

# Twenty Pennies: How will YOU Budget Your Life?



**Introduction:** Learners are given an income of 20 pennies to budget. They must make decisions about where to live, what to drive, what to eat, and how to dress. Once these decisions are made then they are faced with decisions about communications and entertainment. Then consider insurance and charitable giving. The possibilities are unlimited. But, the income is LIMITED --- to 20 pennies.

Learners place the number of pennies that represent the cost of each spending decision they make. They usually start out purchasing a nice house, cool car and then they start to realize that they will run out of pennies. The physical nature of this activity enables them to easily change their mind but to understand that their income is limited.

**Time Frame:** One 40 to 50 minute period

**Activity:** Begin by giving each student a copy of the 20 Pennies Activity Board and a baggie with 20 pennies in it.

1. Explain that each person currently earns 20 pennies.
2. Each of them is to create a budget showing how they want to spend their 20 pennies.
3. Explain that each person makes decisions that will bring them the most utility or satisfaction. There is not a right or wrong decision.
4. But, they must understand that they cannot use credit. They must live on the 20 pennies they earn.
5. Have participants start to allocate their pennies at this time. Walk around observing their actions and listening to their comments. Take notes of comments you might want to discuss.
6. After about five minutes, mention that it is important that they have insurance. Many bankruptcies are due to people who had a medical problem and were uninsured or underinsured.
7. Also discuss that it is wise to first save for a rainy day and then to save for long range financial goals such as a down payment on a house, retirement, or college.
8. Allow five more minutes for allocation decisions.
9. Now the learning comes from the discussion. Discuss the following questions.
  - a. Could you afford everything you wanted? (no, you had to give up some things) Explain that in economics what you give up is the opportunity cost of the decision.
  - b. Did you trade-off some of one thing to get more of another? (encourage learners to share what was important to them)
  - c. Have a few participants share what they would purchase in each of the categories: housing, transportation, food, clothing, entertainment, insurance, saving, and philanthropy. Note that for many people giving to others make them happy. They receive satisfaction from helping others.

10. Participants will share things that make them happy. Some will share tips they have found for saving money on things they want to purchase. Their comments will be based on what they value. This is what you want. Don't let them talk too much. Some individuals get carried away.
11. Now tell them that our economy was in a deep recession and their income was reduced to 15 pennies. What will they give up now? Have them remove five pennies and reallocate.
12. Discuss the changes they made. Relate this to the recent recession. Note that we do not know when we will experience a 'rainy day' so it is very important to have savings to help you during these times.
13. Also note that a budget is designed to help us meet our financial goals. Have participants work in groups of three to make a list of financial goals. These would be anything they want for which they need to save. It could be a new car or a nice bicycle. It could be a down-payment on a house. It could be a retirement account or a child's college fund. It could be a vacation.
14. Have participants write an S beside things on their list that would take three years or less. These are short-term goals. Write an L beside the others. They are long-term goals.
15. Have each group take two of the goals and determine how long it would take them to achieve that goal. For example, someone may be saving \$2400 for a vacation and they want to do this in two years. Have them determine how much they will need to save each month to achieve this goal. Since two years is 24 months you would divide 24 into \$2400. You would need to save \$100 a month for two years to achieve this goal. Relate this back to the 20 pennies activity. What will they give up in order to save that \$100 a month.
16. Points to reiterate after the activity:
  1. A budget is a tool you develop to help you achieve your financial goals.
  2. Financial goals are your plans for getting things that will make your life better.
  3. Saving is important for achieving financial goals and for protection from unexpected expenses.
  4. You should spend less than you earn.
  5. Use credit only for large expenditures that will increase in value – such as a house or education.
  6. If you must use revolving credit such as a credit card, get one with no charge for the card and a low interest rate. Pay it off as quickly as possible. Do not pay only the minimum payment. You pay the lender for the use of their money. Therefore, it cost you more.
  7. Some things bring a lot of happiness that aren't purchases such as friends, family or helping others.
17. Remind learners that a budget is individual and that they can set and achieve goals using a budget.
18. Many long term goals can be achieved by investing your money in ways that will help it to grow. These should be carefully researched and purchased through a licensed broker.

**Closure:** Ask participants to go home and write down financial goals. Encourage them to create a budget. Placing photos of financial goals on the refrigerator or somewhere in the house can help people to keep focused on them. When considering an impulse purchase, think about your long-term financial goals.



# Twenty Pennies ----- Allocating Monthly Income



\$400K new home <b>20</b>	\$225K 10-yr-old house <b>15</b>	\$150K 20-yr-old, house <b>10</b>	\$100K small house/condo <b>6</b>	Apartment <b>4</b>	Living with others <b>1</b>
Luxury SUV <b>10</b>	Older SUV <b>7</b>	Late-model luxury <b>6</b>	Late-model sedan <b>4</b>	Older dependable vehicle <b>3</b>	Mass transit/Bicycle <b>1</b>
Gourmet upscale restaurant <b>10</b>	Healthy groceries & restaurant <b>7</b>	Fast-food <b>5</b>	Basic groceries & dining out <b>4</b>	Staples + prepared foods <b>3</b>	Staples only <b>2</b>
Designer wardrobe <b>10</b>	Stylish wardrobe <b>7</b>	 <b>4</b>	Classic wardrobe <b>4</b>	Functional wardrobe <b>4</b>	Secondhand clothing <b>2</b>
 Complete cov + health/dental <b>8</b>	Low deduct, drug prescript <b>6</b>	Medium deduct, limited prescript <b>5</b>	High deduct, no prescription <b>4</b>	Catastrophic no prescriptions <b>2</b>	
Internet, cable, WiFi, movies <b>4</b>	Basic TV & internet <b>2</b>	Unlimited data Smart phone <b>3</b>	Limited data <b>2</b>	 "Dumb" phone <b>1</b>	
Weekend outings <b>1</b>	International vacation <b>3</b>	U.S. vacation <b>2</b>	Local vacation <b>1</b>	Gym Membership <b>2</b>	Pets <b>1</b>
\$400-month saving-long term <b>2</b>	 \$200/ month saving-short term <b>1</b>	\$400 gift non-profit <b>2</b>	\$200 gift non-profit <b>1</b>	Other <b>?</b>	





## Financial Facts



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5. Use credit only for large expenditures that will increase in value – such as a house or education.
6. If you must use revolving credit such as a credit card, get one with no charge for the card and a low interest rate. Pay it off as quickly as possible. Do not pay only the minimum payment. You pay the lender for the use of their money. Therefore, it cost you more.
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