you may have to purchase the \$20 pair of shoes even if you really want the pair that costs \$100. Be sure your purchases fit within your budget.

Learning to budget can help you to be a smart shopper and saver when you are older. Today you may be saving for a guitar like Noah, but in the future, you will have to balance things like rent, transportation,

food, and more. It can also be fun, especially if you budget to grow your savings!

## Student Questions

How can a budget help you?

Give an example of something you need.

What is an example of something you want?

What are some ways you can get income?

What are some expenses that you may have or your family may have?

What happens when your expenses are larger than your income?