

Lesson 1: Budget Basics

BIG IDEA:

A budget is a financial plan that shows the breakdown of money to be received and spent for a specific period. Budgets are important planning documents that are used by individuals, businesses, organizations and governments to ensure financial management, and that help outline priorities and achieve long-term goals.

LEARNING GOALS:

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; and
- Understand what a government pre-budget consultation is and why citizens should participate.

RESOURCES:

- Activity Sheet 1.1: Personal Budget Plan
- Handout 1.2: Financial Profiles
- Handout 1.3: Expense Cheat Sheet
- Activity Sheet 1.4: Budget Basics
- Video: 'Introduction to the 2018 Student Budget Consultation'
- *Budget Basics* videos (animated videos explaining the federal budget process)
 - Video 1: The Government of Canada's Budget
 - Video 2: The Government of Canada's Expenditures
 - Video 3: The Government of Canada's Revenues
- Slide Deck A: Budget Basics
- Slide Deck B: The Government of Canada's Expenditures
- Slide Deck C: The Government of Canada's Revenues

Teacher Note: The videos and slide decks contain similar information so it is not necessary to use all of these resources.

ACTIVITIES:

Hook: 25-30 min

1. Introduce the concept of budgeting. Ask students if they plan in advance how they spend their money or if they have ever had to make a plan for a large sum of money.
2. Divide students into groups and provide each member with a copy of the Personal Budget Plan (Activity Sheet 1.1) and the same Financial Profile from Handout 1.2.
3. Using an overhead projector or Smartboard, take students through an example of how to use the Personal Budget Plan (Activity Sheet 1.1).

Teacher Note: It might be helpful to review some average cost estimates for your local area (e.g., rent, transit, food) or use national estimates (Handout 1.3) to provide students with a more realistic sense of potential expenses.

4. Using the profile assigned, give students time to individually plan out monthly expenses according to the money they have to work with for their scenario. While some expenses are fixed, others will be left for students to decide upon.
5. Have each group debrief on their budget plans and share their spending choices. Afterwards have each group try to come up with budget plan they can all agree on.
6. Debrief on the activity as a class using the following guiding questions:
 - 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 wants/needs?
 - Was it easy to agree on a group budget? Why or why not?
 - What did you learn through the process?

Background: 5-10 min

Guiding questions: What is a budget? Who does the government consult with while preparing its budget? What is the Student Budget Consultation?

Resource: Watch the 'Introduction to the 2018 Student Budget Consultation' video with Bill Morneau, Canada's Minister of Finance.

Additional notes:

- 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 of all levels 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 Department 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 questionnaires and virtual town halls to reach a broad audience throughout the country. These consultations launched on November 9, 2017 for Budget 2018.
- Young Canadians across the country have been invited to take part in the 2018 Student Budget Consultation, a program coordinated by CIVIX.

Getting Into It: 15-30 min

Guiding questions: What are the key concepts in budgeting? What are the government's main revenue and expenditures?

1. Using Video 1 and/or Slide Deck A, provide an overview of the following key budget terms and their relevance at the federal level of government:
 - 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; and
 - 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 Slide Deck 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); and
 - Interest on the national debt (debt charge on the amount of total borrowings).
3. Using Video 3 and/or Slide Deck 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); and
 - Crown earnings (investments, sale of goods and services, crown corporations).
4. For homework or in-class, assign Activity Sheet 1.4 to review the key terms and concepts from the three project videos.

Consolidation: 5-10 min

Have a closing discussion about the Student Budget Consultation. Alternatively, ask students to prepare a written reflection.

- Why do you think budgeting is important? What would be the consequences if people or governments failed to budget?
- 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?

Extension Activities:

- A. Students are facing increasing amounts of debt following post-secondary education. According to the Canadian Federation of Students, the average university student leaves school with approximately \$30,000 in debt. According to research, it takes most students between six and seven years to pay off this debt – with some students requiring significantly longer. This has serious social and economic implications, as young people will likely delay getting married, buying a home and starting a family due to debt payments and interest. It will also impact general spending habits, which influence the economy.

Distribute various news articles to students about the issue of growing student debt in Canada. Have students read and summarize the information and present it to the class.

Debrief: Do you think student debt is an important issue? What is the impact of student debt on young Canadians, as well as on society and the economy?

Recommended articles:

- ["77% of Canadian graduates have regrets about student debt: poll," *Global News* \(September 20, 2017\)](#)
- ["Record-level student debt contributing to Canada's debt crisis: report," *The Telegram* \(April 26, 2017\)](#)
- ["The number of young Canadians going bankrupt is rising — but student debt isn't the whole story," *Global News* \(March 27, 2017\)](#)
["When student loans step on your dreams," *Globe and Mail* \(March 14, 2017\)](#)
- ["Here's the state of student debt in Canada," *Vice News* \(January 27, 2017\)](#)

- B. Canadian household debt has grown significantly over the last decade, and officials warn that household spending is out of control. While Canadian interest rates are low, they have begun to rise over the past year. The concern is that, at some point, interest rates will spike and many households may be too financially stretched to cover the increased amounts they will be required to pay on their borrowings (for things like mortgages, car payments and bank loans). Share news articles about the issue of household debt, and discuss the impact on Canada's economy.

Recommended articles:

- ["Canada's household debt burden hits record," *The Canadian Press* \(September 15, 2017\)](#)
 - ["Canada's economy is riding a wave of consumer debt. But for how long?" *Canadian Business* \(August 28, 2017\)](#)
 - ["Canadian household debt warnings overblown: Report," *Postmedia* \(July 18, 2017\)](#)
 - ["What higher interest rates mean for real estate, debt and the economy," *Maclean's* \(July 10, 2017\)](#)
 - ["Canadians owe \\$1.67 for every \\$1 of household disposable income, StatsCan says," *CBC News* \(June 14, 2017\)](#)
- C. Last year, the *Globe and Mail* created the 'Paycheque Project' to profile how some Canadians are choosing to spend their money. Some of the more popular profiles are listed here, with additional stories posted regularly online: <https://beta.theglobeandmail.com/globe-investor/personal-finance/genymoney/the-most-popular-paycheque-profiles-of-2016/article33078865/>

Have students review articles from the 'Paycheque Project,' and ask them 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?

- D. A recent survey of "financial guilty pleasures" cited that eating out was the most popular indulgence for Canadians. In fact, 72 per cent of Canadians dine out, and 71 per cent order takeout, more than a few times a month – this adds up to about \$200 per person. This marks a major shift from past generations, where eating out was less common and even considered 'frivolous.'

Guiding questions: is it irresponsible to spend money on something that may not be necessary, if it brings you happiness? Other examples could include movies, video games, concert and sports tickets and vacations. Should Canadians put their 'needs' before their 'wants', and instead focus on saving for essentials? To what extent should there be a balance?

ADDITIONAL RESOURCES:

- Student Budget Consultation website – <http://budgetconsultation.ca/>
- Student Vote federal election resources – <http://studentvote.ca/federal2015/>