

EXPENDITURES, 10 SAVING



PEOPLE INCUR
EXPENDITURES WHEN
THEY BUY GOODS
AND SERVICES.



**Economics
Arkansas**
EDUCATION FOR REAL LIFE

CONCEPT STATEMENTS FOR ELEMENTARY ECONOMICS

1. People consume goods and services to help satisfy their wants.
2. Resources are used to produce goods and services.
3. Because many things are scarce, people need ways to allocate them.
4. Scarcity requires people to make choices that involve trade-offs and have opportunity costs.
5. Specialization and division of labor increase people's productivity and dependency on one another.
6. People are willing to make exchanges when what they receive is worth more to them than what they give up.
7. Money makes trading easier.
8. The price of a good, service, or resource is determined by buyers and sellers in that market.
9. People earn income when they sell their resources.
10. **People incur expenditures when they buy goods and services.**
11. Entrepreneurs and businesses incur costs when they buy resources and earn revenues when they sell the goods and services produced with those resources.
12. Governments provide goods and services and collect taxes.

PEOPLE INCUR EXPENDITURES WHEN THEY BUY GOODS AND SERVICES.

PRODUCT MARKETS: markets where goods and services are exchanged (generally consumers are buyers and producers are sellers in these markets)

Examples:

- ❖ open-air bazaars, shopping malls
- ❖ online shopping sites, garage sales
- ❖ department, grocery, or furniture stores
- ❖ restaurants, offices, coffee shops

EXPENDITURES: money spent to buy goods and services

Examples:

- ❖ "spend": \$5 to buy a box of cereal; \$25 to pay for bicycle repairs
- ❖ "save": \$10 a month put into a saving account (spent later to buy a new bike)
- ❖ "share": \$20 donation to an animal shelter (spent by the shelter to buy dog and cat food)

SAVING: setting aside money (part of one's income) to buy goods and services in the future

Examples:

- ❖ putting coins in a piggy bank
- ❖ stashing dollars in a cookie jar
- ❖ depositing money in a saving account
- ❖ putting money in an envelope each month

Concept Statement Examples

- ❖ Anna earned \$20 by babysitting. She spent \$16 (expenditure) to buy a new shirt she ordered from a catalog (product market) and \$4 (expenditure) to buy some bananas at a grocery store (product market).
- ❖ Kara earns an income of \$2000 per month as a secretary. She spends \$700 to rent an apartment, \$200 for utilities, \$300 for food, and \$300 for clothes and other things. She saves \$400 to buy a used car next year and makes a \$100 donation (shares) to a homeless shelter that uses it to buy meals.
- ❖ The fundamental trade people make is their resources in exchange for goods and services. Instead of making this exchange directly, most make two basic trades: their resources for money (income) in resource markets and then that money (expenditures) for goods and services in product markets.

GETTING STARTED

- ❖ Make two sets of the following cards: SPEND MONEY, SAVE MONEY, SHARE MONEY (six total cards).
- ❖ Divide the class into six groups and distribute one card to each group. Ask groups to discuss what they think their words mean and then report to the rest of the class.
- ❖ Show and discuss the illustration on the front cover. Explain that SPEND, SAVE, and SHARE are types of expenditures or money that is used to buy goods and services. Spending is using money to buy goods and services now; saving is putting money aside to buy goods and services later; and sharing is giving someone else money to buy goods and services. In the illustration the person is sharing some of their money with a charity so it can buy goods and services for the people living in its home, saving some money for a new home, and spending some money for toys at a toy store.
- ❖ Have students return to their groups and discuss times when they have spent, saved, and shared money.

USING IT'S ALL SPENDING!

- ❖ Remind students that goods and services are used to help satisfy their wants.
- ❖ Ask: How do people get goods and services? (*They could make them themselves or barter for them, but most people buy goods and services with money they earn from working.*)
- ❖ Define expenditures as the money people spend on (pay for) goods and services and have students provide examples. (*\$10 for a t-shirt, \$12 for a pizza, \$8 for a car wash, \$20 for pet grooming; Students will likely only provide examples of money spent now to buy goods and services...see SPEND below.*)
- ❖ Explain that people actually make three kinds of expenditures. They SPEND: use money to buy goods and services now. They SAVE: put money away to buy goods and services later. They SHARE: give money to others so they are able to buy goods and services (or use money now to buy goods and services that they then donate to others). In all three cases, money is ultimately used to buy goods and services because it is goods and services, not money, that satisfy people's wants.
- ❖ Distribute a copy of the activity page to each student.
- ❖ Option 1: Have students draw a picture in each of the respective boxes of a good or service they have recently bought (\$PEND), a good or service they are saving money to buy (\$AVE), and a good or service that someone was able to buy because they gave them money (\$HARE).
- ❖ Option 2: Start with any amount of money (\$8, \$25, \$100, etc.). Have students write in the \$PEND and \$AVE boxes how much money they would allocate to that type of expenditure and write or describe the goods or services they would buy. In the \$HARE box have them write how much they would allocate to sharing and to whom they would give the money. Explain that the amounts in the three boxes should add up to the starting amount of money and that they can allocate nothing (\$0) to any box if they want. Have students then write a response in the appropriate box to each of the following:
 - \$PEND: Can the item(s) described here realistically be bought with the amount of money listed?
 - \$AVE: How many times would you have to save this amount to buy the item(s) described?
 - \$HARE: What goods and services do you hope would be bought with your contribution(s)?

USING ALLOCATING MONEY

[Note: This activity requires 12 pennies per student. They are used to show expenditures as money spent.]

- ❖ Explain that people have limited income to allocate into three main uses: spending, saving, and sharing. **ALL THREE of these are actually purchases of goods and services:** SPENDING is buying goods and services now, SAVING is buying goods and services later, and SHARING is enabling someone else to buy goods and services.
- ❖ Distribute a copy of the activity page and 12 pennies to each student. State that each penny represents \$1 in income that they have earned from doing chores for their family or their neighbors or that has been given to them as a gift or as an allowance by their parents. Ask: What is the total amount you have to spend? (*\$12*)

(Continued inside)

TEACHER THOUGHTS

1. While expenditures are often classified as “spending,” “saving,” and “sharing,” these are just three ways to do the same thing with one’s income: use that money to buy goods and services.
2. Sharing allows others to get satisfaction from goods and services they may not have been able to buy themselves. It also can help satisfy the giver’s want to be kind to others.
3. To make decisions about expenditures, it is important for people to have good (realistic) information about the prices of goods and services.

INTERESTING MATH

- ❖ Explain that interest is a payment of money people pay to use other people’s money (for example, banks pay interest on savings accounts; people pay interest on loans). Typically, the amount of the payment is based on a percentage of the amount being used.
- ❖ Write “%” on the board. Explain that this symbol is called a “percentage sign” and stands for “parts per one hundred parts.” So, 5% would mean “5 parts per 100 parts.” For determining interest, the parts are money so 5% would mean “\$5 per \$100” or \$5 for every \$100 that is saved (or loaned).
- ❖ Have students determine the interest payment for the following by counting the payments for each hundred and then adding them up: \$100 at 2% (\$2); \$200 at 4% (\$4 + \$4 = \$8); \$300 at 3% (\$3 + \$3 + \$3 = \$9).

YOU ARE WHAT YOU BUY

Read *On Market Street* by Arnold Lobel or view online at www.youtube.com. In the story a young boy buys goods from shopkeepers who are drawn entirely with the one good they sell (for example, Shopkeeper D who sells donuts is constructed out of donuts). After discussing the boy’s expenditures, have students construct a picture of themselves drawn entirely out of different goods they have spent money to buy.

TO SPEND OR NOT TO SPEND

Read *Alexander, Who Used to Be Rich Last Sunday* by Judith Viorst or view www.youtube.com and discuss the spending choices that Alexander made with the money his grandparents gave to him. Writing prompts: (1) Write a persuasive paper to Alexander asking him not to spend his money on one of the items he bought; (2) If you were given \$20 as a gift, what would you buy now and what would you save for to buy later? Here are some additional lessons using this book: <https://www.stlouisfed.org/education> and <http://www.kidseconposters.com/literature-connection>.

LITERATURE & ONLINE CONNECTIONS

- ❖ Scan the QR code to the right or go to www.economicsarkansas.org
Click on *For Teachers - Grab & Go Economics - Online Connections*

ECONOMICS COMES TO LIFE IN THE CLASSROOM

Invite a representative from a bank to talk about saving money (some banks will set up savings accounts for students) and one from a charity to discuss the benefits of sharing money and the goods and services it provides. Write “Thank you” notes after each presentation.

DISCUSSION OR WRITING PROMPTS

- ❖ Which is hardest for you to do: spend, save, or share your money? Why?
- ❖ Comment on this statement: Spending money is better than saving it because you get something.
- ❖ If you don’t have enough money to buy all the goods and services you want, what can you do?
- ❖ How can sharing with others benefit your community?



IT'S ALL SPENDING!

\$pend

\$ave

\$hare

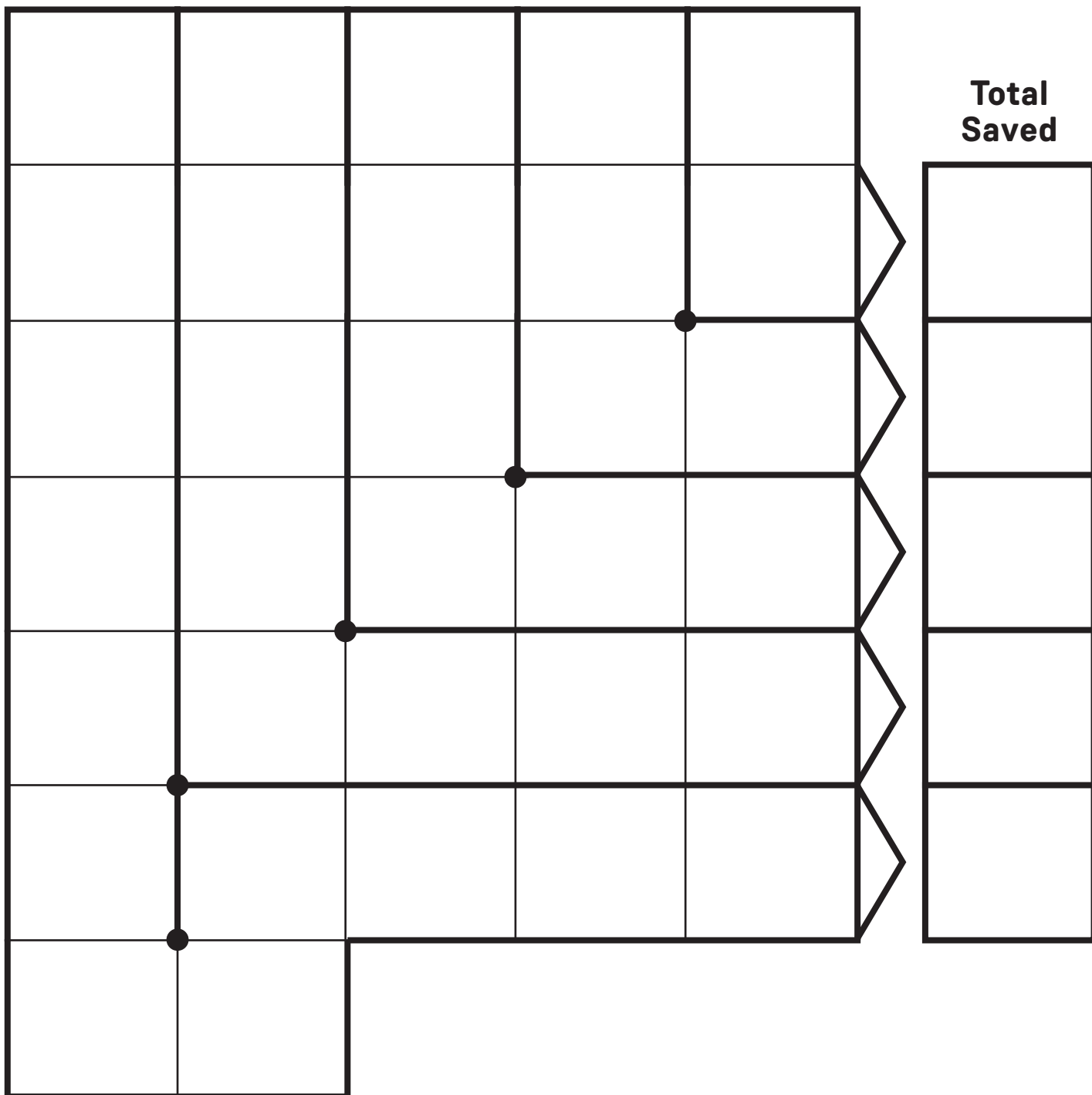
ALLOCATING MONEY

SPENDING			SHARING	SAVING
Entertainment	Food	Other Goods and Services		
Book (1)	Piece of fruit (1)	Face painting (1)	Animal shelter (1)	Bike (1)
Movie ticket (2)	Bag of chips (1)	Decorated water bottle (2)	Food bank (1)	Video game (1)
Sport ball (2)	Ice cream cone (2)	Set of art paper and markers (2)	Gift for family or friend (1)	Admission to water park (1)
Round of miniature golf (1)	Slice of pizza (1)	T-shirt (1)	Other <hr/> (1)	Other <hr/> (1)

PATHS TO SAVING

Number of Time Periods

12	8	6	4	2
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- ❖ Explain that the handout describes various things they can do with their income: spend it on entertainment, food, and other goods and services; give it to (share with) others; save it to buy something later. Under each item in the SPENDING category is the number of pennies required to buy one unit of that item. Items with a “1” under them have a price of \$1, while items with a “2” or “3” have a price of \$2 and \$3 respectively to get one unit of that item. So, for example, if you want to buy 2 sport balls, you would have to place 4 pennies in that cell since each sport ball requires 2 pennies (\$2 per sport ball). In both the SHARING and SAVING categories, each penny placed in a cell is \$1. For example, 2 pennies placed in “Animal shelter” would be a \$2 contribution to an Animal Shelter and 3 pennies placed in “Bike” would be \$3 saved towards buying a bike. Students may add an item of their choosing (“Other”) in each of these categories.
- ❖ Have students read the choices in each category and answer any questions they may have. Then have each student decide how they would like to allocate their 12 pennies by putting whatever amount of pennies they wish in each cell.
- ❖ Have students discuss and compare their choices in pairs, small groups or as a whole group. Ask: Did anyone make exactly the same allocation decision as someone else? (*Not likely since people have different wants.*)
- ❖ Optional: Reduce the number of pennies to 9 per student. Have students remove 3 pennies and report where they removed them and why. (*Items removed by a student are not as valuable, or satisfying, to them as items they left.*)
- ❖ Optional: Remove items from the SPENDING category, add new items with “prices” (1-3), and repeat.
- ❖ **Writing extension:** Have each student write a summary of how they allocated their money.
- ❖ **Math extension:**
 - Ask who put the most or least in each category (SPENDING, SHARING, and SAVING). Discuss.
 - Have students determine the fraction of their 12 pennies that was allocated to each category.
 - Have students determine the fraction of their 12 pennies that was allocated to any two categories.

USING PATHS TO SAVING

[Enlarge for whole group discussion. Copy and use for small group and individual activities, home/school connections, and assessments.]

- ❖ Define saving as setting aside money now to buy something later.
- ❖ Ask: Why not just buy whatever it is you want right now? (*People do not have enough money to do so because their income is limited or the price of a good or service they want is too high.*)
- ❖ Explain that for larger expenditures (such as a bike, a phone, a video game, etc.) or to have extra money to make expenditures in an emergency (such as for medicine or to replace a flat tire or broken refrigerator), people often set aside a little money each week or month so they are able to buy these goods and services later. The desired good or service is the goal of saving.
- ❖ Have students describe and discuss saving goals they have. (*Focus students on describing the goods or services they ultimately are hoping to buy and how much money they would need to save to buy them.*)
- ❖ Distribute a copy of the activity page to each student. Explain that the number above each path (12, 8, 6, 4, and 2) represents the number of weeks, months, or years of saving to reach a saving goal. Each box along any path is one time period.
- ❖ Option 1: Start with some amount of money to save each period (\$2, \$5, etc.). Have students pick any two paths, write the amount in each box along the path, and add up all the numbers along each path to get a “Total Saved.” Have students compare their results and make observations. (*The more times one saves a given amount, the greater the total amount saved.*)
- ❖ Option 2: Start with a saving goal that is a multiple of \$24 (\$24, \$48, \$96, etc.). Have students pick any two paths and put the saving goal amount in the “Total Saved” boxes for those paths. Next have them determine how much they would have to save each time period along each path to reach the given saving goal. This can be done by trial and error by selecting an amount, seeing if it works, and then raising or lowering it as necessary. Have students compare their results and make observations. (*The longer one saves, the less one needs to save each period to reach their saving goal.*)
- ❖ Option 3: Start with a saving goal (any amount of money). Have students pick a path and develop a saving plan to meet the saving goal by writing amounts in the boxes along that path that add up to the given saving goal (amounts in each box do not have to be the same). For example, with a saving goal of \$40 to buy a video game, one could choose the 6-period path with \$10, \$6, \$6, \$5, \$5, and \$8 in the boxes. Have students discuss why they chose the path they did and how they determined how much they wanted to save each time period.