



TeeJay Publishers

Financial Maths - Life Skills

Budgeting UNIT

MNU 3.09b

CfE Level 3 - Lesson Plan

Produced for TeeJay Publishers by Pamela Fraser, Financial Education Training Officer, Dumfries & Galloway.



Guidance Notes for Teachers

Managing a Budget Lesson

Lesson Objective: By the end of the lesson, pupils will be expected to understand the purpose of a budget and the impact changes to income and expenditure will have to the overall budget.

Curriculum for Excellence Money Outcomes: MNU 3.09b - I can budget effectively, making use of technology and other methods, to manage money and plan for future expenses

Lesson Introduction

Budgets are used by governments, companies, households and individuals to manage and control spending. Often we are not aware that we are really even setting ourselves a budget but think about the last time you bought someone a birthday present. You might have just bought the first thing that you saw but most likely you set a limit to the amount that you wanted to spend and chose a gift within that limit. In other words you were working within a budget.

A budget is a financial document which projects how much money we have to spend. To do this, we need to have an income (money coming in) each week/month or year and from this we subtract all our expenditure (things that we spend money on). By maintaining a budget we can recognise how and where we spend our money (our spending patterns) and if circumstances require it, we can identify where we can cutback our spending and save money.

The most important part of setting a budget is to stick to it! There is little point in calculating the amount that you have to work with, and then overspending. This can lead to debt and borrowing, which in turn may escalate to major financial difficulties. A successful budget means that you have to make choices about the things that you spend your money on (your expenditure). You might have to decide whether the item is something that you really NEED or whether it is just something that you WANT.

We are going to look at a budget today and think about the things that might have an effect on the budget. By calculating your own budget you will have to decide the best way to spend your money while still keeping within your budget.

Discussion

Once the introduction has been completed with the class, the attached discussion notes sheet will assist you in opening up the subject of budgets to the class.

Worksheet - Pupil Activity

Through the discussion it should be ascertained that the pupils understand the purpose of a budget and how it is calculated, and the pupils can progress to a working example. There are 2 worksheets attached for each pupil. The front sheet contains the questions to be answered by the pupils and the back sheet has a blank budget planner which the pupils will complete as part of the exercise. The questions are set around a scenario using real life monetary figures.

Plenary

This sheet summarises the learning and highlights the key points of the budget management lesson.

Pamela Fraser

Discussion Notes

Managing a Budget

Q1: What would you consider as income ?

A: Income is any money that we receive in. It could be wages, tax credits or other benefits, money we get from selling something, winnings from the lottery or bingo, birthday & Christmas money, pocket money or money from chores. Some income is more reliable and regular than other types.

Q2: What is expenditure ?

A: Expenditure is the money that we spend. Some expenditure is fixed amounts and others will be variable. Fixed expenditure could be rent or mortgage payments, car loan repayments, membership subscriptions. Variable expenditure might be electricity bills, clothing, food bills, car repairs, holidays, savings etc.

Q3: What is the difference between something that we NEED and something that we WANT ?

A: A NEED is something that we have to have in order to survive. A WANT is something that we would like to own but we would not die without it! A want is often a luxury item, such as a wide screen TV or a games console. Items that we want often are upgrades on items that we already own; think about the iPhone we are already on version 4!

Q4: There are 5 basic NEEDs that we have to acquire to survive. What are they ?

A: Drink, Food, Shelter, Warmth and First Aid

Q5: What changes in circumstances could affect and necessitate changes to your budget ?

A: Income - Losing job, reduction in hours worked, having a baby, overtime, new part time job, increase/decrease in tax paid, change of job, ill health etc. Expenditure - increase in rent payments, car breaks down, new baby, fuel price increases, etc.

Supplementary Questions

Q6: When do you think it will be important to set a budget ?

Starting to live on your own, becoming a student at university, planning a family, buying your first house, planning a holiday, Christmas shopping for presents, etc

Q7: What are the possible implications of not preparing a budget in any of the previous examples ?

You might not be able to afford what you are planning. Overspending which can mean less money for essential items. Having to borrow money which can be expensive. Not being able to pay off debts. Lose your home. Bankruptcy. Etc

Managing a Budget Worksheet

Eve is a single mother of two young boys Alfie & Finn, and she is concerned about managing her finances properly. She works part time in an office and receives benefits from the government to help her look after her children, but she has a lot of expenses each month. She decides to set up a monthly budget so that she knows how much money she is spending.



1. Eve has listed her income and expenditures but some of these are weekly and others are monthly.

Council Tax	£55 per month	Gas	£80 per month
Wages	£600 per month	Food	£80 per week
Electricity	£45 per month	Rent	£350 per month
Child benefit	£33.70 per week	Fuel	£70 per month
Child Tax Credit	£113.50 per week	Working Tax Credit	£68 per week
Car Loan	£108 per month	Car Ins	£51 per month
Credit card	£100 per month	TV Licence	£15 per month
Clothing & Shoes	£80 per month	Mobile Phone top-up	£60 per month

Can you calculate the monthly amounts to assist Eve ?


- | | | | |
|---|------------------------------|---|--------------------------------|
| a | Food per month - | b | Child Benefit per month - |
| c | Child Tax Credit per month - | d | Working Tax Credit per month - |

2. Transfer the items on Eve's list to the income or expenditure sides of the budget planner
3. By subtracting her expenditure from her income Eve calculates how much money she has left each month. How much does she have ?
4. Eve has both fixed and variable amount expenses. List her fixed amount expenses.
5. Eve takes her car to the garage for a MOT and she gets a bill for £220 for repairs needed to be carried out. How much money will Eve have left this month once the bill is paid ?
6. Eve currently works 21 hrs a week at her job, but her manager asks if she could increase her hours to 28 hrs per week. This would mean her pay would go up to £820 per month but her working tax credit would decrease to £150 per month. What affect would this have on her budget? Should she increase her hours ?
7. Look at Eve's income and expenditure, what other changes could have an effect on her budget ?

2

Monthly Budget Planner Sheet for Eve Jones


INCOME	EXPENDITURE
<i>Over/Under Spend (Income - Expenditure)</i>	£



6

Monthly Budget Planner Sheet for Eve Jones


INCOME	EXPENDITURE
<i>Over/Under Spend (Income - Expenditure)</i>	£



Managing a Budget Worksheet - Answers

1. a Monthly costs Food - £346.67 (Find $52 \times £80 \div 12$)
- b Child Benefit - £146.03
- c Child Tax Credit - £491.83
- d Working Tax Credit - £294.67

2. *Monthly Budget Planner Sheet for Eve Jones*

<i>INCOME</i>	<i>EXPENDITURE</i>
Wages £600	Council Tax £55
Child Benefit £146.03	Gas £80
Working Tax Credit £294.67	Food £346.67
Child Tax Credit £491.83	Electricity £45
	Rent £350
	Fuel £70
	Car Loan £108
	Car Insurance £51
	Clothing & Shoes £80
	Mobile Phone £60
Total £1532.53	Total £1245.67
	
<i>Income left over (Income - Expenditure)</i>	
£286.86	

3. £286.86
4. Council Tax, Rent, Car Loan, Car Insurance, (possibly Gas & Electricity if paid standing order).
5. £286.86 - £220 = £66.86
6. Pay rises by £220 per month. Tax Credit drops by £150. Net gain £70. Possibly should take the extra hours but depends if she likes her job, how it will affect seeing/looking after her kids, unsocial working hours, etc. List other reasons for taking or turning down extra hours.
7. Children need extra new school clothes, - possible school trips, saving for Xmas, birthdays, holidays etc. List other things that could affect her budget.

Summary/Plenary Sheet

The exercise you have just completed shows how we use a budget to calculate how much money we have to spend either weekly or monthly and where it goes.

Good money management is a very important life skill and something that you will need to learn to do, so that you don't get into financial difficulties.

A budget helps us manage our money efficiently.

Questions to assess student understanding

What do you think is the basic rule of a budget ?

- *Not to overspend.*
- *Not to spend more than the income.*

What do you think the most difficult part of managing a budget would be ?

- *Making choices on how best to spend your money.*
- *Deciding what you can and can't buy*
- *Adapting if your income reduces or expenditure increases unexpectedly*

What are the benefits of setting a budget ?

- *You know how much money you have to work with*
- *You can track what your money is being spent on*
- *You calculate whether you can afford to buy or do something*
- *Helps you avoid getting into debt*

Recap on Key Learning Points

- A budget is a financial plan which projects income and expenditure to prove you are not overspending
- A successful budget should show an under spend
- You will have to make choices over expenditure - is it a NEED or a WANT? Can I afford it?
- Budgets adapt and modify to changes in circumstances

Extended Learning

For teachers wishing to further the lesson by issuing homework or extended learning opportunities to pupils the following is suggested activities:-

- Set pupils a budget of £250 to design and furnish their new bedroom from IKEA/Argos etc catalogues
- To list the expenditures that families may have to pay for

Following on from the expenditure list separate the items into needs and wants

- Pupils to research examples of budget saving product promotions and collect adverts
e.g. buy one get one free