



**Lesson 2**  
Terminology

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Day 2: Create a Budget

By the end of this Lesson  
Students Will Be Able To:

- ✓ Understand various terms in regards to financial literacy.
- ✓ Understand the various components that make up a budget.

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## Vocabulary Activity

In your group, you will need to complete a word sort...i.e. matching key terms from this unit with their corresponding definition.

Be careful some of these words will be new to many of you!

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## Vocabulary Activity

**Definition:**

Money that is earned from work, investments, business, etc.

**INCOME**

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## Vocabulary Activity

**Definition:**  
An income that does not change.

# FIXED INCOME

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## Vocabulary Activity

**Definition:**  
An income that may change.

# VARIABLE INCOME

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## Vocabulary Activity

**Definition:**

An agreed-upon and regular compensation for employment that may be paid in any frequency but is often paid monthly

**Salary**

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## Vocabulary Activity

**Definition:**

Money that is paid or received for work or services, as by the hour, day or week

**WAGES**

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## Vocabulary Activity

**Definition:**

Any type of employment in which a worker is paid a fixed piece rate for each unit produced or action performed regardless of time.

**PIECEWORK**

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## Vocabulary Activity

**Definition:**

The amount of money that an individual receives based on the level of sales he or she has obtained. This money is in addition to his/her standard salary based on the amount of sales obtained.

**COMMISSION**

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## Vocabulary Activity

**Definition:**

Something useful to the home such as electricity, gas, water, cable and telephone.

**UTILITIES**

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## Vocabulary Activity

**Definition:**

A mandatory payment imposed on residents of a portion of their income as a contribution towards the costs of government services.

**INCOME TAX**

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## Vocabulary Activity

**Definition:**

A contract granting use or occupation of property during a specified period in exchange for a specified rent or other form of payment.

**LEASE**

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## Vocabulary Activity

**Definition:**

Borrowing money with a promise to repay that money and some additional fee (interest) over a period of time.

**FINANCE**

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## Vocabulary Activity

**Definition:**

The amount of money that is needed to pay for or buy something.

**EXPENSE**

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## Vocabulary Activity

**Definition:**

An expense that does not change from time period to time period. Examples are rent, insurance, payments on loans.

**FIXED EXPENSE**

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## Vocabulary Activity

**Definition:**

An expense that changes significantly from period to period. Examples are cost of household maintenance like painting or yard care, general expenses such as clothing, groceries, car maintenance and fuel, and electricity, gas and water.

**VARIABLE EXPENSE**

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## Vocabulary Activity

**Definition:**

The state of owing money to someone or something.

**DEBT**

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## Vocabulary Activity

**Definition:**

Money that a bank or business will allow a person to use and then pay back in the future.

**CREDIT**

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## Vocabulary Activity

**Definition:**

The money one has saved, especially through a bank

**SAVINGS**

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## Vocabulary Activity

**Definition:**  
A charge for borrowed money generally a percentage of the amount borrowed

# INTEREST

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## Vocabulary Activity

**Definition:**  
The action or process of investing money for profit or material result.

# INVESTMENT

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## Vocabulary Activity

**Definition:**

A plan used to decide the amount of money that can be spent and how it will be spent.

**BUDGET**

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Day 2: Create a Budget

## Homework

**Ask your parents how they use budgets.**

- Do they use a budget? Why or why not?
- What is the most important thing your parents have learned in using a budget?
- How has their budget evolved from 19 to 30?

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