

BEAN BUDGET: A budgeting exercise

Objective: Help students think about how to make budgeting choices and how to determine spending priorities.

Time: 30 minutes

Materials:

- Bean Budget Handout (2-page)
- Cut out each category on the four-page handout into spending decision squares and place the set of squares in an envelope. Prepare one envelope per group.
- 20 beans per group (+extras)
- Alternative questions – if you want to continue the exercise

Note to Instructor:

This activity can be conducted individually, in pairs, or in a small group situation of 3-5 people. Each group considers themselves a family.

Activity:

Divide the class into teams of 3-5 people. Give each group **24 beans** and one each of the Bean Budget Activity Sheet (2 pages). Groups will be asked to decide together how the beans are spent. Explain that each group has a maximum of 20 beans to allocate across all of the spending categories. Ask them to please choose at least one item in each category, i.e., they cannot leave a category blank. Moreover, if they think of other categories or responsibilities that are not covered by the choices, they should add the categories to the list.

If there is time after completing the first round, ask the team to assume that one of the members of the household had a sudden loss of income. Have the groups try this exercise again with 14 beans.

Participants can be encouraged to go home and play the game with their families.

Group Discussion:

Ask each group to talk about their spending decisions as an entire class.

- What different choices did groups make?
- How did they negotiate differences of opinion within the group regarding spending priorities?
- How can they work with their family at home to negotiate a budget?

Additional Questions – to use after the 1st round (BE SURE TO ADD EXTRA BEANS)

Do you own a car? If so, it just broke down. The mechanic tells you it's going to cost a lot to fix it. Return 2 beans to the pot.

Time for vacation or something nice! Have you been saving for recreation? Congrats! You've saved enough money for it -- enjoy. You can now move that bean to a different position, if you would like to. But what if you haven't been saving for it? You put the vacation on your credit card and pay a lot of interest. Return 2 beans to the pot.

Fast forward one year: The economy has been bad and a lot of people working in the auto industry got laid off. Your family had one person working in the auto industry who lost his/her job and income. Return 2 beans to the pot.

Since the auto industry needs to find a way to recover, the companies decide to promote their best managers and pay them extra. Your family has one person who got promoted. You get 2 extra beans!

Did you have direct deposit set up? Congratulations, as a result of direct deposit, you never forgot to save, so your savings have grown faster than they would have otherwise. You get 2 extra beans!

Fast forward three years: Have you been taking classes to increase your earning potential? Congrats! Your hard work has paid off -- you got a job that pays more. You get 4 extra beans!

Fast forward ten years: The child in your family has grown up and wants to go to school. Your child got some scholarships, but needs extra money for tuition. If you've saved for your child's education, keep all of your beans (you can now move those beans to a different position, if you'd like). If you haven't, return 4 beans to the pot.

One of your family members is finally retiring. Yay! After the retirement party ends, you realize that social security benefits are much less than the amount this person used to earn. If you've saved for retirement, you have enough money saved up. If you haven't, return 4 beans to the pot.

BEAN BUDGET

Expenses	\$\$\$	One	Two	Three	Four
HOUSING					
Live with my folks	1				
Rent a house with friends	2				
Rent an apt. by myself	3				
Buy a house (pay for mortgage, taxes, ins)	4				
FOOD					
Cook at home & bring lunch to work	1				
Eat out several times per week	2				
Eat out for every meal	3				
TRANSPORTATION					
Walk, bike or bus	1				
Buy and insure used car	2				
Buy and insure new car	4				
UTILITIES (GAS, ELECTRICITY)					
Conserve by wearing sweaters indoors and turning out lights.	1				
Heat and lights are always on!	2				
PHONE					
Still on the parents' family plan	0				
Cell phone w/limited texting	1				
Smart phone w/web access & texting	2				
CLOTHING					
Thrift store purchases only	1				
Shop at discount store or big sales	2				
Buy regular clothing	3				
Fashionista – must look good!	4				

ENTERTAINMENT					
Free events, visits with friends, walks, Netflix, etc	1				
Go out to dinner & movie or concert at least twice a month	2				
Cable TV, go out every weekend	3				
GIFTS					
Your smile is your gift	0				
Give small gifts, with lots of love	1				
You only buy the nicest gifts for your close friends and family.	3				
Never met a holiday or person you didn't want to celebrate!	4				
DEBT					
Pay debts after negotiating lower rates	1				
Pay credit card, medical & student loans	2				
FINANCIAL SERVICES					
Use a bank with no fees, avoid ATMs w/ fees	1				
Use a bank with fees, ATM fees	2				
Use check cashing	3				
Use bank and bounce checks regularly	4				
TAXES					
Get free tax assistance	0				
Pay for tax preparation help	1				
HEALTH INSURANCE					
Buy catastrophic health coverage only	1				
Buy health and disability	2				
Buy health, disability, and life insurance	3				
SAVINGS					
Set up direct deposit for savings accts	0				
Put money in emergency fund	1				
Invest in an IRA or 401k for retirement	2				
Save for a goal (vacation, new ski gear, etc)	2				

Day 4

INVESTING IN MYSELF					
Volunteer to develop new skills	0				
Take lessons to develop a hobby or skill	1				
Take classes to increase future earnings	2				
OTHER...					
	1				
	2				
	3				
OTHER...					
	1				
	2				
	3				