

Title: Budgeting and Financial Planning

Context: GCSE Home Economics Revised Specification

Learning outcomes:

Students will be able to:

- Discuss the effects of peer group pressure on purchasing decisions
- Understand and interpret data
- Explain the benefits of financial planning
- Draw up a budget based on an income and expenditure.

Resources:

- Dialogue and question sheet (attached)
- Visit the resources pages on the Personal Finance Education Group's website at: http://www.pfeg.org/teaching_resources/resources/

This site showcases and provides links for a huge range of financial planning, money awareness and budgeting activities and interactive games. Some of our favourites include:

- <http://www.addinguptolifetime.org.uk/online.html>
- <http://www.mymoneyonline.org/fortunity/>
- <http://www.nationwideeducation.co.uk>

Activity 1.

This exercise can be used as –

- a) A role play exercise where the class is divided into several groups with each group acting out the roles in the dialogue and then providing answers to the questions on the worksheet.
- b) A comprehension exercise – the dialogue and worksheet can be used for individual study.

Questions 2 and 3 on the student worksheet relate to influences on consumer spending. Peer group pressure could be introduced for discussion.

Question 4 is intended to show that borrowing and spending more money than you have can lead to debt.

Questions 5 and 6 are concerned with financial responsibility and could be linked with **question 7** to raise the issue of whether budgeting is necessary.

Question 8 - Arising out of the issue of financial responsibility is the question of why it is important to look to the future as well as the present.

Question 9 – requires prior investigation into “what is a budget”, “why do I need a budget”. Full discussion of Jane's budget might also help students to build up the criteria needed to draw up their own budget.

Students should be encouraged to work on their individual budgets until their income balances with expenses.

Consumer Council GCSE Home Economics support materials

Jane is an eighteen-year-old full-time shop assistant. She lives at home with her Mum, Dad and younger brother.

It is Tuesday night and Jane is planning to head out to the cinema with a group of friends.....BUT she has no money AGAIN!

She is having a conversation with her Mum

Pleeease Mum can I just borrow £10. I will pay you back on Friday as soon as I get my wages.

What happened to last week's wages? It's only Tuesday.

Well... I had to pay you back the £20 I borrowed from you last week and I needed to get a new outfit for Claire's party on Saturday night.

You did NOT need a new outfit for Saturday night. You have enough clothes to set up your own clothes store! Shopkeepers must love to see you coming. Why can't you be more responsible with your money?

I wear the same boring outfits all the time. All my friends have new clothes so I need new clothes.

Jane sighed...they had this same battle every week. Why couldn't her Mum accept that she's young and carefree? Responsibilities are for grown-ups with bills, mortgages and kids, not for an 18 year old.

You're hopeless at managing your money. You never have any money and you never save. What happens when you pass your driving test and want to get a car? How will you afford it? You can't rely on me forever. What you need is a BUDGET.

A budget? What on earth is that?

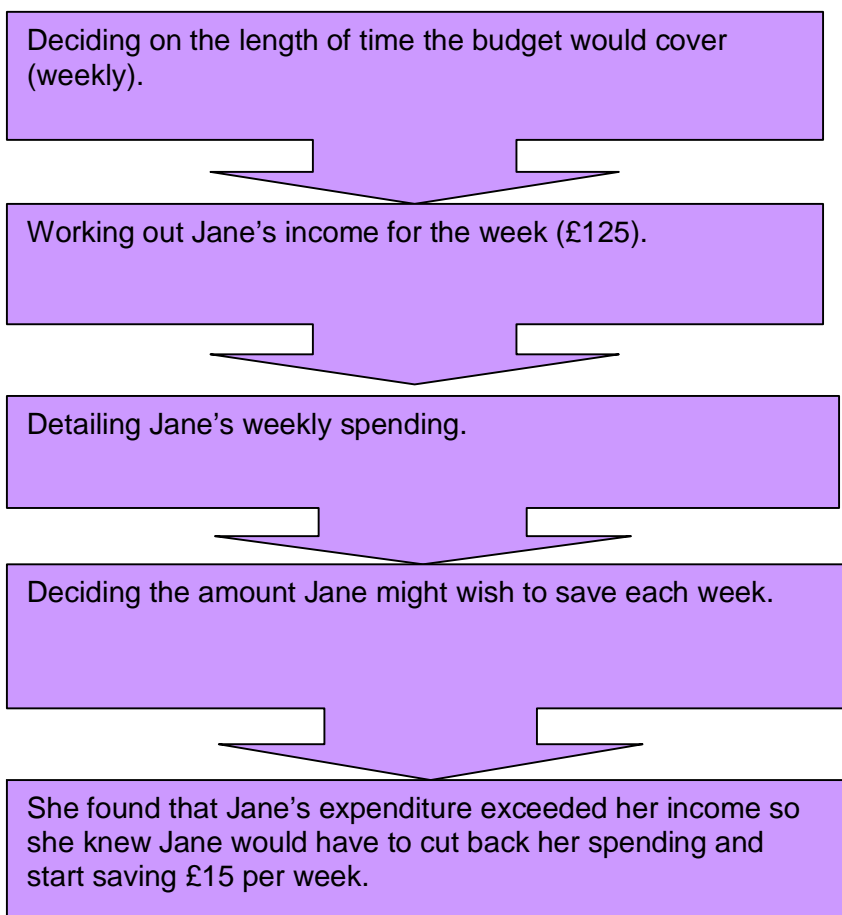
Some night when you are free I will show you. Now here's £10 BUT this is the last time I'm lending you money

Jane and her Mum eventually had a chance to sit down and worked on a budget – this is how it looked.

Weekly Income	Weekly Expenses	
£125	Lodgings (paid to Mum)	£25
	Clothes	£30 £20
	Travel to work	£10
	Lunches	£10
	Going out	£25 £20
	Make-up etc	£10
	Extras	£10
	Savings	£15
	Total	£125

Question Sheet

- 1 How often is Jane paid?
- 2 Give three reasons why you think Jane wanted a new outfit for Saturday night.
- 3 Do any of these reasons apply to the things **you** buy? Choose two things that you've bought recently and explain why you bought them.
- 4 If Jane borrows money from her mum she will have to pay it back next week. What are the implications of this?
- 5 Do you agree with Jane when she thinks she hasn't got any financial responsibilities? Use information from the dialogue to support your answer.
- 6 List three responsibilities that Jane's mother might have which Jane doesn't have.
- 7 Explain in your own words what is meant by "managing your money".
8. Jane's mother says it's important for her to plan her savings. What sort of things would she be likely to save for?
9. Jane's mother showed her how to plan a budget. This is how she did it.



Extension Activity:

1. Keep a spending diary for two weeks.

For example:

<p><i>Monday 1 February</i></p> <p><i>£5 sponsorship money</i> <i>£1 at newsagents</i></p>	<p><i>Thursday 4 February</i></p>
<p><i>Tuesday 2 February</i></p> <p><i>£3 paid back to Pete</i></p>	<p><i>Friday 5 February</i></p> <p><i>£10 cinema</i></p>
<p><i>Wednesday 3 February</i></p>	<p><i>Saturday 6 February</i> <i>£8 DVD hire and snacks</i></p> <p><i>Sunday 7 February</i></p>

2. Does the spending diary help to see where your money goes?
3. Can you spot where you could make cutbacks to help you save?
4. Is there something you would like to save-up for? Have you researched how much that would cost? This will help you to set realistic goals.

N.B. It might help to create a 'moodboard' with pictures cut from magazines that help you to visualize your goals in the short, medium and long-term. When you feel tempted to splurge on some unnecessary spending, looking at the moodboard could help you stay on track.

5. Using the information from your spending diary, draw up your own budget, just like Jane's Mum did with income in one column and spending/saving in the other.