UNIT 2 · WEEKS 2–3

Budgeting

Student Workbook

Name:	____ Date started: ________________ Date completed: ________________

What you will learn in this unit: The 50/30/20 budgeting rule • Fixed vs. variable expenses • Sinking funds • Building your personal monthly budget • Tracking spending • Subscription audit

Lesson 2.1 — The 50/30/20 Rule

KEY VOCABULARY

Term	Write the definition in your own words
Budget	
After-tax income	
50/30/20 rule	
Fixed expense	
Variable expense	
Cash flow	
Net income	
Allocation	

APPLY THE RULE

Calculate each budget category for these monthly income levels:

Monthly income	50% Needs	30% Wants	20% Savings
$1,200	$____________	$____________	$____________
$1,800	$____________	$____________	$____________
$2,500	$____________	$____________	$____________

Give 3 real examples for each category in your own life:

Needs:		(e.g., rent, groceries, phone bill)
Wants:		(e.g., Netflix, dining out, clothing)
Savings:		(e.g., emergency fund, Roth IRA)

🧑‍🤝‍🧑 **Meet the group:**

All four friends just calculated their budgets on $1,200/month take-home — their first real independent income.

Lucy: sat down with a spreadsheet before spending a dollar. She allocated $600 to needs (rent share + groceries + phone), $360 to wants, $240 to savings. She was done in 15 minutes.

Joseph: spent first, then tried to categorize. His "needs" list included Spotify, his gaming pass, and dining out 4 times a week. His needs alone totaled $780.

Alex: argued that 20% savings wasn't enough — he wanted 30%. He compressed wants to 20% to make room. His budget is aggressive but intentional.

Sofia: has never made a budget. She just avoids spending when possible and keeps track mentally. She's never overdrawn, but she's also never saved intentionally.

Whose approach will work best over 12 months? What is the hidden cost of Joseph's "spend first, categorize later" method?

✔ Lesson Finisher

1. In the 50/30/20 rule, what does the 20% category cover?

1. Wants and entertainment
2. All variable expenses
3. Savings, emergency fund, and investments
4. Taxes and insurance premiums

2. The 50/30/20 rule is a guideline, not a law. Describe one real situation where a person's "needs" might reasonably exceed 50% of income.

Lesson 2.2 — Fixed vs. Variable Expenses

KEY VOCABULARY

Term	Write the definition in your own words
Fixed expense	
Variable expense	
Discretionary expense	
Sinking fund	
Irregular expense	
Recurring cost	

CLASSIFY EACH EXPENSE

Write F (Fixed) or V (Variable) AND N (Need) or W (Want):

Expense	F or V?	N or W?
Rent / mortgage	F / V	N / W
Netflix subscription	F / V	N / W
Groceries	F / V	N / W
Car insurance premium	F / V	N / W
Dining out	F / V	N / W
Phone bill	F / V	N / W
Gas for car	F / V	N / W
Holiday gifts	F / V	N / W

You spend $1,200/year on car maintenance. How much should you set aside monthly in a sinking fund?

$1,200 ÷ 12 months = $_______________ per month

👥 Meet the group:

Both Alex and Sofia are planning their first apartment budgets:

Alex: runs a lawn care side business, so his income varies month to month — $800 one month, $1,400 the next. Nearly all his expenses (fuel, equipment, supplies) are variable too. Budgeting is genuinely hard for him.

Sofia: has almost entirely fixed expenses: rent, phone, a fixed-price transit pass. Her budget is predictable but rigid — if rent goes up, she has very little flexibility anywhere else.

Lucy: uses sinking funds for known irregular costs: $50/month into "car maintenance," $30/month into "clothing," $20/month into "gifts." Nothing feels like a surprise.

Joseph: treats every expense as variable and "decides each month." Car registration was $180 this month — he had not planned for it at all.

What specific strategy from this lesson would most help Alex's variable-income budgeting problem? What would fix Joseph's car registration surprise?

✔ Lesson Finisher

1. What is a sinking fund?

1. An emergency fund kept in a separate savings account
2. Money set aside gradually each month for a known future expense
3. A type of investment account that decreases over time
4. A checking account overdraft protection feature

2. Name one irregular expense in your own life (or your household's) that would benefit from a monthly sinking fund. How much per month would you set aside?

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3. Your car needs an oil change ($65), new tires ($480), and registration renewal ($140) over the next 12 months. How much per month should you set aside in a car sinking fund to cover all three?

Show your work:

Lesson 2.3 — My Personal Budget

Build a monthly budget for $1,800/month after-tax income. Use real local prices where possible.

NEEDS (target: 50% = $900)	
Housing (rent or your share)	$____________
Groceries	$____________
Transportation	$____________
Phone bill	$____________
Insurance	$____________
NEEDS SUBTOTAL	**$____________**
WANTS (target: 30% = $540)	
Entertainment / streaming	$____________
Dining out	$____________
Clothing / personal care	$____________
Other	$____________
WANTS SUBTOTAL	**$____________**
SAVINGS (target: 20% = $360)	
Emergency fund	$____________
Investing / Roth IRA	$____________
Savings goal	$____________
SAVINGS SUBTOTAL	**$____________**
GRAND TOTAL (must equal $1,800)	**$____________**

Did your budget balance? YES / NO

If it did not balance, what is the first thing you would cut and why?

👥 Meet the group:

Lucy: built her $1,800 budget in 20 minutes. It balances to the dollar. She cut dining out from $150 to $80 to make it work and doesn't feel deprived by it.

Joseph: built his budget and ended up $340 over $1,800. He has it on paper but thinks he'll "make it work somehow." He hasn't decided what to cut.

Alex: his income isn't fixed, so he budgets based on his lowest expected monthly income ($900) and treats anything above that as surplus that goes to savings.

Sofia: refuses to make a written budget because she says it makes her feel anxious. She tracks her account balance instead. She hasn't overdrafted, but she also hasn't saved anything in six months.

What is the real risk of Joseph's 'make it work somehow' approach? What would you tell Sofia about why a written budget might reduce her anxiety rather than increase it?

✔ Lesson Finisher

1. Your monthly budget shows $1,900 in expenses on $1,800 of income. What is the most effective first step?

1. Earn more money through overtime or a second job
2. Get a credit card to cover the $100 gap
3. Identify the largest variable expenses and find where to cut
4. Ignore it — a small gap is not a real problem

2. If your budget doesn't balance, which category is generally the easiest to reduce without affecting your quality of life? Why?

Lesson 2.4 — Tracking Spending

KEY VOCABULARY

Term	Write the definition in your own words
Expense tracking	
Spending audit	
Subscription creep	
Impulse purchase	
Financial awareness	
Reconciliation	

SUBSCRIPTION AUDIT

List every subscription or recurring payment you or your household pays:

Subscription / Service	Monthly $	Annual $	Keep or Cut?
	$	$	
	$	$	
	$	$	
	$	$	
	$	$	
	$	$	
	$	$	
TOTAL	**$___________**	**$___________**	

If you invested your monthly “cut” subscriptions at 7% for 10 years:

Monthly savings: $________ × 12 = $________ per year → invested 10 years ≈ $________ (rough estimate)

👥 Meet the group:

Joseph and Sofia do their first-ever subscription audits:

Joseph: lists every subscription and is stunned. He finds $127/month in recurring charges: 3 streaming services ($45), a gym he hasn’t visited in 4 months ($40), a music app he forgot about ($10), a cloud storage upgrade ($3), and a gaming subscription ($29). He’s been paying $1,524/year without realizing it.

Sofia: has zero subscriptions. Every dollar is a conscious decision. But she tracks nothing, so she’s spent $340 on "misc" purchases she can’t account for this month.

Lucy: uses a free budgeting app and reviews transactions every Sunday. She caught a subscription she’d forgotten about within two weeks of it starting.

Alex: tracks only his business expenses carefully. His personal spending is a blur. He’s profitable in business but unaware of how much he spends personally.

What is the total 10-year investment value of Joseph canceling just $80/month of subscriptions at 7% return? What tracking habit would help Alex most?

✔ Lesson Finisher

1. What is “subscription creep”?

1. Gradually increasing your savings rate each month
2. The slow accumulation of recurring charges that individually seem small but add up significantly
3. Subscribing to too many financial newsletters
4. Automatic price increases that streaming services apply annually

2. Name one spending category where you have the least awareness of what you actually spend. How would you track it for one month?

Lesson 2.5 — The Envelope Method

KEY VOCABULARY	
Envelope method	
Cash psychology	
Budget allocation	
Trade-off	

DESIGN YOUR OWN ENVELOPE BUDGET

Your monthly income (allowance, job, or expected): $_______________

Envelope Name	$ Amount	% of Income
Savings	$	%
	$	%
	$	%
	$	%
TOTAL	**$**	**100%**

👥 Meet the Group

Joseph gets $80 in birthday money. He has no bank account yet. Using the envelope method, he divides it: $16 Savings, $24 Food, $24 Fun, $16 Clothing. Three weeks later his Fun envelope is empty but his Savings envelope is untouched — the first time he has ever saved money on purpose.

Discussion: Why did the envelope method work for Joseph when apps and mental budgeting had not? What does his experience tell us about the psychology of cash vs. digital money?

✔ Lesson Finisher

1. A friend says: "I track all my spending on my phone and I still run out of money every month." Explain how the envelope method would change their behavior and why cash works differently than digital tracking.

2. Name one situation where the envelope method is the BEST budgeting tool available, and one situation where it is NOT practical. Explain your reasoning for each.

Unit 2 Review — Budgeting

Review your notes from all four lessons before starting. The Group Weighs In connects everything at once.

PART 1 — UNIT SUMMARY

Lesson	Key concepts
2.1 The 50/30/20 Rule	50% needs / 30% wants / 20% savings • Budgeting on after-tax (net) income • Allocations are targets, not rules
2.2 Fixed vs. Variable	Fixed costs stay the same • Variable costs fluctuate • Sinking funds smooth out irregular expenses
2.3 My Personal Budget	Budget must balance to income • Written budget beats mental tracking • Build on lowest expected income
2.4 Tracking Spending	Subscription creep is invisible until audited • Tracking creates awareness • Untracked spending compounds silently

PART 2 — KEY TERMS REVIEW

Term	Your definition
50/30/20 rule	
Sinking fund	
Fixed expense	
Variable expense	

Subscription creep	
Cash flow	
Spending audit	
Net income	

PART 3 — THE GROUP WEIGHS IN

🧑‍🤝‍🧑 **Meet the group:**

All four friends are living independently for the first time on $1,800/month take-home. It's the end of Month 1.

Lucy: balanced her budget before the month started. She ended the month $12 under her spending targets. She moved $12 to savings.

Joseph: started with a budget but stopped checking it after Week 1. He has $43 left and 9 days until payday. He's already asked Lucy for $30.

Alex: had a big income month ($2,200) and spent freely — didn't stick to $1,800. Next month his business earns $900. He has no buffer.

Sofia: never made a written budget. She ended the month with $280 in her account and genuinely has no idea where the rest went.

Discussion: Whose approach is most replicable month after month? Calculate what Joseph's $43 shortfall costs if he puts the remaining 9 days on a credit card at 24% APR.

PART 4 — REFLECTION

Which budget category is hardest for you to estimate accurately? Why?

What is one spending habit you have right now that would hurt a budget?

Before this unit, I thought budgeting meant…

Now I understand that budgeting is really about…

Something surprising I learned about budgeting:	
One spending habit I will change:	
My savings goal for this month:	$