

Big Ticket Expenses

The **BIG** Idea

- How much should I plan to spend on housing and transportation?

AGENDA

Approx. 45 minutes

- I. Warm Up: Big Ticket Checklist (5 minutes)
- II. Big Ticket Big Picture (5 minutes)
- III. Homing in on Housing (15 minutes)
- IV. Transportation Investigation (15 minutes)
- V. Wrap Up (5 minutes)

MATERIALS

PORTFOLIO PAGES:

- Portfolio pages 14-18, Freshman Year Budget (from Money Matters 1)

STUDENT HANDBOOK PAGES:

- Student Handbook page 120, Big Ticket Checklist
- Student Handbook page 121, How Much Can I Afford?
- Student Handbook page 122, Homing in on Housing
- Student Handbook pages 123-124, Transportation Investigation
- Student Handbook page 125, Helpful Hints for Housing Rentals
- Student Handbook page 126, Helpful Hints for Car Purchases

FACILITATOR PAGES:

- Facilitator Resource 1, Housing and Transportation Cheat Sheet
- Facilitator Resource 2, Dorm Today, Apartment Tomorrow

Calculators (one per student)

Overhead projector

OBJECTIVES

During this lesson, the student(s) will:

- Fill out a checklist to anticipate their housing and transportation needs.
- Discover additional expenses in each category they need to consider.
- Research and compare costs.
- List their housing and transportation expenses on their budget.

OVERVIEW

In this lesson, students investigate and plan for their two big ticket expenses next year: housing and transportation. Expenses will be different for each student, depending on their circumstance. However, all students will research their options and compare costs. They will learn there are additional expenses to include in each category. They will generate a complete list of housing and transportation expenses to add to the personal budgets they started last week.

PREPARATION

- Arrange to hold class in the computer lab, so everyone has access to a computer and the Internet.
- List the day's **BIG IDEA** and activities on the board.
- If computer access is slow or not readily available:
 - Research appropriate rental properties in your area and print them out for your students. You may also choose to find and photocopy classifieds from your local paper.
 - Research and print out a listing of used car ads for your local area.
- Research typical costs of additional housing and transportation expenses for your area, and fill in where indicated on **Facilitator Resource 1, Housing and Transportation Cheat Sheet**. Your research should include the following: heat, electricity, water, Internet, phone, cable, basic fares (and monthly rates, if available) for public transportation (bus/train/subway), current gas prices, and local tolls (bridge/tunnel/highway).
- When you've filled in **Facilitator Resource 1, Housing and Transportation Cheat Sheet**, make a transparency to display on the overhead projector during **Activity III: Homing in on Housing**, and **Activity IV, Transportation Investigation**.
- Make enough copies of **Facilitator Resource 2, Dorm Today, Apartment Tomorrow** to hand out to students who will live in a dorm at college next year, but will investigate future housing and transportation costs for when they move off campus.
- Review the answer slips students provided at the end of class last week, when they projected their biggest expenses next year, outside of tuition. Be prepared to comment on their choices, if the suggestions made in **Activity II, Big Ticket Big Picture** are not accurate.

IMPLEMENTATION OPTIONS

For **Activity III: Homing in on Housing**, and **Activity IV: Transportation Investigation**, you might let students who have the same housing and transportation needs (i.e. living with parents, using local transportation to get to a job or college) work together.

In Activity II, you may want to work through the example using a monthly income more typical for your students or location.

ACTIVITY STEPS

I. Warm Up: Big Ticket Checklist (5 minutes)

1. As students enter the classroom, refer them to **Student Handbook page 120, Big Ticket Checklist**. Give them a few minutes to fill out the sheet.
2. **SAY SOMETHING LIKE:** Welcome back to “budget” class, where today we’ll figure out your “Big Ticket Expenses”—the monthly bills that will gobble up the biggest chunks of your budget. Remember at the end of class last week, when you projected what these expenses would be? Well, I’m sorry to disappoint you, but food and entertainment do not top the list! Does anyone know which expenses will take the biggest bite out of your budget next year? [Let students answer.] That’s right! Your big ticket expenses will be housing and transportation. For each of you, these expenses will be different. So, today in class, you’ll each figure out how much money to add to your own personal budget for these two categories.
3. **SAY SOMETHING LIKE:** First, take a look at your **Big Ticket Checklist**. This page will be your guide today; it will help you identify the specific costs you’ll need to investigate. We talked about housing and transportation expenses in our “Money Matters” unit last year, so some of the research will be familiar. You’ll be using many of the same resources, but don’t be surprised if the prices have changed.
4. **SAY SOMETHING LIKE:** Your goal by the end of today’s class is to add dollar amounts to your budget to cover the scenarios you checked on the **Big Ticket Checklist**. But, because “Life is like an onion: You peel it off one layer at a time, and sometimes you weep” – there are many costs you’ll need to include besides the obvious. Driving a car costs more than just the price of the wheels. And what you pay for housing includes more than just your rent. We went over some of these expenses last year. So let’s review the big picture of what your housing and transportation budget really needs to cover.

II. Big Ticket Big Picture (5 Minutes)

1. **SAY SOMETHING LIKE:** We’ll start with housing. If you’ll be living in an apartment, paying rent is a given. But what else will you need to pay for?
2. [Let students answer. As needed, prompt with questions like: What about staying warm? Watching TV? Taking the occasional shower? Let students name as many additional expenses as they can. Provide ones they miss, and write them on the board,

so you have a list of the following:

- Gas/electric
- Heat
- Water
- Cable
- Internet
- Phone (landline and cell)
- Renter's insurance

3. **SAY SOMETHING LIKE:** Okay, that's a good list for your housing expenses. Now let's think about transportation. Will you buy a car or take public transportation? Either way, there are related costs you have to consider. You can't drive a car without filling up the tank. You can't ride a bus without buying a bus pass. Let's name some of the other costs associated with transportation.
4. [Let students answer. Provide items they miss, and write them on the board, so you list the following:
 - Car payment
 - Upkeep
 - Repairs
 - Gas
 - Tolls
 - Subway/train/bus fares]
5. **SAY SOMETHING LIKE:** Okay, good. Now you've got the big picture for both housing and transportation. In order to be accurate, your budget must include every cost you'll have to pay. But before you start researching these costs, let's figure out how much you can afford. There's no point in looking into the cost of driving a BMW when taking the bus is more in line with your budget.
6. [Write on the board: 35% = Housing, 18% = Transportation]
7. **SAY SOMETHING LIKE:** The general rule of thumb is to spend no more than 30 % of your net monthly income on housing, and 5% on utilities, for a total of 35%. For transportation, the rule of thumb is 18% of net monthly income. Remember, "net" means "after taxes." So, if your net monthly income is \$2,000, let's figure out what you can afford for housing. (SOURCE: www.practicalmoneyskills.com)

8. [Write this calculation on the board: $\$2000 \times 35\% (.35) = \700]
9. **SAY SOMETHING LIKE:** $\$2000 \times 35\%$ equals $\$700$. That's your housing budget. Now let's figure out transportation.
10. [Write this calculation on the board: $\$2000 \times 18\% (.18) = \360]
11. **SAY SOMETHING LIKE:** $\$2000 \times 18\%$, gives you $\$360$ for transportation.
12. **SAY SOMETHING LIKE:** Okay, now it's your turn. Turn to **Student Handbook page 121, How Much Can I Afford?** Calculate how much money you can afford for housing and transportation, based on your net income. You can find your net income on the pages we completed in class last week. It's on **Portfolio pages 14-18, Freshman Year Budget** (from Money Matters 1).
13. [Give students a couple of minutes to make their calculations.]

III. Homing in on Housing (15 minutes)

1. **SAY SOMETHING LIKE:** Now that you have an idea of how much you can spend in each category, you're going to research your housing and transportation expenses for next year. You'll start with housing, and investigate whatever you checked on your **Big Ticket Checklist**. For example, if you plan to live in an apartment, you'll have to find one that suits you. To help guide you in your selection process, take a look at the top section of **Student Handbook page 125, Helpful Hints for Housing Rentals**.
2. [Display the transparency of **Facilitator Resource 1, Housing and Transportation Cheat Sheet** on the overhead projector. Point to the items under "HOUSING."]
3. **SAY SOMETHING LIKE:** Once you find an apartment, you'll have to add in the other costs we discussed, like water, electricity, phone, and cable. Always check first to see if a rental includes heat and electricity; some do. But in any event, I've prepared this "Cheat Sheet" for you. It has typical monthly costs for items like phone, water and electricity.
4. **SAY SOMETHING LIKE:** If you're going to have roommates, remember that you'll share your housing expenses, with the exception of your cell phone bill. To figure your portion, add up all the costs, and divide by the number of people sharing. For example, if there are three of you, and your housing expenses come to $\$1200$, your portion will

be \$1200 divided by 3, or \$400. Then of course you'll have to add in your own cell phone bill. If you pay \$39 per month, your grand total would be \$439.

5. **SAY SOMETHING LIKE:** For students who will live at home or in a dorm next year, and won't have rent bills to pay, investigate the costs for your phone, cable, and internet, plus any other household expenses to which you'll contribute. Then add them up to get your total. If your parents or guardians are covering all your costs next year while you're in college, see me for a separate handout. You'll be investigating the costs you'll encounter when you do live on your own, most likely junior or senior year, when most students move off campus into an apartment.
6. [Have students turn to **Student Handbook page 122, Homing in on Housing**. Point out that the worksheet has suggested websites to visit to get current prices of rentals in various neighborhoods. (If the internet is not available, distribute the sheets you prepared). Give students who will be living in a dorm a copy of **Facilitator Resource 2, Dorm Today, Apartment Tomorrow**. Since they've already entered their housing expenses based on their college bills, they'll spend this time investigating off-campus housing costs for future reference.]
7. [Let students work for 10 minutes. Give them a warning when it's time to start adding up the various costs they've collected.]
8. **SAY SOMETHING LIKE:** Now let's write the costs for housing on your budget. Turn to **Portfolio page 17, Freshman Year Budget** from Money Matters 1, and list the monthly cost of each item under the column marked "Estimate." If you're working on **Facilitator Resource 2, Dorm Today, Apartment Tomorrow**, you're done. You've already listed this year's housing expenses under "room" in the college portion of your budget.

IV. Transportation Investigation (15 minutes)

1. **SAY SOMETHING LIKE:** All right, let's move on to transportation costs. Refer to your **Big Ticket Checklist** for the items you'll need to investigate, and look at the worksheet you filled out earlier, **Student Handbook page 121, How Much Can I Afford?**, to review the amount of money you'll have.
2. **SAY SOMETHING LIKE:** If you're planning to take public transportation next year, keep in mind that you may take multiple forms of transportation in the course of a month. For example, suppose you travel to your community college by bus 4 days a week, but you visit your grandmother every Sunday and need a round-trip train ticket.

You'll have to account for 4 roundtrip bus fares a week, plus one round-trip train ticket, and then multiply by 4 weeks to get your monthly total. However, check to see if the city you'll be living in offers monthly passes for your main form of transportation. They're often a great way to save.

3. **SAY SOMETHING LIKE:** For those of you who will live on a college campus, and plan to walk, bicycle, or skateboard around school, you'll still need money to travel home during vacations. Once you're at school, you can check the ride board for ride-shares. But for today, price out the various methods of getting home. Often, college websites have a page with directions and travel information. One thing you should know, however, is that rates fluctuate considerably, especially during the holidays.
4. **SAY SOMETHING LIKE:** If you're planning to buy a car, your monthly transportation budget will have to cover the operating costs of owning a vehicle, as well as your car loan payments. As we learned in the Grade 11 Money Matters unit, a good rule of thumb is to figure that your operating costs will be one third (or .33) of your transportation budget. The rest will go toward car payments. So, for example, let's say your monthly budget for transportation is \$300. You can expect to pay one third, or \$100, for operating expenses. How much does that leave for car payments?
5. [Call on a student to answer. This shouldn't be too much of a challenge, but if it is, jot the numbers on the board: $\$300 - \$100 = \$___$.]
6. **SAY SOMETHING LIKE:** Okay, so you have \$200 per month to spend on car payments. What kind of car can you buy for that? It depends. And of course the total of \$200 per month is only an example; you might have more or less. Tips for figuring what's affordable can be found on **Student Handbook page 126, Helpful Hints for Cars Purchases**. Monthly payments are listed along the bottom, with car purchase prices on the left. If you have \$200 for a monthly car payment, how much can you afford to pay for a car?
7. [Have students turn to **Student Handbook pages 123-124, Transportation Investigation**, and start working. Point out that the worksheet lists websites they can use for reference. You may also choose to share the materials you prepared for this activity.]
8. [Let students work for 10 minutes. Give them a warning when it's time to start adding up the various costs they've collected.]

9. **SAY SOMETHING LIKE:** Now it's time to fill in the costs for transportation on your budget. Turn to **Portfolio pages 17, Freshman Year Budget** (from Money Matters 1), and list the monthly cost of each item under the column marked "Estimate."

V. Wrap Up (5 minutes)

1. **SAY SOMETHING LIKE:** Good work today! You've accounted for your big ticket expenses next year. As a final exercise, pick one of the costs you didn't anticipate – like renter's insurance, or travel costs home from college during vacations – and jot down the monthly amount of money you allocated for it.
2. [Give students a moment to write.]
3. **SAY SOMETHING LIKE:** Now, multiply this cost times 12.
4. [Allow a minute for students to multiply.]
5. **SAY SOMETHING LIKE:** The calculation you just performed shows you how much money you would have been short for the year, if you hadn't planned ahead for this expense. How much money is it?
6. [Call on students to answer.]
7. **SAY SOMETHING LIKE:** Well, congratulations to you all for having avoided this pitfall and preparing so wisely for your future. Next week we'll continue at a feverish pace when we discuss, and budget for, health insurance! Have a great week.

Housing and Transportation Cheat Sheet

1. HOUSING

The following costs may be considered typical for local apartments:

Gas/Electric	\$_____	per month
Heat (if not included)	\$_____	per month
Phone	\$_____	per month
Cable	\$_____	per month
Internet	\$_____	per month
Water	\$_____	per month
Renter's Insurance	\$17-\$20	per month

2. TRANSPORTATION

The following costs may be considered typical for local transportation:

Bus fare	\$_____	one way
Bus fare	\$_____	monthly pass
Subway	\$_____	one way
Subway	\$_____	monthly pass
Current gas prices	\$_____	per gallon
Bridge/Tunnel/Road tolls	\$_____	one way

Dorm Today, Apartment Tomorrow

1. HOUSING

You will be searching for an apartment or house rental near your college campus. If you think you'll have roommates, find your share by adding up all the monthly costs, and dividing by the number of people in the rental.

For utilities, you may use the sample costs displayed on the "Housing and Transportation Cheat Sheet."

Rent	\$ _____	per month
Gas/Electric	\$ _____	per month
Heat (if not included)	\$ _____	per month
Phone	\$ _____	per month
Cable	\$ _____	per month
Internet	\$ _____	per month
Water	\$ _____	per month
Renter's Insurance	\$17-\$20	per month

Useful websites for finding rentals: <http://www.move.com/apartments/main.aspx>, www.rent.com, www.apartments.com, www.craigslist.com, www.apartmentguide.com

Big Ticket Checklist

Use the following checklist to determine your housing and transportation needs. Find the circumstance that best describes your scenario, and place checks next to each item that applies.

HOUSING:

I will live with my parents. _____

I will live in a college dormitory. _____

I will rent my own apartment. _____

TRANSPORTATION:

I will drive a car that is already paid for. _____

I will be making payments on a car loan. _____

I will use public transportation to get to college or work (bus, subway, train). _____

I will walk or take college-provided transportation (like shuttle buses between dormitories and classrooms), but will need to find a way to travel to and from college. _____

How Much Can I Afford?

<p>PART I</p> <p>1. Monthly Budget</p> <p>a) Total Monthly Income (from Money Matters 1 Budget)</p> <p>b) Housing Budget (35% of “a”, or 0.3 X “a”)</p>	<p>\$ _____</p> <p>\$ _____</p>
<p>PART II</p> <p>2. Monthly Transportation Expenses</p> <p>a) Total Monthly Income (from Money Matters 1 Budget)</p> <p>b) Transportation Expenses (18% of “a”, or 0.18 X “a”)</p>	<p>\$ _____</p> <p>\$ _____</p>

Homing in on Housing

A general rule about housing: You can spend up to 30% of your net income (after taxes) on rent, and 5% on utilities, totaling 35% for all housing expenses.

To search for a rental in your home community or near a local college, use the internet, a local newspaper, or printouts from your teacher.

If the apartment or house has more than one bedroom, assume you will have enough roommates to fill each bedroom. Divide the rent, and all utilities and shared expenses, by the number of roommates. (Example: \$900/month for three roommates is \$300/each. An electric bill of \$210 would be \$70/each).

Check the overhead transparency for typical costs of utilities and additional fees. (However, many rentals include heat and water, so be sure to check).

If you are paying a flat fee to help with family expenses, include it as "Rent."

Suggested websites for rentals:

<http://www.move.com/apartments/main.aspx>, www.rent.com, www.apartments.com, www.craigslist.com, www.apartmentguide.com.

My Housing Expenses:

Rent	\$ _____	per month
Gas/Electric	\$ _____	per month
Heat (if not included)	\$ _____	per month
Phone	\$ _____	per month
Cable	\$ _____	per month
Internet	\$ _____	per month
Water	\$ _____	per month
Renter's Insurance	\$17-\$20	per month
Total:	\$ _____	per month

Transportation Investigation

CARS:

1. If you are looking for a car, you can search www.cars.com by zip code.

My car will cost: _____

2. To find a car's MPG (mileage per gallon), go to: <http://www.fueleconomy.gov/feg/sbs.htm>

The current price of gas is ____/gallon. (use your knowledge or ask your teacher for this information)

To estimate how much you'll spend on gas, you must know how many miles you'll drive. (For example, if the distance to college is 6 miles, and you have classes every day, you will travel 6 miles x 2 times a day x 5 days a week = 70 miles per week.)

My mileage will be _____miles/week.

3. Now determine the number of gallons you'll need by dividing those miles by the combined estimated MPG.

(Example: 70 miles ÷ _____ MPG = _____ gallons.)

I will need _____gallons.

4. Now figure out how much it will cost.

_____ gallons x \$_____ (price per gallon) = _____

LOCAL TRANSPORTATION (TRAIN/SUBWAY/BUS):

1. Use your knowledge, ask your teacher, or check your city government websites for local transportation costs. Don't forget to investigate student passes or monthly tickets, which may be cheaper.

For New York City public transportation, visit: www.mta.info/index.html

My local transportation cost will be: \$_____ per month

To find monthly expense, add up the number of one way trips you will need, and multiply times the one way cost.

TRANSPORTATION TO AND FROM COLLEGE:

1. For Long Distance Transportation, visit:

www.travelocity.com, www.expedia.com, www.orbitz.com, www.yahoo.com

My costs to travel home from college on vacations will be (cost of one trip x # trips, divided by 10 months): **\$_____ per month**

Helpful Hints for Housing Rentals

Questions to ask:

- Location: Is it close to work/school, public transportation, bank and stores, entertainment, friends? Is it in a safe neighborhood? Is there parking available?
- Rent: Is it within my budget?
- Utility bills: Are any utilities covered?
- Overall condition: Is it clean and in relatively good condition inside and out? Are there leak stains on the ceilings or mold around the bathtub? Do the appliances function properly?
- Appliances/Facilities: Does the place have a washer/dryer or dishwasher? If it's an apartment complex, is there a pool?
- Roommates/Number of Roommates: Will I need to live with other people? If so, how many? What are advantages and disadvantages of having roommates?
- Landlord or Management Company: Do they have a good reputation? Does he or she seem responsive and trustworthy? [If possible, talk to other tenants.]

Things to Know:

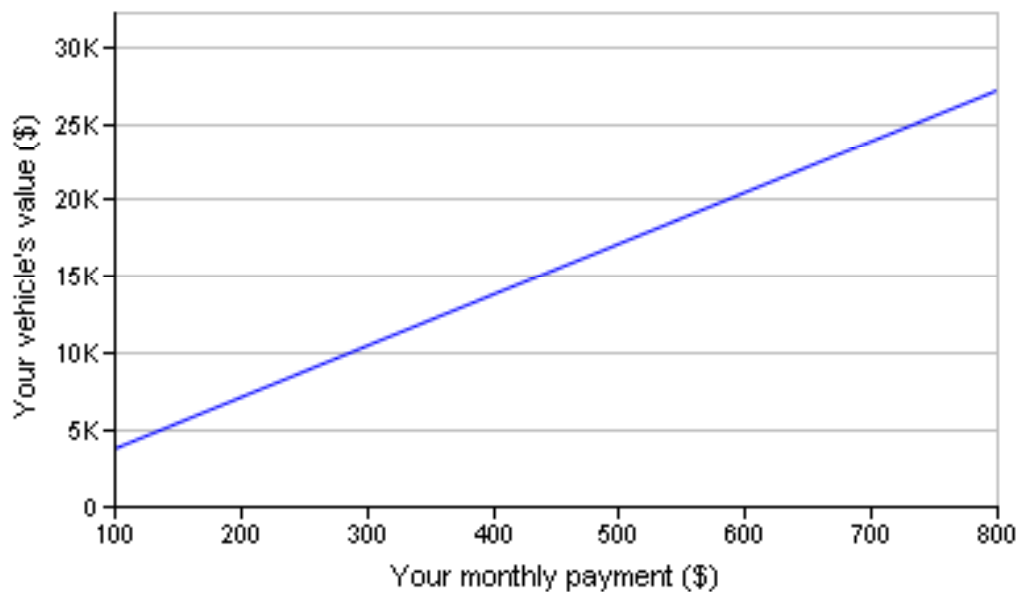
- Security Deposits: You may need to pay security deposits for the following: rental unit, telephone, gas/electric, water. You may also be required to pay the first and last month's rent in advance.
- Upfront moving expenses: You may have to rent a moving truck and/or buy lunch for friends who are helping you move.
- Renter's insurance: It is advisable to purchase an insurance policy to cover expenses if your belongings are damaged or stolen

Helpful Hints for Car Purchases

- Look closely at your budget and determine what you can really afford.
- Do your research to make sure you're buying a quality product that will last. Be cautious of advertisements.
- Check to make sure you're paying a fair price for your car's value on sites such as Kelley Blue Book (www.kkb.com). You can input the car's year, make, model, mileage, overall condition, and other details to find out its value.

Based on what you've budgeted for a monthly car payment, how much can you afford to pay for a car? _____

Various monthly payments



SOURCE: www.consumerreports.org