

Budget to Save—The Balance Sheet

Lesson Overview

Description

This lesson begins with dispelling common myths about millionaires through the interactive millionaire quiz. Students then have an opportunity to give their opinions of wealth in a brainstorming activity that culminates in a formalizing of the definition of wealth through the equation of: $\text{assets} - \text{liabilities} = \text{net worth}$. Using a variety of activities, students will further distinguish between wealth-building assets and depreciating assets and finalize the discussion by using a balance sheet to calculate and visualize how wealth is created.

Standards

- [National Standard in K-12 Personal Finance Education](#)
- [Texas State Social Studies Standards](#)
- [Texas State CTE Standards](#)

Instructional Objectives

- Define wealth using the concept of net worth.
- Measure wealth using a balance sheet.
- Distinguish between wealth-building assets and other types of assets.

Time Required

- One 90-minute class period
- Two 45-minute class periods

Materials Required

- PowerPoint/PDF slides
- Copies of Handout 1: Real-Life Balance Sheets
- Copies of Handout 2: Try It on Your Own Balance Sheet
- Assessment 1: What Does It Mean to be Wealthy?

Lesson Procedures

1. **Display slide 1.** Tell students that today they will start a series of lessons that will equip them in making decisions around their financial future.
2. **Display slide 2.** Review the instructional objectives for the lesson.
3. **Display slide 3.** Suggested questions for the student discussion:
 - Ask students who they think the typical millionaire is.
 - Name a typical millionaire.
 - Do you think a millionaire is wealthy?
4. **Display slides 4–17.** As a class, work through “The Typical Millionaire” quiz. Use the quiz to dispel myths about millionaires. Advance the questions by clicking to the next slide.

Classroom Response Strategy:

- Have students write True/False on a sheet of paper and hold up their answers.
 - Have students move to different sides of the room.
5. **Display slide 19.** Have students brainstorm answers to the question “What does building wealth mean to you?”
 - Collect responses on the board. Answers will vary but might include: Wealth is having lots of money; wealth is having nice/expensive things.
 - Guide the discussion to the idea that simply having “things” or money does not make you wealthy if those things are accompanied by debt. If you still owe money on “things,” it doesn’t make you wealthy. Tell students that these examples will demonstrate how to measure wealth.
 6. **Display slide 20.** Explain that net worth is a way to measure wealth.
Explain that net worth = assets – liabilities.
 - Explain to students that they will discuss what assets and liabilities are. They will learn that a person can build wealth by increasing assets and/or reducing total liabilities.
 7. **Display slide 21.** Review definition of an asset.

Suggested question for student discussion:

- Ask students to name other assets and write examples on the board. Examples might include: collectible items, gaming consoles, money in a piggy bank, sports equipment, bicycles, etc.

Classroom Response Strategy:

- Have students write names of assets on sticky notes and place on the board. (Later these can be sorted into wealth-building assets or depreciating assets.)

8. **Display slide 22.** Discuss the definitions.

- Sort the assets that were named and written on the board in the previous slide into wealth-building assets vs. depreciating assets.
- **Wealth-building assets** are called appreciating assets and generally increase in value over time or provide a rate of return.
- **Depreciating assets** are assets that decrease in value over time.
- **Intellectual property**, such as patents, copyrights and trademarks, is also an asset if it has market value.

9. **Display slide 23.** Review the definition of liability.

Suggested question for student discussion:

- Who do we owe money to? (Note: Students may have different levels of awareness of household and family expenditures.) Examples might include: family member, bank, friend, utility provider, internet provider, cell phone company, etc.

10. **Display slide 24.** Review the definition of net worth.

Suggested question/reminder for student discussion:

- Does driving an expensive car make you wealthy?
- Remind students that the net worth is the value of the assets minus the money you owe. Driving an expensive car doesn't make you automatically wealthy. It depends on how much money you owe.

11. **Display slides 25–28.** Hand out copies of Handout 1: Real-Life Balance Sheets: Asset or Liability?

- Follow the prompts/instructions on each slide.
- Have students fill in their answers.

12. **Display slides 28–29.** Guide students through the scenario on the slides.

- Ask students to share their answers with the whole class, then display the answer slide.

13. **Display slides 30–49.** Continue to guide students through each scenario or use the suggested strategy below.

Classroom Response Strategy:

- Review slides 30–49. Divide the class into groups.

- Assign each group one section of the Real-Life Balance Sheets: Asset or Liability?, Handout 1. Allow each group to read the description and complete the balance sheet.
- Have groups come to the board and present their answers.
- After students have presented their answers, display the answer slide for each scenario.

14. **Display slides 50–55.**

- Distribute Handout 2, Real-Life Balance Sheets: Try It on Your Own.
- Lead the class in sorting assets and liabilities and calculating net worth for Sandra and Daniel.
- Have students fill in their answers.

15. **Display slides 56–57.** Review learning objectives with students.

16. **Hand out Assessment 1.** What Does It Mean to be Wealthy?



Handout 1: Real-Life Balance Sheets

Asset or Liability?

Jose

Freelance App Developer

- Condo
- Credit card debt
- Store-financed home theater
- New car
- Copyrighted mobile app

Assets

Liabilities

Maria

Loan Officer

- Home mortgage
- Car loan
- Student loan
- Retirement account

Assets

Liabilities

Andrea

College Sophomore

- Savings account
- Credit card balance
- Car
- Bobblehead collection
- \$1,300 bank loan

Assets

Liabilities

Sam

Engineer

Company stock

Car

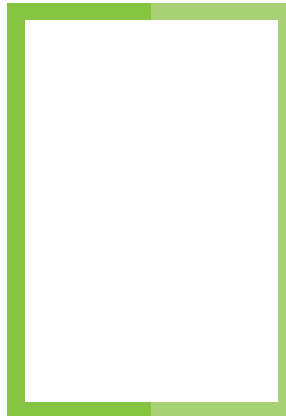
Boat loan

Medical bills

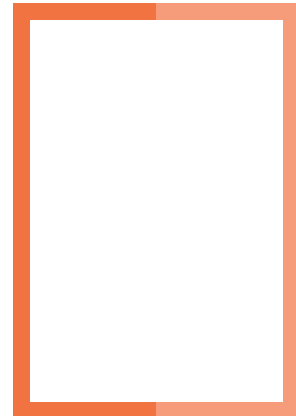
Co-signed a loan

Credit card
balance

Assets



Liabilities



Isabella

Analyst

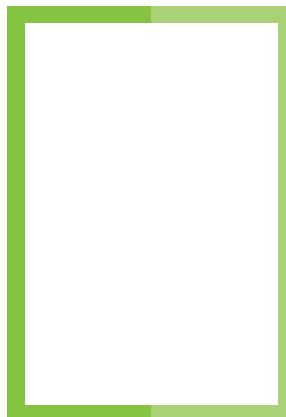
College loans

Credit card
balance

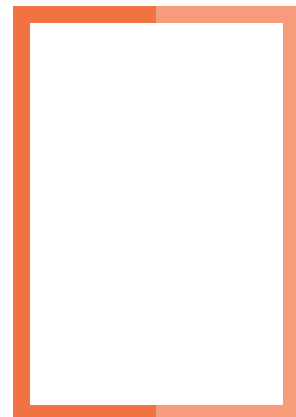
Savings account

Inheritance

Assets



Liabilities



Henry

Retiree

Retirement
accounts

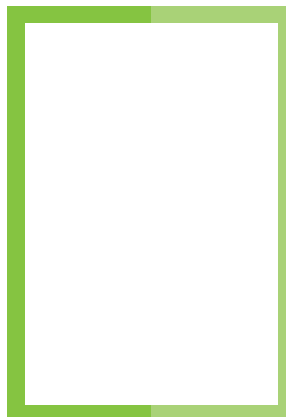
House

Medical bills

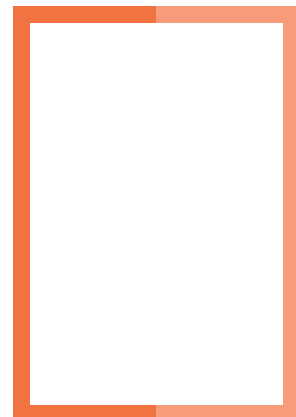
Graduate school
loan

RV loan

Assets



Liabilities



Kunal

Teacher

College loan

Home mortgage

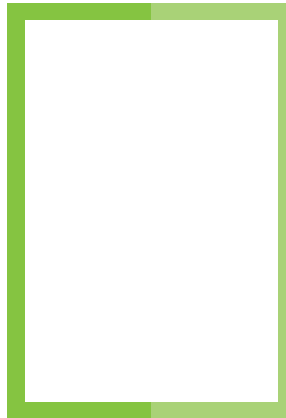
Paid-off car

Car loan

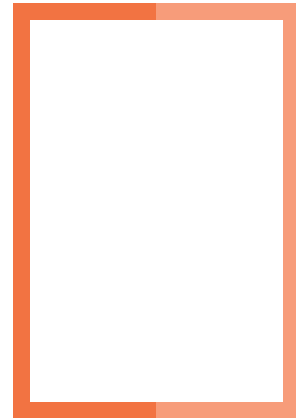
College savings
account

Home-repair loan

Assets



Liabilities



Zoe

Lead Singer

Music royalties

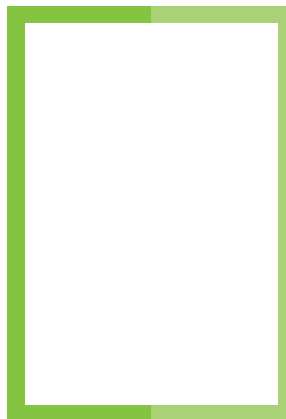
Guitar collection

Van

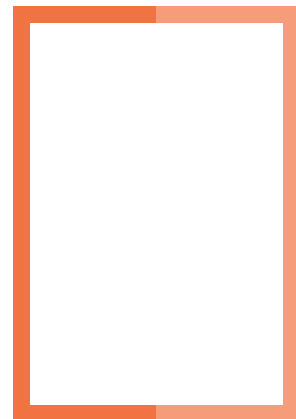
Checking and
savings accounts

Credit card
balance

Assets



Liabilities





Handout 2: Real-Life Balance Sheets

Try It on Your Own

Question #1

Sandra

Description	Amount
Savings account from summer job	\$750
Prom dress credit card balance	\$200
Savings bond	\$150
Owed to mom for cell phone	\$120
2012 car	\$3,500
Video games	\$200
Car loan balance	\$1,500

Question #2

Daniel

Description	Amount
Checking account	\$900
Cell phone balance	\$250
College savings account	\$500
Balance due on annual gaming membership	\$100
Laptop computer	\$1,500
Balance due on laptop computer	\$600

Sandra's Balance Sheet

Wealth-Building Assets	
Depreciating assets	
Total assets	
Liabilities	
Total liabilities	
Total assets	
Total liabilities	
Assets - Liabilities = Net Worth	

Daniel's Balance Sheet

Wealth-Building Assets	
Depreciating assets	
Total assets	
Liabilities	
Total liabilities	
Total assets	
Total liabilities	
Assets - Liabilities = Net Worth	



Assessment 1

What Does It Mean to be Wealthy?

Match the following terms to the correct definition:

1. _____ Assets	A. The difference between the total assets and total liabilities of an individual
2. _____ Balance sheet	B. Assets that add to net wealth
3. _____ Depreciation	C. The loss of value of an asset over time
4. _____ Liabilities	D. Anything an individual or business owns that has commercial or exchange value
5. _____ Net worth	E. A financial statement showing a snapshot of the assets, liabilities and net worth of an individual
6. _____ Wealth-building assets	F. Money an individual or organization owes

Write a short response to the following:

- Name two assets that are likely to depreciate in value over time.
- What happens to wealth if money is borrowed to purchase a depreciating asset?
- Give one reason why houses are generally considered a wealth-building asset.
- If your total liabilities increase without a change in assets, how will it impact net worth?

What generally happens to net worth if you do the following actions?

Circle I for increase and D for decrease.

- I or D Invest in a retirement plan
- I or D Buy a car and make a small down payment
- I or D Buy concert tickets with your credit card
- I or D Spend money on your fall wardrobe
- I or D Buy a bond

Answer Key for Handouts

Asset or Liability Scenarios

Jose

Assets: Condo, new car, copyrighted mobile app

Liabilities: Credit card debt, store-financed home theater

Maria

Assets: Retirement account

Liabilities: Home mortgage, car loan, student loan

Andrea

Assets: Savings account, car, bobblehead collection

Liabilities: \$1,300 bank loan, credit card balance

Sam

Assets: Company stock, car

Liabilities: Boat loan, medical bills, co-signed a loan

Isabella

Assets: Inheritance, savings account

Liabilities: College loans, credit card balance

Henry

Assets: Retirement accounts, house

Liabilities: Medical bills, graduate school loan, RV loan

Kunal

Assets: Paid off car, college savings account

Liabilities: College loan, home mortgage, car loan, home-repair loan

Zoe

Assets: Music royalties, guitar collection, van, checking and savings accounts

Liabilities: Credit card balance

Balance Sheets

Sandra

Assets: \$4,600

Liabilities: \$1,820

Net worth: \$2,780

Daniel

Assets: \$2,900

Liabilities: \$950

Net worth: \$1,950

Answer Key for Handouts

Match the following terms to the correct definition:

1. D - Assets	A. The difference between the total assets and total liabilities of an individual
2. E - Balance Sheet	B. Assets that add to net wealth
3. C - Depreciation	C. The loss of value of an asset over time
4. F - Liabilities	D. Anything an individual or business owns that has commercial or exchange value
5. A - Net worth	E. A financial statement showing a snapshot of the assets, liabilities and net worth of an individual
6. B - Wealth-building assets	F. Money an individual or organization owes

Write a short response to the following:

7. Name two assets that are likely to depreciate in value over time.

Answers will vary but might include cars, computers, video games, clothes, etc.

8. What happens to wealth if money is borrowed to purchase a depreciating asset?

When money is borrowed to purchase a depreciating asset, liabilities increase. If total assets remain the same while total liabilities increase, net worth decreases.

9. Give one reason why houses are generally considered a wealth-building asset.

Answers will vary but might include, house is a wealth-building asset when it appreciates in value over time; if a house maintains its value as the mortgage is paid off, net worth will increase.

10. If your total liabilities increase without a change in assets, how will it impact net worth?

Net worth decreases.

What generally happens to net worth if you do the following actions?

Circle **I** for increase and **D** for decrease.

11. **I** or **D** Invest in a retirement plan

14. **I** or **D** Spend money on your fall wardrobe

12. **I** or **D** Buy a car and make a small down payment

15. **I** or **D** Buy a bond

13. **I** or **D** Buy concert tickets with your credit card