

EDUCATOR GUIDE

A LONG HISTORY

People Helping People.

Maine credit unions have a long history of providing financial education. Between volunteering to teach youth financial education in schools and hosting Financial Fitness Fairs, credit unions across the state collectively expose nearly 20,000 Maine students to financial literacy and money management concepts each year. Having long-believed the students of today are the community leaders of tomorrow, Maine credit unions recognize the importance of equipping the youth with the knowledge and skills they need to help them manage their money effectively.

Desjardins Financial Education Awards

CUNA created the Desjardins program to recognize leadership within the credit union movement on behalf of financial literacy for all ages. Naming the award after Alphonse Desjardins emphasizes the movement's longtime commitment to youth. Besides founding the first credit unions in Canada and the U.S., Desjardins pioneered youth savings clubs and in-school "banks," known as *caisses scolaires*. This award considers all activities supporting the personal finance education of members and non-members, including, but not limited to, face-to-face teaching using proprietary materials and curricula, as well as financial literacy leadership efforts.

In recognition of Maine credit unions' efforts, the Maine Credit Union League has been a consistent winner of the National Desjardins Youth Financial Education Award!



LESSON:

MONTHLY BUDGET SIMULATION



Write your introduction notes and/or talking points here:

Introduction: (5 minutes)

Greet the students. Tell them your name, describe what you do for work at the credit union, and share some fun information about yourself.

Explain to the students that you're here volunteering on behalf of your credit union, an organization that is happy to teach people of all ages about saving and spending money. Additionally, explain that your credit union is also a place where people can safely keep their money.

Volunteer Tips

When speaking to young students, they often do best when seated on the floor in a semicircle around you.

Ask the students to raise their hands when answering a question or if they have something to say.

Discussion: (5 minutes)

After your introductions, tell the students they'll need a pencil and a calculator for today's activity.

With the students sitting at their desks, write the words **"Your Future"** on the board. Tell the students you'll be asking them questions about what they think their future will look like. After you ask each question, have the students raise their hands and share what they imagine their lives will look like in their early twenties.



Where will you live?



What will you use for transportation?



What will you do for fun?



What will your job be?



How much money do you think you'll be earning?

Call on a student raising their hand and have them share. If no students are raising their hands, call on a student. Repeat this process until all of the questions have been asked.

After all the questions have been answered, tell the students that thinking about the future can be fun and exciting. However, explain that all the fun and excitement they get to enjoy as adults is largely dependent on their life choices and ability to manage their money effectively.

Tell the students they'll be participating in an activity today that will give them insight into what their lives may look like in the future. Explain they'll choose a career, receive income, and have to pay for expenses the average adult is faced with each month. Their choices and ability to manage their money effectively will determine where they live, what they use for transportation, what they do for fun, and more.

Tell the students that before they choose their career and start the activity, they'll need to review some important terms that are crucial to effective money management.

Distribute the Maine Credit Unions Money Books and ask the students to turn to page 1.

Discussion: (5 minutes)

Tell the students that on page 1 of the Maine Credit Unions Money Book, they'll find a list of terms that are important to know and understand ahead of the activity.

Read aloud and define all the terms for the students.

Income	Money received during a period of time from working or other business activities.
Expenses	Money spent during a period of time to pay for goods and services.
Gross Pay	An individual's paid earnings before any deductions are made, such as taxes, insurance, or retirement contributions.
Net Pay	The take-home pay or the amount an individual has earned after all deductions have been subtracted from their gross pay.
Income Taxes	Money taken out of peoples' paychecks to pay for government jobs and services.
Budget	A plan that estimates how much money will be spent and earned during a certain time period.
Loan	Money, property, or other goods given to someone in exchange for future repayment of the loan, usually with interest.
Interest	Additional money that must be repaid in addition to the original loan amount for the use of the borrowed funds.
Debit	Something, typically money, that is owed or due.
Emergency Fund	Money that is kept aside for no use other than an unexpected expense or financial emergency, such as job loss.
Comparison Shopping	The act of examining the similarities and differences between items, before purchasing, to get the best value for your money.

After all of the terms have been read aloud and defined for the class, tell the students they'll now participate in a monthly budget simulation, where they'll be pretending they're living in their early twenties.

Ask the students to turn their Maine Credit Unions Money Books to page 2.

Discussion: (5 minutes)

Tell the students that following a monthly budget is what financially responsible adults do.

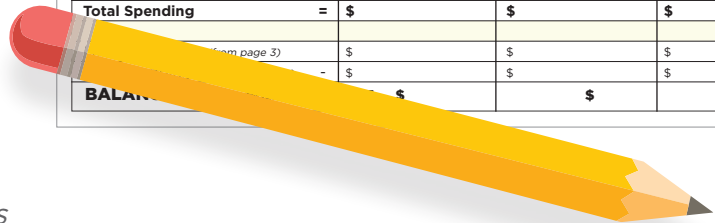
Explain the following:

Today, you'll gain insight into what your life may look like in your early twenties, where you'll be faced with expenses the average adult makes each month. You'll be choosing from a list of different careers for today's simulation. It's important that you choose the job you're most interested in and could see yourself pursuing someday. After choosing your career, you'll be assigned with a monthly gross pay and a monthly net pay. But remember, it's important that you reference your net pay during the budget simulation, as that is your take-home pay after taxes and other deductions have been subtracted from your paycheck.

Working with your monthly net pay, you'll need to pay for things like housing, transportation, food, clothing, and more. There will be different options you can choose from in each expense category, with varying costs. You can choose any option you want. However, the end-goal for you is to pay for all of your monthly expenses without spending more than you earn each month. If your total payment amounts add up to less than you earn each month, great--you did it! If you end up spending more than you earn each month, that's not good. You'll find yourself in debt and you'll need to go back and choose some cheaper options in order to successfully balance your budget.



Monthly Spending Plan			
Expenses	First Draft	Monthly Total	
		2nd Draft	Final Draft
Housing			
Food +			
Transportation +			
Clothing +			
Savings +			
Extras (Choose a minimum of 3)			
1 +			
2 +			
3 +			
4 (optional) +			
Curveball +			
Total Spending =	\$	\$	\$
(from page 3)	\$	\$	\$
	- \$	\$	\$
BALANCE	\$	\$	\$



Tell the students you'll be guiding the class through the budget simulation and that you'll let them know when they can head to the next page to pay for their next expense. After they make their decision and complete a page, they should wait for you to ask the class to start on the next page.

Ask the students if they have any questions about balancing a monthly budget before they get started.

Next, ask the students to turn their Maine Credit Unions Money Books to page 3.

Activity: (5 minutes)

Tell the students that on page 3 of their Money Books, they'll see a number of different careers. Each career shows the average yearly income of the job, as well as the monthly gross pay. Ask the students to choose a career for today's monthly budget simulation.

Give the students a couple of minutes to decide which career to pursue throughout the simulation.

After the students have chosen their careers, tell them they need to figure out the monthly net pay they'll be receiving from their job. Remind the students that monthly net pay is the take-home pay or the amount an individual has earned after all deductions have been subtracted from their gross pay.

Tell the students that roughly 20% of their paycheck will be subtracted each month to pay state and federal income tax, as well as Social Security and Medicare taxes. Explain that taxes are mandatory and must be paid.

Explain to the students that the method for determining how to subtract 20% of their monthly pay is shown on page 3 of their Money Books. However, also write the following formula on the board:

Next, as an example, use this formula to calculate the monthly net pay of a mechanic. Write this on the board next to the original formula.

Walk around the room as the students calculate their monthly net pay. If a student has a question or appears stuck, help them. After all the students have calculated their monthly net pay, ask them to turn to their Maine Credit Unions Money Books to page 4.



 Teacher Yearly Income: \$47,000 Monthly Gross Pay: \$3,917	 Police Officer Yearly Income: \$70,000 Monthly Gross Pay: \$5,833	 Veterinarian Yearly Income: \$98,000 Monthly Gross Pay: \$8,167	 Librarian Yearly Income: \$34,000 Monthly Gross Pay: \$2,833	 Graphic Designer Yearly Income: \$45,000 Monthly Gross Pay: \$3,750
 Camera Operator Yearly Income: \$40,000 Monthly Gross Pay: \$3,333	 Firefighter Yearly Income: \$41,000 Monthly Gross Pay: \$3,417	 Chef Yearly Income: \$50,000 Monthly Gross Pay: \$4,169	 Barber/Hairdresser Yearly Income: \$37,000 Monthly Gross Pay: \$3,083	 Electrician Yearly Income: \$55,000 Monthly Gross Pay: \$4,583
 Mechanic Yearly Income: \$51,000 Monthly Gross Pay: \$4,250	 Registered Nurse Yearly Income: \$73,000 Monthly Gross Pay: \$6,083	 Cashier Yearly Income: \$28,000 Monthly Gross Pay: \$2,333	 Carpenter Yearly Income: \$59,000 Monthly Gross Pay: \$4,917	 Lawyer Yearly Income: \$99,000 Monthly Gross Pay: \$8,250

Encourage the students to choose a career based on their interest in the job, rather than simply choosing the job that pays most.

If the career they're actually interested in happens to pay the most, they can choose that one.

$$0.20 \times (\text{monthly gross pay}) = n$$

$$\text{Monthly gross pay} - n = \text{Monthly net pay}$$

Example:

$$0.20 \times \$4,250 = \$850$$

$$\$4,250 - \$850 = 3,400$$

Activity (5 minutes)

Tell the students the first thing they'll need to pay for is their **HOUSING**. Tell them the following:

“Housing is one of the most important expenses to manage each month. You need a roof over your head. First, think about where you want to live. Do you want own a home or live in an apartment? If you have an apartment, do you want to lower costs by having a roommate? Do you want to save even more and live with your parents in your early twenties?”



Your first option is to live with your parents for **\$250 per month**. This is the most affordable option. The \$250 will help your parents pay their mortgage and utility bills, such as electricity, internet, water, and heating. By choosing this option, you'll save more money every month, which will help you pay for your own home or apartment down the road.



Your second option is renting an apartment with a roommate for **\$500 per month**. This is a cheaper option than living alone, as you'll be sharing the cost of rent and utilities. However, be aware of the problems that may arise from lifestyle conflicts. Think of a roommate who plays guitar while you need quiet to study or work. Or financial issues, such as a roommate who has trouble paying their share of the rent and expenses.



Your third option is to rent an apartment by yourself for **\$1,000 per month**. You'll have the apartment all to yourself, but you'll be responsible for the full cost of the space and utilities. However, with no roommates, you have more freedom to decorate, watch television shows you like, and keep the temperature exactly how you want it.



The fourth option is to own your own home and pay a mortgage for **\$1,375 per month**. With the house being yours, you have even more freedom than renting an apartment. You can paint the walls and customize your home however you wish. Also, if you keep making your monthly payments, you'll eventually own the home outright--meaning you won't have to pay your mortgage anymore. However, taxes, insurance, utilities, and home repairs make this option the most expensive.

The choice is yours, but remember that your monthly income has its limits.”

Tell the students to choose their housing option and to write down the monthly cost at the bottom of page 4.

Give the students a few minutes to make their decision and then tell the students to turn their Maine Credit Unions Money Books to page 5.

Activity (5 minutes)

Tell the students the next thing they'll need to pay for is **FOOD**. Tell them the following:

“Another important expense to manage each month is food. Food is a need and not a want, so it should be a high priority expense when balancing a budget.

Your first option is the basic meal plan. This is the most affordable option, but it only includes the essentials, such as bread, eggs, milk, pasta, cheese, deli meat, and frozen vegetables. This option does not include dining out at restaurants.

Your second option is the average meal plan. This option includes all of the essentials from the basic plan, but it also includes fresh vegetables, chicken, beef, and snacks. With this option, you can dine out at a restaurant once a week.

Your third option is the organic meal plan. This option includes all the foods from the first two categories, but of better quality. The food items are free of any additives or chemicals, and are often locally produced. With this option, you can dine out at a restaurant twice a week.

Your fourth option is the premium meal plan. This option includes all of the foods from the first three options, along with foods like steak, lobster, and tasty desserts. With this option, you can dine out at a restaurant three times a week.”

Tell the students to choose their food option and to write down the monthly cost at the bottom of page 5.

Give the students a few minutes to make their decision and then tell the students to turn their Maine Credit Unions Money Books to page 6.



Activity (5 minutes)

Tell the students the next thing they'll need to pay for is **TRANSPORTATION**. Tell them the following:

"While vehicles come in a number of different price ranges, they are still one of the most expensive purchases you will make, so it is important to be sure you can afford it. The prices of the options on this page includes the cost of purchasing the vehicle, along with the estimated monthly costs of fuel, car insurance, and maintenance.

1.

Your first option is taking public transportation for **\$150 per month**. With this option, you won't have your own personal vehicle. This option is for those who plan to live in the city, where public transportation is more readily available.



2.

Your second option is to purchase an old clunker car or truck for **\$325 per month**. While this option is cheap, the vehicle may be unreliable--often breaking down on your way to work. You may also need to do regular maintenance to pass inspection and keep it on the road.



3.

Your third option is a used car for **\$500 per month**. It has a high mileage, but it has nice features, such as power windows, four-wheel drive, and air conditioning.



4.

Your fourth option is a used truck for **\$625 per month**. It has a high mileage, but it has nice features, such as power windows, four-wheel drive, and air conditioning.



5.

Your fifth option is a new car for **\$650 per month**. There's no scratches, dings, or dents, and it has lots of new features, such as bluetooth, wireless talking, collision warnings, automatic emergency breaking and more.



6.

Your sixth option is a new truck or sports car for **\$1,100 per month**. There's no scratches, dings, or dents, and it has lots of new features, such as bluetooth, wireless talking, collision warnings, automatic emergency breaking and more."



Tell the students to choose their transportation option and to write down the monthly cost at the bottom of page 6.

Give the students a few minutes to make their decision and then tell the students to turn their Maine Credit Unions Money Books to page 7.

Activity (5 minutes)

Tell the students the next thing they'll need to pay for is **CLOTHING**. Tell them the following:

“Clothing is considered an essential item, so make it a need and not a want. You must factor clothing into your monthly budget. There are four different clothing options you can choose from for today’s activity.

*Your first option is to buy clothing from thrift stores for **\$50 per month**. The clothes will likely be used, with the occasional rip, hole, or tear. Any clothes deemed unwearable would have already been sorted out at the thrift store already, so anything you find will be considered wearable.*

*Your second option is to buy clothes from discount retailers, such as Target, Walmart, or TJ Maxx for **\$100 per month**. The clothes will be new, but there are less options for brands.*

*Your third option is to buy name brand clothing for **\$200 per month**. This includes recognizable brands that you’ll often find at the mall or popular clothing retailers, including American Eagle, Levis, H&M, and more.*

*Your fourth option is to buy premium name brands for **\$400 per month**. These in-demand and more expensive brands include Supreme, Gucci, Louis Vuitton, and more.”*



Tell the students to choose their clothing option and to write down the monthly cost at the bottom of page 7.

Give the students a few minutes to make their decision and then tell the students to turn their Maine Credit Unions Money Books to page 8.

Activity (5 minutes)

Tell the students their next expense will be **SAVINGS**. Tell them the following:

“While saving money isn’t exactly an expense, it’s important to treat it like it is in your budget. By regularly saving amount a set amount of money each month, it becomes a habit. Having money saved away is a great way to help you pay for specific goals, such as going on a vacation or being able to retire.

You’ll be choosing what percentage of your monthly net income you want to save away from the future.

- *Your first option is to save away **5%** of your monthly net income.*
- *Your second option is to save away **7%** of your monthly net income.*
- *Your third option is to save away **10%** of your monthly net income.”*

Savings (choose one)

While saving money isn't exactly an expense, it's important to treat it like it is in your budget. By regularly setting aside a set amount of money each month, it becomes a habit. Having money saved away is a great way to help you pay for specific goals, such as going on a vacation or being able to retire.

You'll be choosing what percentage of your monthly net income you want to save away for the future.

5% 1. 5% of your monthly net income
_____ x 0.05 = _____
(your monthly net income) **5% of your income**

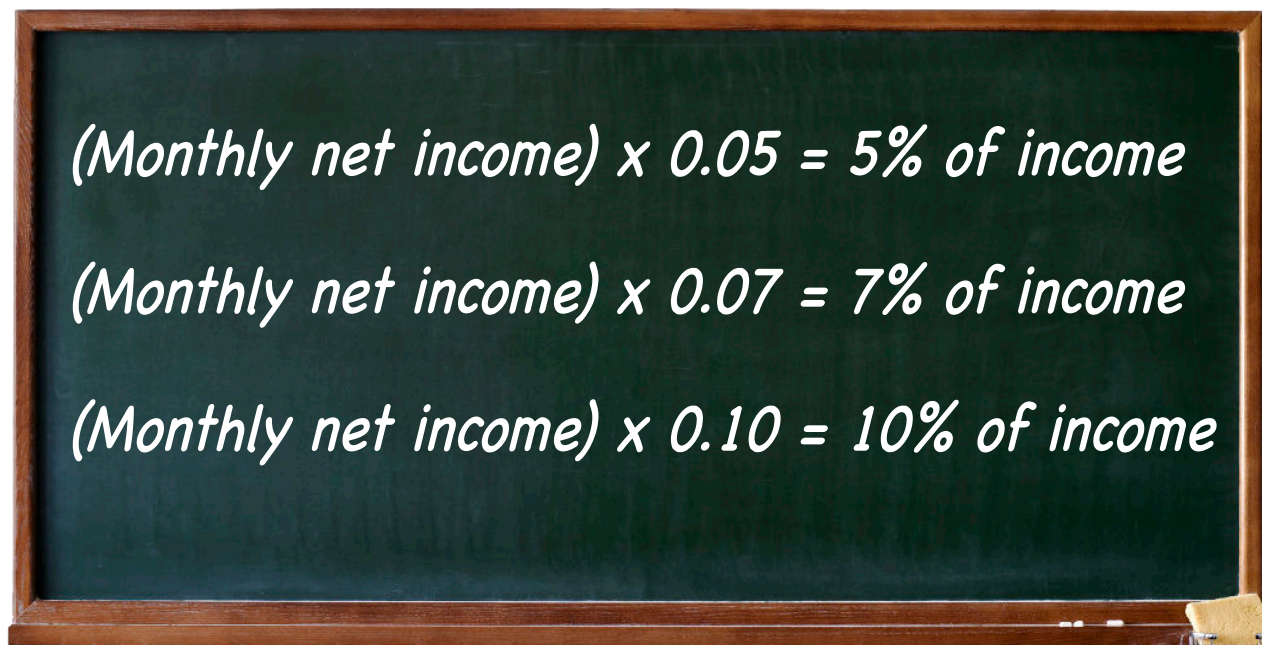
7% 2. 7% of your monthly net income
_____ x 0.07 = _____
(your monthly net income) **7% of your income**

10% 3. 10% of your monthly net income
_____ x 0.10 = _____
(your monthly net income) **10% of your income**

What is your monthly savings cost? _____

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To help the students calculate their savings percentage, write the following formulas on the board:



Walk around the room as the students calculate their monthly savings option. If a student has a question or appears stuck, help them. After all the students have calculated their monthly net savings option, have them write it at the bottom of page 8.

Next, ask them to turn to their Maine Credit Unions Money Books to page 9.

Activity (5 minutes)

Tell the students their next expense will be paying for **EXTRAS**. Tell them the following:

“Whether you have a large or small budget, everybody needs a few extras. While you could splurge on just about anything, there are some common options on this page. Choose at least three options from this page and add the costs up to determine your total monthly extras expense amount. Again, you need to choose at least three. However, if you think you have enough money in your budget, you can choose as many as you want. Your options are:”



Cell Phone



Internet & TV



Video Games



Gym Membership



Going to Movies



Vacation Planning



Haircut



Concerts & Activities

Tell the students to choose their options and to write down the totally monthly cost of their extras at the bottom of page 9.

Give the students a few minutes to make their decisions and then tell the students to turn their Maine Credit Unions Money Books to page 10.

Calculate Monthly Extras Cost

<u>Cell phone</u> (Extra #1)	\$	<u>70</u> (Cost)
<u>Internet/TV</u> (Extra #2)	+ \$	<u>75</u> (Cost)
<u>Haircut</u> (Extra #3)	+ \$	<u>25</u> (Cost)
<u>Vacation Planning</u> (Extra #4 - Optional)	+ \$	<u>100</u> (Cost)
MONTHLY EXTRAS COST	= \$	<u>270</u> TOTAL











Activity (5 minutes)

Tell the students the last thing they'll need to pay for is something unexpected. Tell them the following:

"Uh-oh! You've reached the curveball page. On this page, you'll be faced with making an unexpected expense. Much like in real life, sometimes you have to spend money on things you weren't expecting. After paying for your housing, transportation, food, and any extras, it's a good idea to make sure you still have some money left over. This money can help you pay for any unexpected expenses that pop up."



On this page, you see five different curveball expenses.

 1.	 2.	 3.	 4.	 5.
You fell and broke your wrist. You need to pay a deductible for your hospital visit.	You broke your phone and need to repair your screen.	You forgot to cancel a trial membership and it billed you through auto-renewal.	Your parking meter expired. You have to pay for a parking ticket.	You were driving too fast and got a speeding ticket.
				

What is your curveball?



If your first name has 1-4 letters:

Your random expense is curveball #1--meaning you need to **pay \$200.**

If your first name has 5-6 letters:

Your random expense is curveball #2--meaning you need to **pay \$100.**

If your first name has 7-8 letters:

Your random expense is curveball #3--meaning you need to **pay \$50.**

If your first name has 9-10 letters:

Your random expense is curveball #4--meaning you need to **pay \$25.**

If your first name has 10 or more letters:

Your random expense is curveball #5--meaning you need to **pay \$150.**

After the students have determined their curveball expense, have them write the amount at the bottom of page 10.

Activity (5 minutes)

Tell the students they've now chosen all of their monthly expenses. Explain to the class that they now need to add all of their expenses into their monthly budget sheet on page 11. Remind them that in order for them to have successfully balanced their budgets, they need to have spent less than what they earned for a monthly net income.

Ask the students to enter the cost of each expense into the "first draft" section of their budget sheet. Tell them if they add up all their expenses and they still have money left over, great--they did it! If they add up all their expenses and their spending more than they earn each month, they'll need to revisit some pages and choose some cheaper options. If they make changes, they can enter their new expenses into the "second draft" section. The students should repeat this process until they are spending less than they earn.

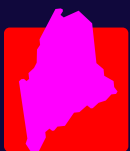
As the students are totaling their expenses, walk around the classroom. If a student has a question or appears stuck, help them.

Monthly Spending Plan			
Expenses	Monthly Total		
	First Draft	2nd Draft	Final Draft
Housing	<i>\$1,000</i>	<i>\$1,000</i>	
Food +	<i>\$600</i>	<i>\$400</i>	
Transportation +	<i>\$1,100</i>	<i>\$650</i>	
Clothing +	<i>\$200</i>	<i>\$200</i>	
Savings +	<i>\$210</i>	<i>\$210</i>	
Extras <i>(Choose a minimum of 3)</i>			
1 <i>Cell phone</i> +	<i>\$70</i>	<i>\$70</i>	
2 <i>TV/Internet</i> +	<i>\$75</i>	<i>\$75</i>	
3 <i>Gym Membership</i> +	<i>\$10</i>	<i>\$10</i>	
4 <i>(optional) Video Games</i> +	<i>\$50</i>		
Curveball +	<i>\$50</i>	<i>\$50</i>	
Total Spending =	\$ 3,665	\$ 2,665	\$
Monthly Net Pay <i>(from page 3)</i>	\$ 3,000	\$ 3,000	\$
Total Spending <i>(from page above)</i> -	\$ 3,665	\$ 2,665	\$
BALANCE (must be positive or 0) =	\$ - 665	\$ 335	\$

After all of the students have successfully completed their budget sheets, thank them for participating in the monthly budget simulation. Tell them you hope they found it education, insightful, and even fun! Let the students know that the QR code on the back cover of their Money Books will take them to the Maine Credit Unions website, where they can learn more about finances and preparing for their future.

THANK YOU, CREDIT UNION VOLUNTEERS!

Your time and commitment to financial education are important and appreciated.



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