

Financial Literacy Lesson 3: Budget

Objective: To understand how to be financially responsible by planning for the future. This activity will require you to methodically plan your income and expenses, and then balance your budget, simulating a real-life experience.

1. Making a Budget

- Your salary is \$500 every 2 weeks.
- You need to live on your own, or with a roommate.
- You need to save 10% of your income.
- You need to select all the expenses that you need and want (don't forget your priorities).

2. Assessing the Budget

- Can you afford everything you need and want?
- Do you have money left over or are you short?
- What will you do with the extra money, if you have any?
- Which expenses will you cut if you don't have enough money?

3. Unexpected Expenses - Bracing for Tomorrow

- Car repairs or maintenance; birthday gifts; road trip; eating out with friends; computer repair; cell phone repair or renewal; speeding ticket, etc.
- Could you afford to pay for any extra expenses with the budget that you created?

On top of the 10% that you saved, you should also have a small emergency fund in case for example you lose your job. While you could use the 10% you saved but then you will not get the savings result that you found using the investment calculator. Try to build your emergency fund up so you could have a few month's worth of living expenses, or maybe only a few weeks of living expenses but backed-up by a good relationship with your bank and the pre-established right to borrow money in times of crisis, called a line of credit, which is really like a credit card but instead of paying 18% interest you pay 5%.

Conclusion: Referring to the three main ideas for financial literacy from Youth Expedition Botswana <http://impossible2possible.com/botswana/extraordinary>: "enjoy today, plan for tomorrow and brace for your tomorrow", briefly explain how planning a balanced budget will help you manage your life more effectively and help you to become more resilient?