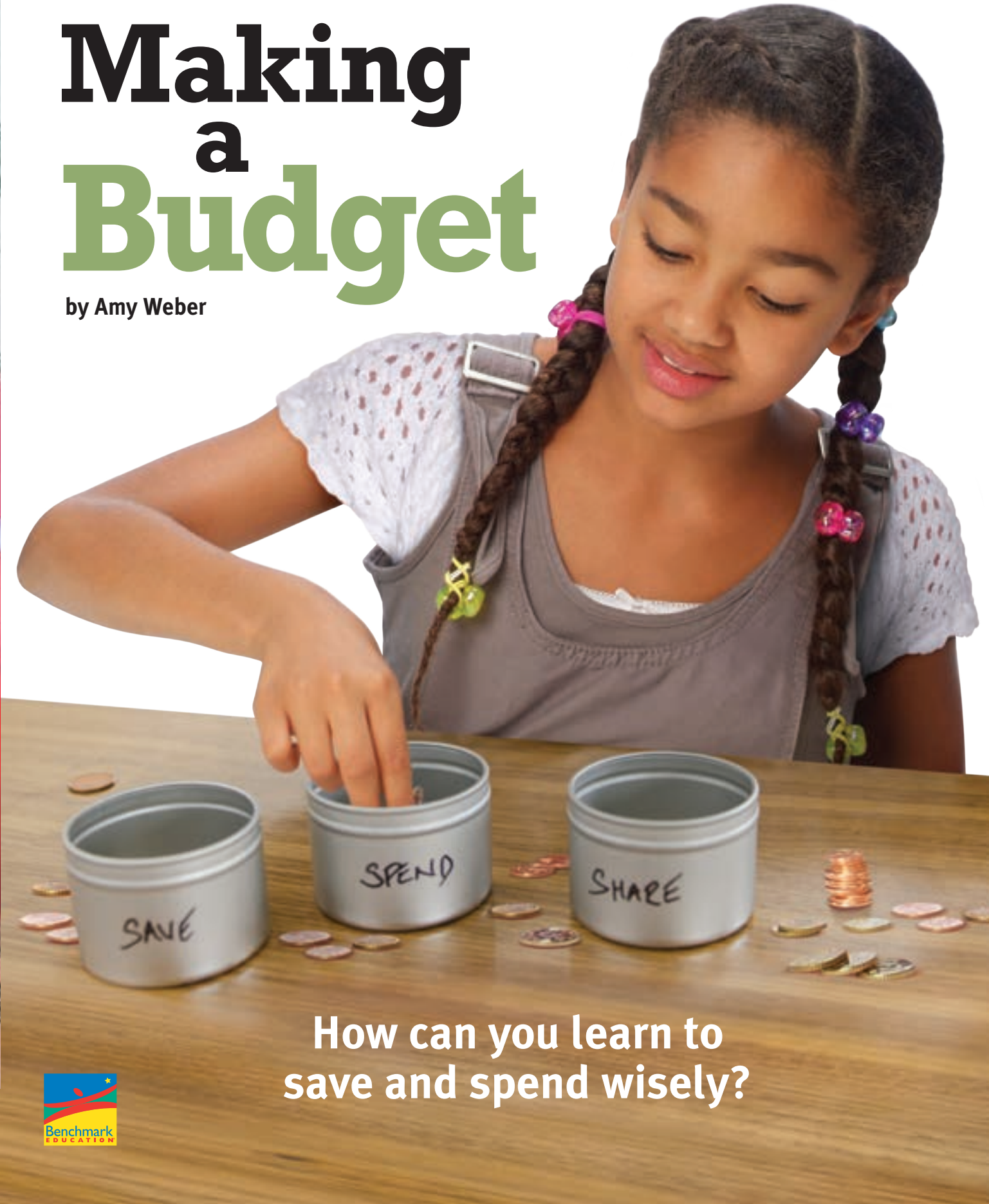
Spot On Social Studies

Making a Budget

by Amy Weber



How can you learn to save and spend wisely?

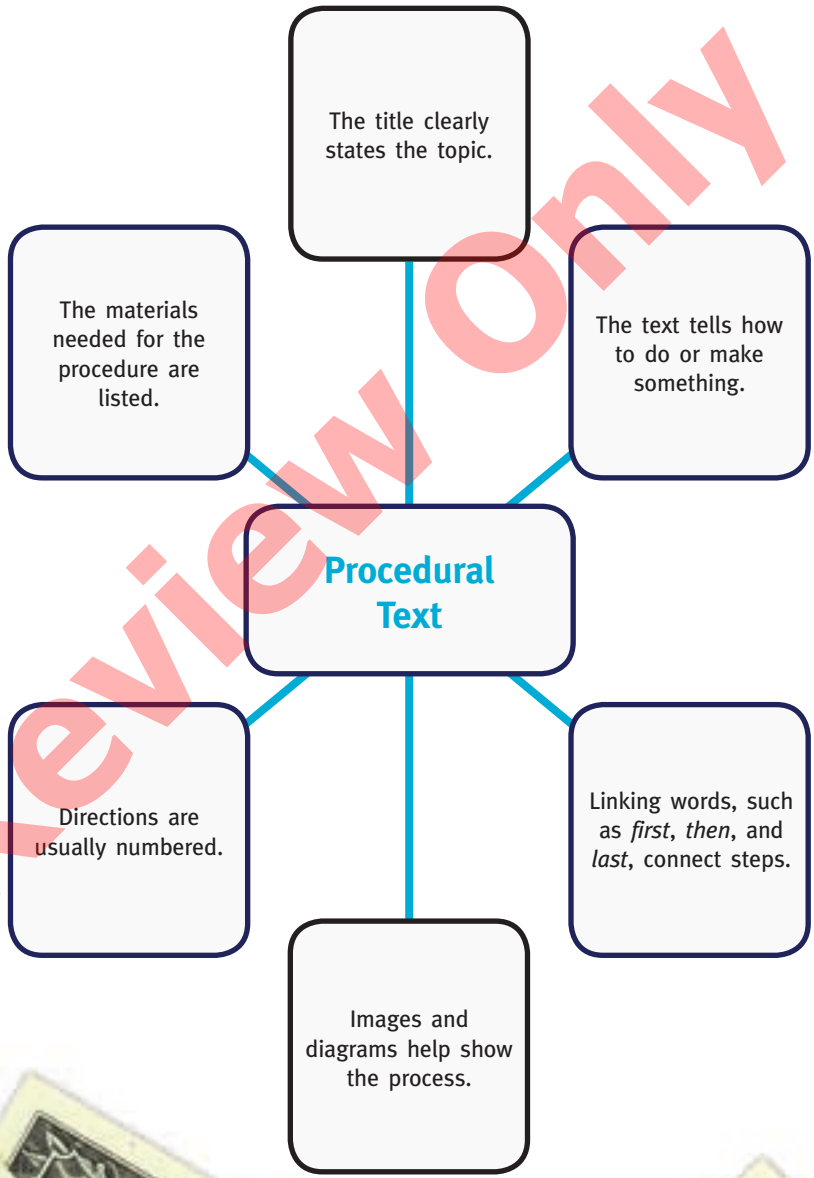
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ANSWER





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What Is a Budget?

A **budget** is a plan for handling money. A budget helps people keep track of money. It includes money earned, money **saved**, and money spent. A budget helps people plan ahead and save.

If people spend more money than they earn, they will be in **debt**. They will owe money. If people earn more money than they spend, they will have extra money. A budget shows people what they can **afford**.



◀ **This family uses a budget to save for a family vacation.**

People use budgets to make choices. A town's budget shows how much money the town has. This helps the town decide how much money to spend on schools, roads, or other services.

A business's budget shows how much money the business earns. It also shows how much money the business spends. Businesses must pay the people that work for them. These costs go into the budget. Making a budget takes careful thinking and planning.

Families make budgets, too. A family's budget shows how much a family earns. It also shows how much a family can afford to spend.

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Where does the word *budget* come from?

The word *budget* comes from the Latin word *bulga,* which means "bag."



Earning and Spending Money





▲ Washing dishes and raking leaves are different types of chores.

Budgets can show money earned and money spent.

Income

Income is the money that a person makes or earns. Income is "money in." Income can be the **salary** a person earns at a job. It can also include an **allowance** or money earned from doing chores. Money received as a gift, such as a birthday gift, is also "money in."

When making a budget, a person must think about his or her total income within a given period of time. A person may think about the income for a week, a month, a year, or more.

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LET'S TRY IT

List Max's "Money In"

Look at the pictures. Make a chart like the one below. Write all the money Max makes. This shows Max's "money in."

Gift Money:	$
Money from Doing Chores:	$
Money from Working for Others:	$

▲ Max is thinking about his "money in."

Expenses

Expenses are another important part of a budget. Expenses are "money out." Expenses are what people spend their income on. Expenses include needs and wants.

Some examples of needs include food and water. A person can't live without food or water.

Wants are things a person might like to have but can live without. Wants include anything from fancy clothing to toys or electronics.

Part of planning a budget is to list all the expenses. Next is to think about which expenses are needs and which are wants.

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Needs:

What a person needs to live



Wants:

What a person likes to have





▲ **Lily is thinking about her expenses.**

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LET'S TRY IT

What Are Lily's Expenses?

Look at the pictures. Make a chart like the one below. Write all the money Lily spends. This shows Lily's expenses.

Food/Snacks:	$
Gifts:	$
Other Items:	$