**Economics Capstone Project - Unit 3**

**Capstone Activity:** Each unit will contain at least one assignment that will be **typed** and saved as part of a culminating semester long final project. This unit students will create a realistic budget for income and costs next year based on the assumption that they are economically independent and must provide everything for themselves. Students will be employed and earn typical wages that they will use to shop for their needs and wants and create a monthly budget. They will list their income and expenses, explain how they obtained those numbers, and will also create a chart/table and a graph illustrating their income and expenses. Students will answer analysis questions as well as the Essential Questions from the Unit Sheet.

**1. Create a *realistic* future budget for next year. Calculate all income and spending on**

**a monthly basis. (do the math) This budget *must* account for the following:**

• **employment** (get a job! A realistic job you could get next year with typical hours and wages

and calculate your monthly earnings)

• **education** (regardless of your personal plans you all must go to school next year – UC, CSU,

CC or JC, trade/vocational school, etc. Calculate your tuition, books, etc. per month)

• **housing** (If you plan to live at home you pay rent! You can live in on-campus housing, rent an

apartment, condo or home, etc. You may have roommates to save on expenses but be realistic!)

• **utilities** (electric, gas, water, phone, tv, internet, etc. research average monthly costs for each of these)

• **car/insurance** (shop for a reasonable car and calculate the monthly payment. Don’t forget insurance!)

**• gas** (average monthly cost)

**• food** (average monthly cost of groceries plus money spent at restaurants, fast food, meal plans, etc)

**• clothing/appearance** ( you may not shop every month but calculate a reasonable monthly expense)

**• entertainment** ( By now you are probably BROKE but realistically you will spend money on some sort of

entertainment so include a monthly estimate for this)

**2. Make a detailed list of your estimated income and expenses for an average month and explain how you obtained these numbers.** Make sure you give details (where you work, $/hr, where you live, type of car you drive, etc) make sure you include the details/specifics.

**3. Create a table or chart showing all income, spending, and savings left over on a monthly basis.**

**4. Make a graph of your monthly budget (line, bar, circle, etc.)**

**5. Analyze your budget by answering the following questions with complete paragraphs:**

1. *Did your budget match your expectations for life after high school? How or why not?*
2. *Are you comfortable with the level of income, expenses, and savings within your budget each month? Where would you make changes in your budget and how could you gain more control over your income or spending in the long-run/short-run?*
3. *What is your ability to save during a one-year period? Do you feel like this is sufficient to cover*

*unexpected costs, emergencies, or special events/ “extras” you may encounter?*

1. *What do you think is the most valuable lesson learned and how will that affect your future plans or choices?*

**6. Answer the following Essential Questions from Unit 3:**

* 1. *Explain what “good credit” is. How does a person develop good credit and what are some of the benefits of having good credit? What are some of the consequences of having bad credit?*
  2. *Explain the “risk v. return” trade-off for investing. Give some examples of high and low risk investments and discuss pros and cons of each. At what point in your life might you prefer higher risk or lower risk investments?*
  3. *Create three realistic and achievable personal finance goals for yourself that you could aim for in the next ten years. List your goals and explain how you plan on reaching them.*

**All work must be typed including tables and charts. Use headings and type the questions above your responses. Be as realistic as possible – this assignment is meant to prepare you for the “real world” not your “dream world”!**