

Needs vs. Wants



People who are smart with their money think about how to make the most of it. Every day they make thoughtful decisions about what to spend their money on and, perhaps more importantly, what not to spend their money on.

What Are Needs and Wants?

Whenever you think about spending your money on something, it's important to determine if it's a *need* or a *want*. As you might guess, *needs* are things you must have to live, and *wants* are things you would like to have but can do without.

Identify each of the following purchases as a need by writing N next to it, or as a want by writing W next to it.

- _____ new phone
- _____ concert tickets
- _____ going out to eat with friends
- _____ calculator for math class
- _____ new shoes because your old ones have a hole in them
- _____ haircut for your new job
- _____ new shoes because you want a pair like your friend's

Businesses work hard to convince you that you don't just want what they're selling—you **NEED** it. So, before you spend your hard-earned dollars, ask yourself, "Is this something I need?" If it's not, make sure that you're being selective, and that you are spending your money on things that are really important to you.

Making Choices

Imagine that you have a new job and got your first paycheck—for \$1,000. *List the items you would spend the money on, and indicate if it is a need or a want.*

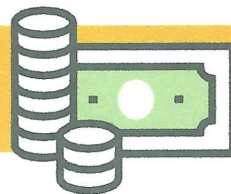
_____	☐ need	☐ want
_____	☐ need	☐ want
_____	☐ need	☐ want
_____	☐ need	☐ want
_____	☐ need	☐ want
_____	☐ need	☐ want

Being a Smart Consumer

Whether you are purchasing a new video game system or car insurance, it's important to be a savvy shopper. Here are some tips for being a smart consumer.

- ▶ **Think about it.** Wait a day or two before making a purchase. Waiting helps eliminate bad decisions.
- ▶ **Beware of additional fees or very high shipping charges.** Companies use tactics such as these to hide the actual cost of their products.
- ▶ **Don't purchase extended warranties.** Businesses love for you to buy these, but they are seldom a good deal for the customer.
- ▶ **Do your research.** Do some comparison shopping and read customer reviews.

What Is a Budget?



A budget is simply a plan that helps you decide how you're going to spend your money over a designated period of time. A budget involves managing your money by tracking your income and spending—and living within your means.

Why You Should Have a Budget

Many people are uncertain about how much they spend, how much they earn, and what they owe. They spend more than they can afford and then wonder how they're going to pay all of their bills. *The first step in avoiding this situation is to create and maintain a budget.*

Think about it!

Sticking to a budget isn't always easy. For example, have you ever decided that you were only going to spend a certain amount on something, like a new outfit or video game, and found it hard to do?

Write about a time that you tried to limit your spending or save up for something you wanted to buy. Was it difficult? How successful were you?

How to Create a Budget

Here are some tips for easily and effectively creating a budget.

- ▶ **Determine a time period.** Will your budget cover a week, a month, or another time period?
- ▶ **Enter your income.** Figure out your expected income for that time period.
- ▶ **Categorize your expenses.** Think about what you spend your money on and create a list of expense categories that makes sense to you (for example: dining out, car loan, cell phone, clothes, entertainment).
- ▶ **Determine if each expense is fixed or flexible.** Fixed expenses, such as a car loan, are the same every time period. Flexible expenses, such as dining out, usually change each time period.
- ▶ **Take each category and budget a dollar amount for that time period.** Put your fixed expenses into your budget first. This will help determine how much you have available for your flexible expenses.
- ▶ **Keep track of your spending.** Enter how much you actually spend in each category.
- ▶ **Review and balance your budget.** At the end of your budget period, compare your income with your expenses. If your income exceeds your expenses, you now have money to save. A negative balance reveals that you're spending more money than you're taking in.

Test your knowledge

Circle True or False for each statement below. Answers are at the bottom of the page.

1. A car payment is an example of a fixed expense. True False
2. Weekly budgets are always the best. True False
3. It's good to have a negative balance each month. True False
4. Buying clothes is a flexible expense. True False
5. It's not necessary to categorize your expenses. True False

Name _____

Understanding Pay Stub Terms

Do you know what the different deductions and other terminology on your pay stub actually are? Take the matching quiz to find out!

Match each term below with a definition. Write the correct letter next to each one. Hints are provided for you in case you get stuck.

- | | |
|------------------------------|-------------------------------|
| A. gross pay | D. social security tax |
| B. federal income tax | E. Medicare tax |
| C. state income tax | F. net pay |

Match each term in the box below with a definition. Write the correct letter next to each one. Hints are provided for you in case you get stuck. (Answers are below.)

1. _____ This is the total amount of money earned by an individual before deductions.

Hint: This is the starting point of your earnings before any deductions or taxes are subtracted.

2. _____ This tax contributes to state-funded programs and services, and rates vary from state to state.

Hint: This tax helps support things like education, healthcare, transportation, and other initiatives in your state.

3. _____ This tax goes toward funding federal programs and services, and the rate is based on income.

Hint: This tax helps support things like national defense, education, and infrastructure.

4. _____ The amount of money an individual receives after all taxes and other deductions are subtracted from their gross income.

Hint: This is the actual amount of pay you receive in your paycheck, or through direct deposit.

5. _____ This tax helps retirees, people with disabilities, and families of retired, disabled, or deceased workers.

Hint: This tax is aimed at providing a sense of financial security and support to individuals in society.

6. _____ This tax helps pay for healthcare for people aged 65 and older and for certain younger people with disabilities.

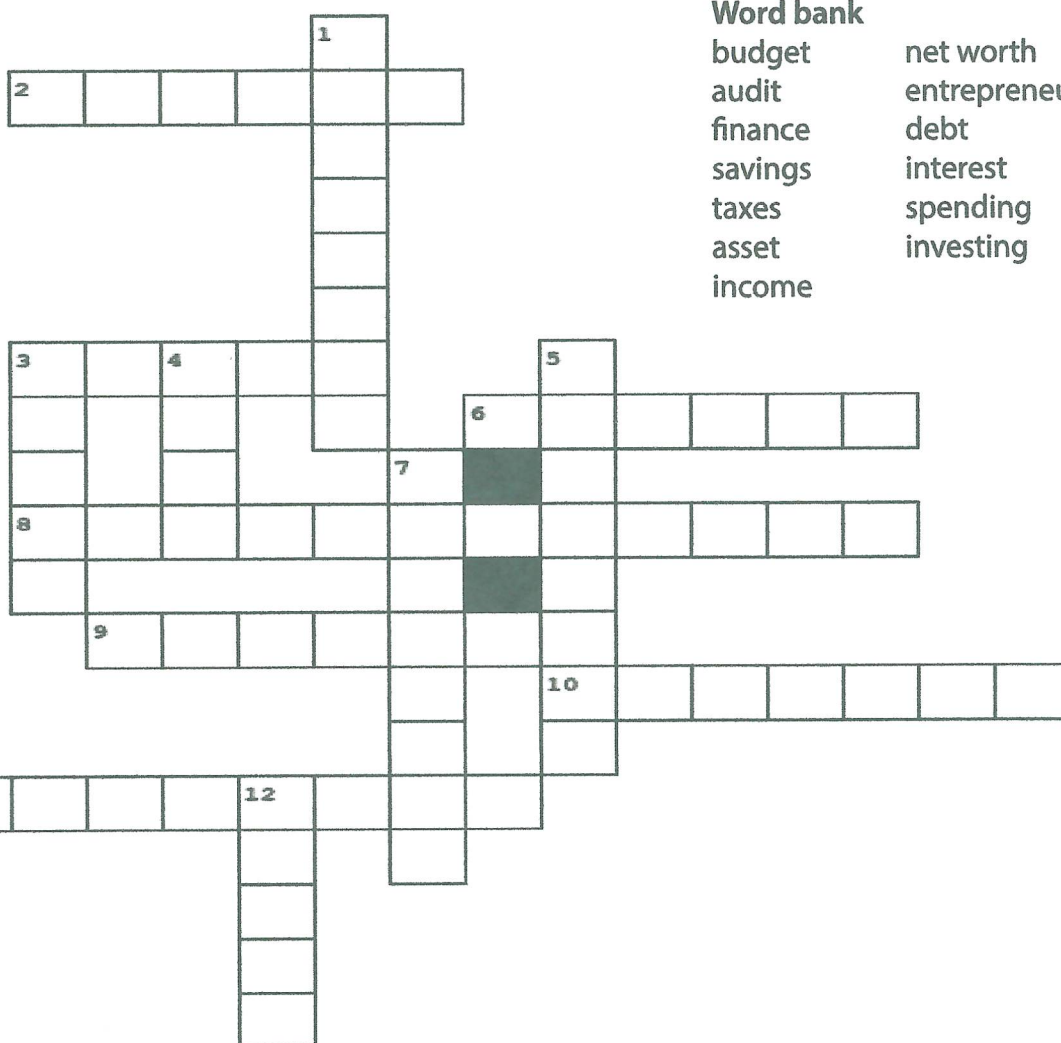
Hint: This tax ensures that eligible individuals have access to essential medical services and treatments.

1. A 2. C 3. B 4. F 5. D 6. E

Name _____

Crossword: Money Talk

Cha-ching! Test your financial knowledge and expand your money vocabulary by completing the crossword puzzle below.



Word bank

budget	net worth
audit	entrepreneur
finance	debt
savings	interest
taxes	spending
asset	investing
income	

woodburnplus.com

ACROSS

2. a plan for saving and spending money
3. the review of financial records
6. money earned from work or a job
8. someone who starts their own business
9. the study of money and how it's managed
10. money set aside for future use
11. putting money into stocks, bonds, or other ventures

DOWN

1. the value of what you own minus what you owe
3. an item of value that you own
4. money owed to others
5. an amount charged on borrowed money
7. the act of paying for goods/services
12. money to the government based on income

ACROSS: 2. budget; 3. audit; 6. income; 8. entrepreneur; 9. finance; 10. savings; 11. investing
DOWN: 1. net worth; 3. asset; 4. debt; 5. interest; 7. spending; 12. taxes

Name _____

Budget Breakdown

Review the sample monthly budget below and identify areas where expenses can be cut or eliminated. Think about the importance of each expense and consider alternative ways to save money. Write your answers in the spaces provided.

Sample budget

Housing

Rent: \$1,400
 Utilities (electric, water, gas): \$200
 Internet and cable: \$150
Total: \$1,750

Transportation

Car payment: \$150
 Gas: \$125
 Car insurance: \$80
Total: \$355

Food

Groceries: \$400
 Eating out: \$300
Total: \$700

Education

Tuition/fees: \$750
 Book/supplies: \$50
Total: \$800

Entertainment

Streaming services: \$50
 Movie/concert tickets: \$100
Total: \$150

Miscellaneous

Gym membership: \$200
 Clothing: \$100
Total: \$300

Savings

Emergency fund: \$25
Total: \$25

Check off the categories where you think there is opportunity for cutting or eliminating costs:

- ☐ Housing
- ☐ Transportation
- ☐ Food
- ☐ Education
- ☐ Entertainment
- ☐ Miscellaneous
- ☐ Savings

Now suggest a way to cut or eliminate costs from each of the categories you selected above:

Category: _____

Strategy: _____

Category: _____

Strategy: _____

Category: _____

Strategy: _____

Category: _____

Strategy: _____

Category: _____

Strategy: _____