

Categorizing expenses

Students work with a partner to brainstorm typical household expenses and then categorize those expenses as either fixed or variable.

Learning goals

Big idea

Understanding and managing different types of expenses can help you control your cash flow and follow a budget.

Essential questions

- What are different types of expenses?
- What are common fixed and variable expenses?

Objectives

- Understand the differences between fixed and variable expenses
- Identify examples of fixed and variable expenses

What students will do


- Work with a partner to brainstorm typical household expenses and record them on the “Categorizing expenses” worksheet.
- Identify those expenses as fixed or variable.
- Reflect on how to reduce their own expenses.

NOTE

Please remember to consider your students’ accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Budgeting, Buying things, Paying bills)

School subject: CTE (Career and technical education), Math

Teaching strategy: Cooperative learning

Bloom’s Taxonomy level: Remember, Understand

Activity duration: 15-20 minutes

National Standards for Personal Financial Education, 2021

Spending: 12-1, 12-9

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

- While it's not necessary, completing the "Analyzing budgets" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- Categorizing expenses (guide)
[cfpb_building_block_activities_catergorizing-expenses_guide.pdf](#)

STUDENT MATERIALS

- Categorizing expenses (worksheet)
[cfpb_building_block_activities_catergorizing-expenses_worksheet.pdf](#)

Exploring key financial concepts

When you make a budget, it helps to identify which monthly expenses are fixed and which ones vary. Fixed expenses cost generally the same amount each month (such as rent, mortgage payments, or car payments). Variable expenses change from month to month (such as dining out, gas, medical expenses, groceries, or basically anything you buy from a store). If you're trying to minimize spending to save money, it's helpful to ask yourself two basic questions about your expenses:

1. Can I lower any of my fixed expenses so I can save more money (for example, choose a cheaper Internet package)?
2. Can I lower or eliminate any of my variable expenses so I can save more money (for example, dine out less often)?

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students to name some household expenses. Examples may include rent, car payments, groceries, or utility bills.

- Read the “Exploring key financial concepts” section to students.
- Be sure students understand key vocabulary:
 - **Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.
 - **Fixed expenses:** Expenses, like bills, that must be paid each month and generally cost the same amount. Some fixed expenses, like a utility bill, may also be variable because the amount changes each month depending on usage.
 - **Variable expenses:** Expenses that change in amount from month to month.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

Group work

- Distribute the “Categorizing expenses” worksheet, or have students access the worksheet electronically.
- Have students work with a partner to brainstorm examples of common monthly household expenses.
 - They should list at least eight of these expenses in the “Categorizing expenses” worksheet and indicate if they’re fixed or variable.
- Ask the students to discuss the reflection questions with their partners.
- Give them a few minutes to individually record their answers on their worksheets.
- While students are working, post the headings “Fixed expenses” and “Variable expenses” for the class to see.
- Bring the class back together and ask each pair to post one example of a fixed expense and one example of a variable expense under the appropriate headings.
 - Give other pairs a chance to agree or disagree.
 - To facilitate learning, clear up any misunderstandings about these two types of expenses.

Wrap-up

- Ask students to share their thinking about the reflection questions.
- Through questioning and discussion, help students understand that variable expenses may be easier to change (or give up) than fixed expenses, but fixed expenses can sometimes be lowered (such as switching to a cheaper Internet plan).

- Ask students to consider whether their selections differ from their classmates' choices and why this might be so.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including budgeting, buying things, or paying bills. Suggested activities include ["Differentiating fixed and variable expenses"](#) and ["Bouncing ball budgets"](#).

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding. **Keep in mind that students' answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.

If you choose to use the scoring rubric below to grade this activity, be sure to share it with all students so they know what criteria matter most and they can plan accordingly.

SCORING RUBRIC

Requirement	Possible points	Points earned
8 items listed	80 points (10 for each item)	
Each item checked as fixed or variable	8 points (1 for each item)	
Thoughtful response to the reflection questions	12 points	
Total points	100	