

Total Cents Podcast Lesson 3

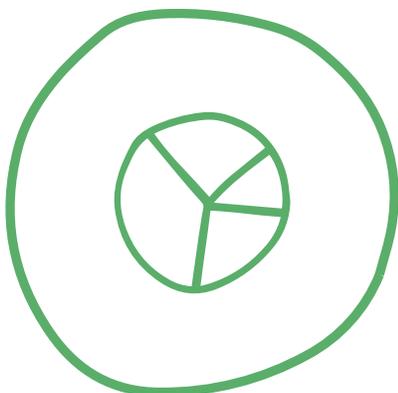
Show Them How to Budget

Topic Overview

As we saw in the lesson about helping your child understand the value of a dollar, introducing your kids to the household budget—however uncomfortable that might be—is a crucial step in helping them to understand what money is and what money does. It’s not your salary that gets you wealth accumulation - it’s your budgeting. But even though budgeting is key to financial success, it is a topic that is avoided, even at the adult level.

Have Ready:

- *Piece of paper and pen to take notes*
- *Your family budget if you keep it on an Excel spreadsheet or Quicken*
- *Credit card statement or check book*



Your Intro Discussion With Them

Tonight we are going about budgeting. A budget is telling your money where to go, instead of wondering where it went. It’s a tough conversation for most parents to have as, to some extent, all adults struggle with how much we spend for one reason or another. Some people spend too much. Believe it or not, other people should consider spending more. But I think all of us sometimes aren’t sure if we’re doing it right. Budgeting is getting control over your money- or the lack of it will always control you. Let’s talk about it.

Step 1

Go BIG Picture

What is budgeting?

- *Budgeting- deciding what our priorities are and structuring our financial situation accordingly. Doing this right let's one spend without guilt, assuming they've included saving as part of that budget.*
- *right, this allocation of resources gives one the ability to spend without guilt, assuming they've included adequate saving as part of their budget.*

Step 2

Make it relevant to them.

Who creates a budget?

- *Pretty much everyone. Whether you're an individual, family or business- you should budget!*

Step 3

Give them a how-to.

This is where you grab that pen and paper.

In general, how do you think a family creates a budget?

First think big picture. What are the broad categories we should consider?

- *I'll start you off with a hint- Housing*
- *Transportation*
- *Food*
- *Utilities*
- *Insurance*
- *Medical & Healthcare*
- *Entertainment*
- *Saving*

Second, let's think about specific things that we spend money on in our household? We'll go category by category.

Test how far down the road they can look.

- *What about next year's fashions or the technology that might be available in two years?*
- *Is there a tux that will need to be rented for a prom in three years?*

If we ran into a bad money situation, what would we cut first? Then what? And what next?

- *This is typically when you start to have a conversation of Needs vs Wants, otherwise known as the distinction between fixed versus discretionary expenses.*

Step 4

Put it in real world context

How do you think these other different entities approach their budgeting?

- *Starbucks?*
- *Your school?*
- *You?*

Let us show you how we do it for our family.

- *Show them your family budget.*
- *Why not? What's to hide? Should they start to get an appreciation now of how to organize their spending in a way that they'll be able to plan later.*
- *You can add, This budget is just a representation of our values.*

Conversation Wrap Up

At the end of the day, those who can budget have an easier time saving money- because they have a plan. Just like if you were going to build a house, you wouldn't just start banging boards together. We don't want you to think of budgeting as restricting. Rather, it's empowering. It helps you control your life instead of the other way around.