

## Learn

**A** **PAIRS.** Which words do you know? Match the words with their meanings.

- |                                     |   |
|-------------------------------------|---|
| <u>  f  </u> 1. expenditure         | a. a fixed amount that someone with medical insurance has to pay for using certain medical services |
| <u>    </u> 2. fixed expense        | b. a cost that changes from month to month  |
| <u>    </u> 3. variable expense     | c. things that you use every day at home  |
| <u>    </u> 4. co-pay               | d. a cost that stays the same from month to month   |
| <u>    </u> 5. household items      | e. money that you can spend in any way you want   |
| <u>    </u> 6. discretionary income | f. the total amount of money spent on something   |

**B** Read the story about Olga.

Olga moved to the United States two years ago. Her family still lives in Russia, and she has been living by herself in a small one-bedroom apartment in the city. She is working as an administrative assistant, but she hopes to become a project manager, so she wants to save money to get a business degree at a local community college. She has decided to make a budget for herself so that she can start saving. As a first step, she is figuring out what her actual expenses are. For the last month, she has saved all her receipts and kept a record of her expenditures. She has divided them into two categories: *fixed* for expenses that stay the same every month, and *variable* for expenses that change.

Olga pays \$900 for rent every month. Last month, Olga paid \$50 for gas, \$35 for electricity, and \$48 for telephone. She pays \$20 monthly for Internet service.

Olga earns a net income of \$2,100 per month. One of the benefits she receives as an employee is health insurance. She pays \$75 per month for medical, dental, and vision care. She had to see the doctor last month and paid a co-pay of \$10 for the office visit. Every month, she sends \$200 home to her parents for their living expenses. Since Olga lives in the city, she doesn't have a car. She relies on the bus to go to work. Her monthly bus pass costs \$60. Olga needs to look professional at her job. Last month she spent \$20 on dry cleaning and \$80 on clothes, cosmetics, and a haircut. And she spent \$280 on groceries and household items.

Olga's salary allows her to have some discretionary income. One way Olga likes to spend her money is eating out with her friends and going to the movies. She likes to rent videos and download music onto her MP3 player. Last month she spent about \$200 on eating out and \$30 on other kinds of entertainment.

- C** Read Olga's story again. Answer the question below. Complete Olga's monthly expense record. Then calculate her total expenses.

What is Olga's net income? \_\_\_\_\_

<u>Monthly Expenses</u>	
<u>Fixed Expenses</u>	<u>Amount</u>
Rent	\$900
Internet	
Health insurance	
Transportation (bus pass)	
Contribution to parents	
TOTAL Fixed Expenses	
<u>Variable Expenses</u>	
Utilities (gas, electricity)	
Telephone	
Groceries and household items	
Medical (co-pays, prescriptions)	
Personal (dry cleaning, clothes, cosmetics, hair, etc.)	
Entertainment (eating out, DVD rentals, movies, music, etc.)	
TOTAL Variable Expenses	
<u>TOTAL EXPENSES (Variable + Fixed)</u>	

## Practice

- A** Look at Olga's expense record again. Answer the questions.

1. What is Olga's biggest fixed expense? rent
2. What is the total amount of her fixed expenses? \_\_\_\_\_
3. What is Olga's biggest variable expense? \_\_\_\_\_
4. What is the total amount of her variable expenses? \_\_\_\_\_
5. What is the combined total of her fixed and variable expenses? \_\_\_\_\_
6. After paying all her monthly expenses, how much does Olga have left? \_\_\_\_\_

- B** **CLASS.** Discuss what Olga could do to decrease her variable expenses.

### BONUS

At home, keep a list of all your expenses for one month. At the end of the month see how you're spending your money. What do you spend the most money on? Are there any ways to reduce your spending in some areas? What could you do with the money you would save?

## Learn

### Note

A budget is a plan for how you're going to spend money. To make a personal budget, first look at your fixed and variable expenses. Second, create a realistic plan for spending and paying all your bills, being sure to save some money for future goals and emergencies that may come up. Third, try to spend only your budgeted amount or less. Last, at the end of each month compare the amount you actually spent to your budgeted amount.

## Learn

**A** Read more about Olga, and look at her budget.

After Olga figured out her fixed and variable expenses, she created a budget using her last month's expense record as a guide. She decided to budget \$125 for savings. This means that in some areas she budgeted less than the amount she spent last month.

Net Income		\$2,100	
<u>Fixed Expenses</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
Rent	\$ 900	\$900	
Internet	20		
Health insurance	75		
Transportation (bus pass)	60		
Contribution to parents	200		
Savings	125		
<b>TOTAL</b>	<b>\$1380</b>		
<u>Variable Expenses</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
Utilities (gas, electricity)	\$ 85		
Telephone	50		
Groceries and household items	275		
Medical (co-pays, prescriptions)	10		
Personal (dry cleaning, clothes, cosmetics, hair, etc.)	100		
Entertainment (eating out, DVD rentals, movies, music, etc.)	200		
<b>TOTAL</b>	<b>\$720</b>		

- B** Read how Olga actually spent her income. Fill in the amounts that she spent in the "Actual" column of her budget.

This month Olga paid her fixed bills, but her mother in Russia had an emergency and asked for an extra \$50 in addition to the \$200 Olga had budgeted as a contribution to her parents. Her utilities were \$85, and her bus pass was \$60, as budgeted. She didn't make any long distance calls, so her telephone bill came to \$35. And she didn't go to the doctor this month, so she had no medical expenses. Olga spent a little more on groceries than she had planned—\$280 instead of \$275. She spent \$130 for personal items because she is looking for a new job and needed to buy a suit. A friend came to visit her from Russia, so her entertainment expenses came to \$265. This left Olga without any money to put into savings this month. But she has promised herself she will start saving next month.

## Practice

- A** Look at Olga's budget again. Answer the questions. Then write the amounts in the correct places on Olga's budget.

1. What was Olga's total expenditure for fixed expenses? \_\_\_\_\_
2. What was Olga's total expenditure for variable expenses? \_\_\_\_\_

- B** Look at Olga's budget again. Compare the amount that she budgeted for each expense with how much she actually spent. Write the difference between the budgeted amount and the actual amount in the "Difference" column of her budget.

- C** *PAIRS.* Check your answers. Look at Olga's budget line by line and compare her actual expenses to what she budgeted.

**Example:**

*A: Olga spent \$50 more on her contribution to her parents than budgeted.*

*B: Yes, and she saved \$125 less than planned!*

- D** *GROUPS OF 3.* Work together to answer these questions:

1. Olga's goal is to get a degree in business. Yearly tuition at the community college is \$3,000. If Olga is able to save \$125 a month, how long will it take her to save enough to pay for the first year of college?
2. Do you think Olga could save more than \$125 a month? How much more could she save? What changes should Olga make to her budget in order to save more?

## Make It Yours

*PAIRS.* Discuss these questions: Are you spending your money the way you want to? Is there a future goal you want to save for? Are there some things you think you should spend less on?

## Learn

**A** *PAIRS.* Which words do you know? Match the words with their meanings.

- |                                |  |
|--------------------------------|--|
| <u>  f  </u> 1. deposit        | a. money taken out of a bank account   |
| <u>    </u> 2. debit card      | b. keep  |
| <u>    </u> 3. transaction     | c. a business deal or action   |
| <u>    </u> 4. fee             | d. the amount that a bank charges for a service  |
| <u>    </u> 5. maintain        | e. smallest amount you can keep in a bank account without having to pay a fee  |
| <u>    </u> 6. minimum balance | f. put money into a bank account   |
| <u>    </u> 7. withdrawal      | g. a plastic card with your signature that you use to pay for things or to take money from an ATM (the money is taken directly from your bank account) |

**B** Read the article about choosing a bank account.

## How to Choose the Right Bank Account FOR YOU

Banks offer two main types of accounts: savings and checking. Savings accounts usually give you a higher interest rate than checking accounts. Savings accounts are best for depositing money that you can leave in the bank for a while. If you have some money that you're not going to need immediately, a savings account might be good for you.

Checking accounts are convenient since they allow you to pay for things by check and debit cards. Banks offer many types of checking accounts. Most of them allow your employer to directly deposit your paycheck into your account. Most banks also offer a free debit card with any checking account.

To find the right kind of checking account for you, think about these questions: What kinds of transactions do you make at the bank? Do you write a lot of checks? How much are you willing to pay in monthly fees? Can you maintain a minimum balance in the account? Do you sometimes "bounce" checks by writing a check for an amount greater than is in your account? Will you need teller service? How often do you make withdrawals? Is there a fee to use ATMs?

## Practice

First Union Bank offers three different kinds of checking accounts. Read this brochure. Then answer the questions.

### First Union Bank has answers to your questions!

	Regular Checking	Basic Checking	Online Checking
What is the minimum opening balance?	\$200	\$25	\$100
What is the minimum monthly balance I have to keep in the account?	\$200	\$.01	None
What is the monthly service fee?	\$8 (\$0 if minimum balance kept)	\$3.00	\$3.00
What is the fee for bounced checks?	\$25 per check*	\$25 per check*	\$25 per check*
What is the fee to see a teller?	None	10 free transactions/mo. (\$3 per transaction after that)	\$3 per transaction
How many withdrawals can I make every month?	Unlimited	8 free and then \$.25 per withdrawal	Unlimited
What is the fee for ATM service?	None	10 free transactions/mo. (\$1.50 per transaction after that)	None

\*No fee if account is connected to a credit card or savings account.



1. With a regular checking account, what is the monthly service charge if the minimum balance of \$200 is kept? \_\_\_\_\_
2. Which account always charges for teller service? \_\_\_\_\_
3. How can you avoid paying a fee if you bounce a check? \_\_\_\_\_

## Listen



**15** Listen to each conversation and decide which type of account the customer is probably going to open.

- |                   | Regular                  | Basic                    | Online                   |
|-------------------|--------------------------|--------------------------|--------------------------|
| 1. Conversation 1 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Conversation 2 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## Make It Yours

**PAIRS.** Look at the three different types of checking accounts again. Which type of checking account would be good for you? Explain your answer.

### BONUS

Go to two different banks and find out about the kinds of checking accounts they offer. Ask the questions in the brochure or your own questions. Share the information with the class.

**First Bank of Washington has the right account for you. We offer a variety of accounts so you can choose the one that best meets your needs.**

	Minimum Opening Balance	Minimum Monthly Balance	Monthly Service Fee	ATM Fee	Bounced Check Fee	Teller Fee
<b>Online Checking</b>	\$100	\$0	\$5	\$0	\$25 per check	\$3 per transaction
<b>Standard Checking</b>	\$25	\$5	\$5	10 free transactions per month, \$2 each after that	\$25 per check	10 free per month, \$3 each after that
<b>Upgrade Checking</b>	\$200	\$200	\$10 (free if minimum balance is kept)	\$0	\$25 per check	\$0

9. How much money do you need to open a Standard Checking account?

- A. \$5
- B. \$25
- C. \$100
- D. \$200

10. How much will you be charged for seeing a teller twice with an Online Checking account?

- A. \$0
- B. \$3
- C. \$6
- D. \$25

11. With an Upgrade Checking account, how much will you be charged if you write a "bad" check (a check you don't have enough money in your account to cover)?

- A. \$0
- B. \$10
- C. \$25
- D. \$200

## Monthly Expenses

	Budgeted	June Actual	July Actual
rent	\$1,100	\$1,100	\$1,100
car payment	185	185	185
utilities (gas, electricity, water)	100	87	95
Internet and phone	60	65	57
cell phone	45	45	45
entertainment	75	112	60
groceries	75	75	72
personal	100	89	102
savings	250	200	255

12. Which of the following is probably a fixed expense?

- A. rent
- B. entertainment
- C. groceries
- D. personal

13. How much money does the person plan to save each month?

- A. \$100
- B. \$200
- C. \$250
- D. \$255

14. Which of the following is true?

- A. The person spent less than he had budgeted for entertainment in June.
- B. The person spent the amount he had budgeted for Internet and phone in July.
- C. The person spent the amount he had budgeted for groceries in June.
- D. The person spent more than he had budgeted for the utilities in June.



Josef and Kamila are expecting a baby. They know that there will be a lot of extra costs when the baby comes, so they want to start saving some money now. They decided to make a budget to help them plan how'll they spend their money and how much they'll be able to save.

They started out by recording all the money they spent for a month. They saw that they were spending a lot of money on personal items and entertainment. They decided to budget less for those things and make sure they spent less. That way they'd have more for their savings.

For the next month, Josef and Kamila tracked their expenses again. Then they compared the amount they spent to the amount they had budgeted for each thing. They met their budget for fixed expenses, and they were under budget for variable expenses. So for that month, they had even more money to put into savings.

15. Why did Josef and Kamila make a budget?
- A. They wanted to see how they were spending their money.
  - B. One month they had a lot of extra costs.
  - C. Their fixed expenses were too high.
  - D. They wanted to make a savings plan.

16. What did Josef and Kamila do first?
- A. make a budget
  - B. track their expenses
  - C. reduce their variable expenses
  - D. open a savings account