

Year 7 RSE, PSHE, Careers and Citizenship

Summer 2

Financial Decision Making



Name _____ Class _____

Teacher _____ Room _____

Lesson 1 - Budgeting

Objectives

- Learn how to budget effectively
- Learn the difference between "wants" and "needs"
- Consider where money could be saved at home

Starter

Our definition of budgeting is....

Budgeting Formula

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What types of expenditure are mentioned?

Budgeting Examples

1. A single man living alone in a rented flat. He works 37 hours a week and earns £900 a month. His monthly expenses are: Rent £200 Council Tax £100 Water rates £10 Sewerage Rates £10 Food / Household items £170 Electricity £ 20 Gas £20 Prescriptions £20 Clothes £30 TV License £10 Travel £50 Telephone £40 Newspapers £10

Income =

Expenditure =

Disposable Income =

Where could money be saved?

2 A husband and wife and two children under 16. He lost his job through ill health and his wife looks after him and the children. They receive £598 Income Support, £564 Child Tax Credit and £164 Child Benefit each month. Rent and Council Tax are paid by benefits. They have the following monthly expenses: Water rates £15 Sewerage £11 Food / Household items £785 Electricity £60 Gas £60 Home Insurance £15 Health costs £30 Clothes £130 Pets £25 TV License £10 Travel £ 75 Car Insurance £15 Breakdown Cover £10 Car Tax £15 Telephone £30 Newspapers £10 Nappies £30

Income =

Expenditure =

Disposable Income =

Where could money be saved?

3. A single woman earning £1040 per month. Expenses: Rent £433.33 Food/ Household £45 Prescriptions £10 Clothes £20 Travel £150 Car Insurance £34.66 Car Tax £9.58 Telephone £20 Newspapers £7.50 Hire Purchase (Car) £ 171.87

Income =

Expenditure =

Disposable Income =

Where could money be saved?

Plenary

Are there any areas where money could be saved at home?

Lesson 2 - Borrowing

Objectives

- Learn about the different ways to borrow money
- Learn the difference between loans, overdrafts and credit cards
- Learn how interest and bank charges are calculated

Starter



Bank Loans

What do you notice about these figures?

Loan amount: £ 1000.00 Typical APR: 17.8 %
Term: 12 months
Initial repayment: £ 90.91
Subsequent monthly repayments: £ 90.97
Total amount repayable: £ 1091.58

Loan amount: £ 1000.00 Typical APR: 17.8 %
Term: 18 months
Initial repayment: £ 62.93
Subsequent monthly repayments: £ 63.10
Total amount repayable: £ 1135.63

Loan amount: £ 1000.00 Typical APR: 17.8 %
Term: 24 months
Initial repayment: £ 49.18
Subsequent monthly repayments: £ 49.20
Total amount repayable: £ 1180.78

Overdrafts

You need £800 to put a deposit on a flat. At present you only have £600 in your account and your pay goes into your bank account in two weeks time.

You arrange an overdraft of £300 with your bank.

You write a cheque for £800 for the deposit.

When the cheque is cashed your account shows a balance of - £200. This gives you up to £100 to live on until your wages go into your account.

You spend an extra £75.

Your wages of £900 go into your account

What does your account balance show now?

What charges can banks also make on overdrafts?

Credit Cards

YOUR CREDIT CARD STATEMENT	
Visa number	4444 5555 6666 7777
Cardholder	YOUR NAME
Your credit limit	£7,200
Available to spend	£7,068
Please quote your account number in all correspondence	
summary	
Statement date	07 February 2013
Balance from previous statement	£177.74
Credits to your account	£50.00CR
New transactions and charges	£3.42
new balance	£131.16
Minimum payment due	£5.00
To reach your account by	04 March 2013
* Estimated Interest £1.96	
It will significantly increase the time taken to clear your balance and cost you more if you repeatedly make the minimum payment.	

How much did this person pay off on their credit card last month?

How much interest and new charges were added?

How much do they still have to pay?

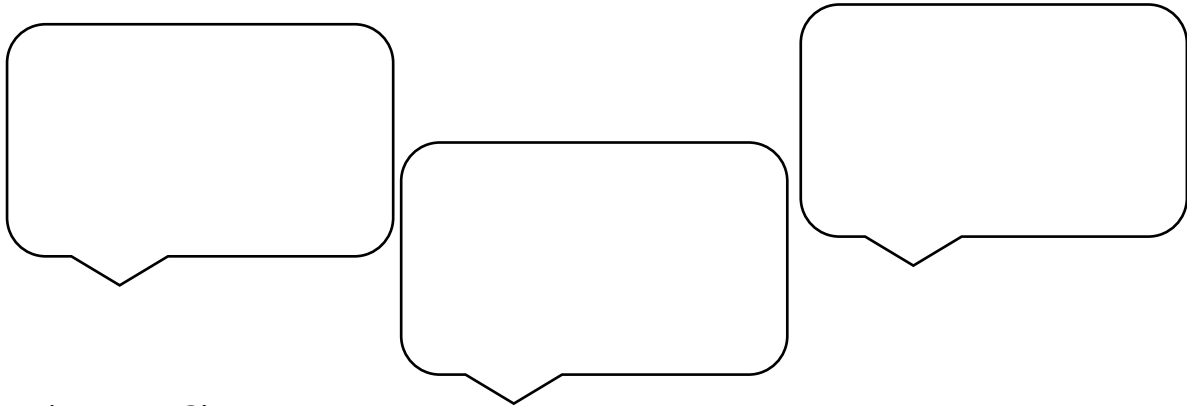
What is the minimum payment they need to make?

Lesson 3 - Financial Decision Making

Objectives

- Understand that people have different attitudes to money
- Discuss common financial mistakes and threats
- Understand of how to help keep your financial information safe from fraud

Starter; What influences your spending?



Sam's Action Plan

Read about Sam's story, then make an action plan for him.

"Sam is 20 years old. He left school two years ago and has been working at a call centre, earning £13,000 per year. Pay day is the last Friday of the month and that night is always a celebration. Sam will take £100 from the cash machine when he leaves work and meets his friends, and usually has around £10 left on Saturday morning.

Sometimes Sam will spend extra money that evening using his debit card, but doesn't keep his receipts or check his balance the next day to keep track of it. On the first Saturday after pay day Sam will make a trip to the shops and buy clothes on one of his credit cards without checking his statement to see how much money he already owes.

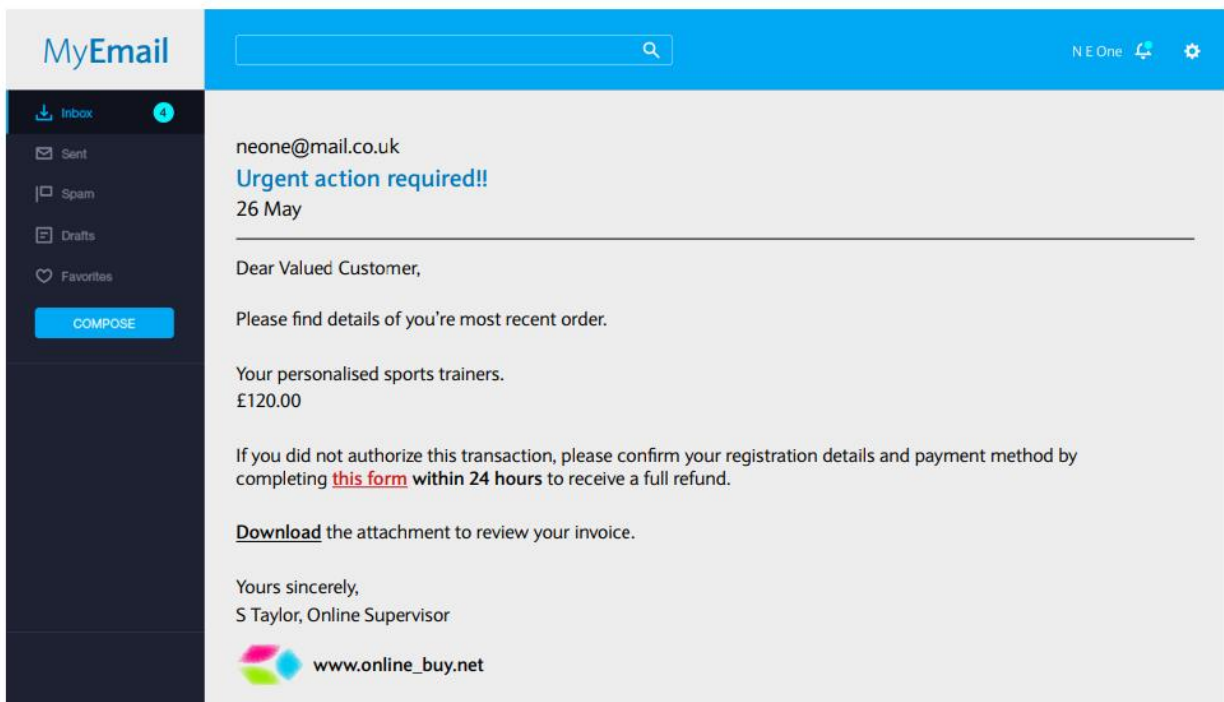
Sam has given the same PIN to all of his debit and credit cards so it's easy to remember - 1234. He also uses this as his passcode for his mobile banking app, just adding 56 as it needs to be six digits long. Sam has a laugh at friends who forget their PIN and will regularly tell them to keep it simple and use a number like his. He has multiple social media accounts, and low privacy settings as he likes everyone to know when his birthday is and when he's going on holiday.

Sam was putting his bank statements in the bin when they arrived in the post, but has switched to paperless banking so he doesn't have to worry about them stacking up anymore. At the end of the month, Sam will pay the minimum amount necessary on each credit card. On a couple of occasions this has been a problem because Sam did not have enough left in the bank and hadn't checked his bank account online to see what he had spent."

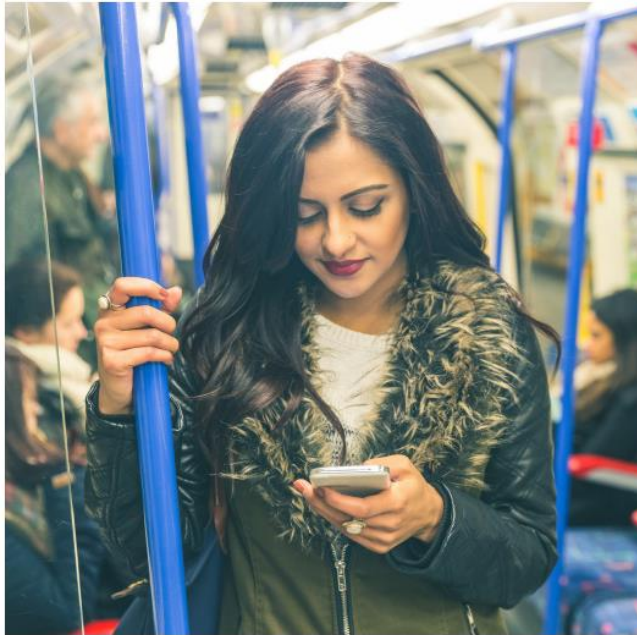
What are Sam's bad habits?	What are his good habits?
What actions could Sam take to adjust his money management and stay safe online?	

Spot the Faker

What are the tell-tale signs that this email is a fake?



Case Study 1 - Priya



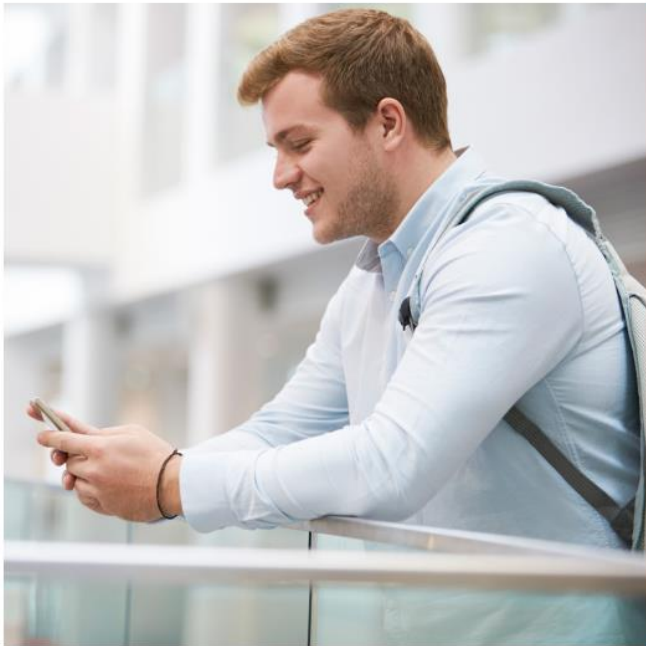
Priya had been looking for a job to earn some money, when she was approached outside her college by someone who offered her a way of making easy cash. They asked Priya to share her bank details so that money could be transferred into her account for a short period of time. She agreed when they said that whilst £500 would be transferred in, only £450 would be taken out and she could keep the rest.

What type of fraud or practice is this?

What signs could the individual have spotted to stay safe?

What could they do differently next time?

Case Study 2 - Jake



Jake was keen to get tickets for a football match which had sold out. He found some advertised online cheaper than the original price, and paid for them using his debit card. Jake was sent a confirmation email straight away to say that the tickets would arrive within 10 days. Unfortunately, the tickets never arrived and when he made calls to the company they were ignored.

What type of fraud or practice is this?

What signs could the individual have spotted to stay safe?

What could they do differently next time?

Case Study 3 - Mohammed



Mohammed was using his laptop when his phone rang. The caller was an IT specialist from his home internet provider, and they explained that there was a virus on his laptop and he would need to restore the settings with their help. They asked Mohammed to re-open his recently visited internet sites, which included his online banking. Mohammed provided some technical details which allowed them to gain remote access to his laptop, and was advised not to use the laptop for 24 hours following the software and protection update. The next day, Mohammed went to take money out of his bank account but his balance was zero.

What type of fraud or practice is this?

What signs could the individual have spotted to stay safe?

What could they do differently next time?