

Financial Literacy: Budgeting Basics

PART ONE: Mentor Preparation

Financial Literacy is often not taught in high schools nor in colleges and universities, yet is one of the most important skills to begin learning, and sets students up for long term success. A basic component of being financially literate is knowing how to budget, and in this module, we will do our best to guide you there.

Much of the following might seem basic or at least familiar to you, but please understand that this information could be completely new to your mentee. For instance, the difference between a checking and a savings account might seem intuitive to someone who has both needed to write checks and who has enough cash to leave some untouched for savings – but for students who grew up mainly in a world without paper checks, it might not be.

Similarly, students may have confusion or questions surrounding the differences between debit and credit cards. Many banks will help students get a low limit credit card with the first year offering no fees or 0% APR (Annual Percentage Rate). This seems like a good deal to students, and the first year it goes fine! But then your mentee gets approved for a higher credit amount, and the APR jumps to 25%, and suddenly it's a bit more difficult. Also, how credit will affect leases and car loans, and even job applications, is often completely new to students just starting in college.

Research on the ins and outs of checking vs. savings accounts, debit vs. credit cards, and credit scores will help your mentee make more informed decisions in the future. Try to field as many of their questions as you can, but know that it's ok to not have all the answers, and researching together could be very helpful.

Budgeting can help your student think about financial decisions before making them, and will set them up to be more financially solvent in the future. This activity will spend about 15 minutes on credit/debit cards, checking/savings accounts, and credit score, before moving on to budgeting for another 15 minutes.

PART TWO: Pair Activity

Financial Literacy

Do you fully understand the difference between a checking and a savings account, or a debit and a credit card? Doing your research before making any decisions about your finances will help you make more informed choices in the future. Think of it like using tools to build an Ikea bed. You might technically know the difference between a hammer and a screwdriver, but if you don't know how to use them properly you're going to have a pretty weak bed!

First, let's see what you know so far, so you can see how much you've learned by the end of this activity. Grab a pen and paper or open your Notes app so you can follow along.



Start by **defining the following terms** *off the top of your head* – no Googling yet! Ask your mentor to do the same thing on their end so you can compare notes. What do you understand each of these to be?

1. Checking Account
2. Savings Account
3. Credit Card
4. Debit Card
5. Credit Score
6. Budget

After you've written your definitions, then you can open Google. Search for "Financial terms glossary consumer finance bureau", then click on the consumerfinance.gov link to their Financial Terms Glossary.

Write the official definitions of the terms above, and see how close you were. Discuss with your mentor where your definitions might have been different. If you don't understand the definitions, that's ok – financial literacy can feel like a whole new language. Take your time and ask your mentor to think of examples to illustrate the terms.

Then, take some extra time to **research credit scores** in general by Googling "credit scores and reports consumer finance bureau", and clicking on the consumerfinance.gov link for their page on credit reports and scores. Ask yourself these questions or discuss them with your mentor:

1. What *is* a credit score? What do you need it for?
2. How can you start building credit?
3. What might decrease your credit?

Familiarize yourself with all the above and make sure to ask clarifying questions to your mentor!

Budgeting Basics

Budgeting helps you think about financial decisions before making them, and will set you up to be more financially solvent in the future. Budgeting is very much a habit that you have to build, so the key to any good budget is consistency!

Think about your upcoming college plans. You'll be in a new environment or at least on a new schedule, and it's common to find yourself with different spending and saving habits. By planning out your college semester budget ahead of time, you'll be able to anticipate any challenges or changes you might need to make to ensure that you have enough cash!

Keeping in mind all that you learned above, take at least 10 minutes and fill out **the Budget Worksheet**.

1. Fill out the budget for the "semesterly" column. If you have to make estimates, that's ok!
2. Do some division to fill out the "monthly" and "weekly" columns.

Then go over the budget with your mentor. You're on your way to financial expertise!



INCOME:	Weekly	Monthly	Semesterly	Yearly
From Jobs or Work-study				
From Parents / Family				
From Financial Aid				
Miscellaneous Income				
Total Income:				
FIXED EXPENSES:	Weekly	Monthly	Semesterly	Yearly
Rent / Housing *if applicable				
Food / Meal Plan				
Car Payment				
Car Insurance & Registration				
Tuition & Fees				
Loan / Credit Card Payment				
Telephone / Cell Phone				
Utilities				
Other				
Total Fixed Expenses:				
FLEXIBLE EXPENSES:	Weekly	Monthly	Semesterly	Yearly
Dining Out				
Clothing				
Books				
Entertainment (Movies, Music, etc)				
Public Transportation				
Personal Hygiene Items (Shampoo, deodorant, etc.)				
Recreation				
Miscellaneous				
Laundry / Dry Cleaning				
Travel				
Savings				
Other				
Total Flexible Expenses:				
	Weekly	Monthly	Semesterly	Yearly
Total Income:				
Total Fixed Expenses:				
Total Flexible Expenses:				
Balance:				