The Envelope System

Pre-reading

Questions:
- Have you heard of the envelope system?
- What do you think it might be?

Definitions:
- Finances – the amount and management of money owned by a person or group
- Separate – apart from another; different

Reading

Pam never seemed to have enough money. As soon as she got a paycheck, it was gone.

The last days of the month were very hard; money was scarce. Pam was stressed and unhappy about her finances.

One day at work, she saw a flyer about a money management class. On the flyer were questions like: “Would you like to pay your bills in full and on time?”, “Would you like to save more money?”, and “Would you like to feel more in control of your finances?” Pam answered yes to each question. She knew she should attend this class.

At the class, Pam learned many helpful things. One of the most useful things was the envelope system. It was a fast and easy way for Pam to track where her money was going.

She labeled an envelope for each spending area. She had separate envelopes for food, gas, savings, rent, phone, etcetera. From every paycheck, Pam put a planned amount of money into each envelope. In her food envelope she put fifty dollars each payday, and in the gas envelope she put thirty.

Any time Pam added or removed money from an envelope, she wrote the date, amount, and reason on the envelope. When an envelope was out of cash, Pam was done spending for that area.

The envelope system helped Pam plan and track her spending. She was paying her bills in full and on time. She even had money left over at the end of the month. Pam was thrilled to be more in control of her finances!
Understanding

1. What does the word *etcetera* mean? _____________________________________________
   ____________________________________________________________________________

2. How did Pam feel about her finances before attending the class? _____________________________
   ____________________________________________________________________________

3. How did she feel after attending the class? ____________________________________________
   ____________________________________________________________________________

4. What made the difference? __________________________________________________________
   ____________________________________________________________________________
   ____________________________________________________________________________
   ____________________________________________________________________________

5. What does the word *scarce* mean?______________________________________________
   ____________________________________________________________________________

6. What did Pam do when an envelope was out of money?__________________________________
   ____________________________________________________________________________
   ____________________________________________________________________________
   ____________________________________________________________________________

Writing

**Choice A:** In your own words, describe the envelope system. Do you think it would be a good thing to use? Why or why not?

**Choice B:** How do you keep your finances in order? What spending and saving strategies do you use? What money topics would you like to learn more about?

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The Envelope System – Level 4.5