

Total Cents Podcast Lesson 3

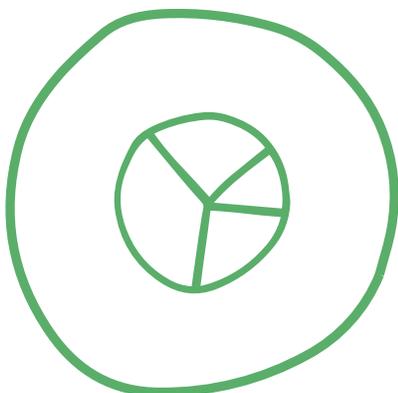
Show Them How to Budget

Topic Overview

Introducing your kids to the household budget, however uncomfortable, is a crucial step in helping them to understand what money is and what it 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 we often avoid, even as adults.

Have Ready:

- *Piece of paper and pen to take notes*
- *Your family budget*
- *Credit card statement and check book*



Your Intro Discussion With Them

Tonight we are discussing 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. Other people should consider spending more. But it's hard to know if we're doing it right. Budgeting is getting control over your money or the lack of a budget will always have control over you. Let's talk about it.

Step 1

Go BIG picture.

What is budgeting?

- Budgeting means deciding priorities and then structuring your financial situation accordingly.
- An effective allocation of resources lets you spend without guilt, assuming you've included savings as part of your budget.

Step 2

Make it relevant to them.

Who creates a budget?

- Budgeting is a team effort. Whether you're an individual, family, or business, you should budget.

Step 3

Give them a how-to

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 in broad categories. Start with the basics:

- Housing
- Transportation
- Food
- Utilities
- Insurance
- Medical & Healthcare
- Entertainment
- Savings

Second, let's think about specific things that we spend money on in our household. This is also an opportunity to challenge your budget-planners to see how far ahead they can think. For example:

- Are there any upcoming fashion trends or technology releases that might be available in a year or two?
- Will you need a tux rented or a dress purchased for prom in three years?
- When you get your license, what do you plan on driving and how will you keep the tank filled?

Third, plan for the unthinkable. An emergency situation is much more manageable when you've got a plan in place. These conversations can be hard to have, so start with the basics:

- Identify the difference between a need and a want, otherwise known as fixed versus discretionary expenses.
- Discuss the importance of savings and set up realistic expectations for how much money should go where.

Step 4

Put it in a real-world context

How do you think different entities approach their budgeting?

Look at real institutions in your neighborhood—how do you think they handle budgeting and expense tracking?

- Can you guess how much Starbucks spends on their cups?
- How much printer ink do you think your school goes through in a year?
- What oddball expenses do you record in your household?

Here's how we approach this exercise in our family:

- Give them visibility of the family budget.
- Be transparent about the cost of certain household necessities.
- Encourage your kids to follow your template and start to map out their own expense tracking.

Using real-world examples helps to bridge connections and encourages critical thinking while preparing your children for a future when they start to live on their own.

Conversation Wrap Up

At the end of the day, those who budget have an easier time saving money. This is because they have a plan. This is also why you shouldn't think of budgeting as something that's restricting. Rather, it's empowering. It helps you control your life instead of the other way around.