

Lesson 1: Budget Basics

OUTCOME:

Students will learn about the key concepts in budgeting and review the Government of Canada's main revenues and expenditures.

PERFORMANCE INDICATORS:

Upon completion of the lesson, students will be able to:

- Demonstrate critical thinking skills about spending choices and financial decisions.
- Identify the key concepts that are associated with budgeting.
- Understand why budgeting is important.
- Identify the Government of Canada's main expenses and sources of revenue.
- Understand what a government pre-budget consultation is and why citizens should participate.

RESOURCES:

- Worksheet 1.1: Personal Budget Form
- Handout 1.2: Financial Profiles
- Worksheet 1.3: Government Expenditures and Revenues Worksheet
- Handout 1.4: Expense Cheat Sheet
- Video: Introduction to the Student Budget Consultation (with Minister of Finance Bill Morneau)
- Video 1: The Government of Canada's Budget
- Video 2: The Government of Canada's Expenditures
- Video 3: The Government of Canada's Revenues
- PowerPoint A: Budget Basics
- PowerPoint B: The Government of Canada's Expenditures
- PowerPoint C: The Government of Canada's Revenues
- 2015 Student Budget Consultation Results

Teacher Note: It is not necessary to use all of these resources. The videos and PowerPoints contain similar information.

ACTIVITIES:

Hook: 25 min

1. Introduce the concept of budgeting. Ask students if they plan how they spend their money in advance or if they have ever had to make a plan for a large sum of money.
2. Provide students with one copy of the personal budget form (Worksheet 1.1) and one profile from Handout 1.2. Using the profile assigned, have students plan out monthly expenses according to the money they have to work with. Some expenses are fixed but others will be left for students to decide upon.

Teacher Note: Using an overhead projector or Smartboard, take students through an example of how to use the personal budget form. It might be helpful to review some average cost estimates for your local area (e.g., rent, transit, food) or use the national estimates (Handout 1.4) to provide students with a more realistic sense of potential expenses.

3. Afterwards, debrief on the activity as a class using the following guiding questions:
 - What were the priorities of the character from your profile? Explain your spending choices.
 - Was it challenging to budget your money? Why or why not?
 - Did you end up having enough money each month? Were you able to save money or would you have to borrow money to meet your needs/wants?
 - What are some things that are worth borrowing money for?
 - What did you learn through the process?

Project Introduction: 5-10 min

Watch the 'Introduction to the Student Budget Consultation' video with Minister Bill Morneau.

The budgeting process is an integral part of financial management for individuals, businesses, organizations and governments. Budgets can help keep expenses on track and support effective decision-making for spending and investments, as well as saving or borrowing money.

As part of the budgeting process, governments consult with citizens, stakeholders, opposition parties and economists each year to get their views and recommendations about government spending priorities, revenue adjustments and how best to support the country's economy.

The Government of Canada's Minister of Finance and the House of Commons Standing Committee on Finance host pre-budget consultations with citizens and stakeholders through in-person meetings, written submissions, online surveys and virtual town halls to reach a broad audience throughout the country. The purpose of these consultations is to listen to the views of Canadians regarding what the government should address in the upcoming budget.

Young Canadians across the country have been invited to take part in the 2017 Student Budget Consultation program, coordinated by CIVIX. This is the fourth federal Student Budget Consultation that has taken place since 2012 and more than 5,000 Canadian students are expected to participate.

Essential Learning: 25-30 min

1. Using Video 1 and/or PowerPoint A, provide an overview of key budget terms and their relevance at the federal level.
 - Income/Revenue: 'money in', money received, money earned
 - Expenses/Expenditures: 'money out', money spent, costs, payment for goods or services
 - Surplus: excess, when you have more revenues than expenses, a positive fiscal balance
 - Deficit: deficiency, when you have more expenses than revenues, a negative fiscal balance, budget shortfall
 - Debt: the amount you have borrowed over time and need to repay, an accumulation of months or years of a deficit, an amount of borrowings
2. Using Video 2 and/or PowerPoint B, provide a summary of the Government of Canada's expenditures.
 - Transfers (to people, governments, other organizations)
 - Program expenses (operating expenses of 130 departments, agencies and crown corporations)
 - Interest on the national debt (debt charge on the amount of borrowings)

3. Using Video 3 and/or PowerPoint C, provide a summary of the Government of Canada's revenue sources.

- Taxes (personal, corporate, GST, other taxes)
- Employment Insurance premiums (paid by employers and employees)
- Crown earnings (investments, sale of goods and services, crown corporations)

4. Assign Worksheet 1.3 to review the key terms and concepts from the videos.

Debrief: 5-10 min

It is important for students to have a voice in the budgeting process because they will inherit the financial decisions that the federal government makes now, and those decisions will affect their education, families and employment prospects in the future.

Start a discussion about the Student Budget Consultation. Key questions:

- When you finish your schooling, how confident are you that you will find a job that interests you within Canada?
- What concerns do you have for your future? What challenges do you feel you need to overcome?
- Do you think it is important for you to care about the federal budget?
- Why should the government be consulting with youth about the budget or any other public policy?
- On which other public policy issues would you want youth to be consulted? Why?

EXTENSION ACTIVITIES:

- A. Review the results of the last Student Budget Consultation held in advance of the 2015 federal budget (2015 Student Budget Consultation Results). What findings are most interesting? Are any of the results surprising? Do students agree or disagree with the opinions of those surveyed?
- B. Minister Bill Morneau and the Liberal government tabled their first budget following the federal election in March 2016. Review the highlights from the 2016 budget using media sources. Are there aspects you like or dislike? What policies will impact you and your family?

Recommended articles:

- ["Federal budget 2016: Highlights of Bill Morneau's first budget," *CBC News* \(March 22, 2016\)](#)
- ["Highlights of the 2016 federal budget," *Toronto Star* \(March 22, 2016\)](#)
- ["Breaking down the biggest items — and biggest omissions — from the 2016 budget," *Postmedia* \(March 22, 2016\)](#)

- C. Students are facing increasing amounts of debt following post-secondary education. According to the Canadian Federation of Students, the average university student leaves campus with approximately \$30,000 in debt. According to research studies, it takes most students between six and seven years to pay off this debt. This has serious social and economic implications, as young people will likely delay getting married, buying a home and having children. It will also impact general spending habits which can influence the economy.

Share news articles about the issue of growing student debt in Canada. Discuss the impact of student debt on young Canadians, as well as on society and the economy.

Recommended articles:

- ["As student debt climbs to an average past \\$25K, schools invest in battling the mental-health issues it causes," *The Canadian Press* \(May 30, 2016\)](#)
- ["Average student debt difficult to pay off, delays life milestones," *CBC News* \(March 11, 2014\)](#)

- D. Canadian household debt has grown significantly over the last decade and officials warn that household spending is out of control. The concern is that interest rates are currently low and therefore debt is manageable, however at some point, interest rates will increase and many households may be too stretched to respond to increased amounts they will be required to pay on borrowings.

Share news articles about the issue of household debt and discuss the impact on Canada's economy.

Recommended articles:

- ["Canadians' Household Debt Now Worth More Than Entire Economy," *Huffington Post* \(November 10, 2016\)](#)
- ["Canada's record household debt is threatening its financial stability, global bankers fear," *Bloomberg News* \(October 24, 2016\)](#)
- ["Canada's household debt is now bigger than its GDP, for the first time," *Financial Post* \(September 15, 2016\)](#)

- E. Have students review articles from the 'Paycheque Project' on the *Globe and Mail* website. Ask students to write a reflection about the stories shared. What do you envision for your future finances? Do you find these stories enlightening or shocking? Why or why not?

Recommended Articles:

- ["'I spent half my salary on rent,' says millennial who lives out of his van," *Globe and Mail* \(November 17, 2016\)](#)
- ["Downtown Toronto on \\$60,000 a year: What one millennial spends," *Globe and Mail* \(May 10, 2016\)](#)
- ["Rent, food, gas and pets: What one millennial spends in a month," *Globe and Mail* \(April 25, 2016\)](#)
- ["How this Montreal grad student plans to finish school with zero debt," *Globe and Mail* \(October 25, 2016\)](#)
- ["By age 40, Vancouver millennial wants 'to have a quarter of a million'," *Globe and Mail* \(September 13, 2016\)](#)

ADDITIONAL RESOURCES:

- Student Budget Consultation website – <http://budgetconsultation.ca/>
- 2015 Student Budget Consultation Results – <http://budgetconsultation.ca/about/>
- Student Vote Federal Resources (Lesson 3, Video 3) – <http://studentvote.ca/federal2015/>