

Money Management



SESSION #3

SPENDING VS SAVING

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The Money Management sessions have been developed for the HSBC Opportunity Partnership in collaboration with Catch22, St Giles Trust, The Prince's Trust, Tomorrow's People and pfeg (Personal Finance Education Group)



Personal Finance
Education Group

Session #3

SPENDING VS SAVING

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INTRODUCTION

Developing a positive attitude towards saving is an extremely important step in building a secure financial future. This session considers the balance between spending and saving for a young person, and ways in which spending can be prioritised to enable saving. Not all young people will be in the position that they can begin saving immediately, but it is useful to challenge and develop such attitudes towards saving now for use in later life.

LEARNING OUTCOMES

By the end of the session the young people will:

- ✓ Appreciate the importance of having a contingency fund if possible
- ✓ Be able to prioritise a budget to include saving
- ✓ Know how to compare savings products effectively

RESOURCES



Facilitator's Notes

Starter

SETTING THE SCENE

10
mins

- ✓ With the young people working in pairs, give out the sheet in **Resource 1 – Essential and Nonessential Spending**. The pairs should sort the items on the sheet into 'essential spending' and 'nonessential spending' by placing a tick (for essential spending) or a cross (nonessential spending) next to the image. Discuss how the pairs made their decisions and whether there were any they found difficult to decide upon. Explain that when planning your own spending, it is good practice to make sure that you have covered all of your essential costs first. After this nonessential items can be considered.

Core Activity

SAVING

10
mins

- ✓ Ask students why some people think saving is so important. Responses to this may well be very varied. Some young people will always live for the moment and feel that savings are just not important to them. Consider what someone might use their savings for:
 - Buying an expensive item
 - Paying a rent deposit
 - Holiday
 - Just in case
- ✓ Explain that whilst you could be saving for something specific, many people have savings as a contingency fund just in case something occurs that they may need the money for.
- ✓ Saving for a contingency fund can be a difficult concept for young people. You could explore the issue that might arise for which a contingency fund would be required. These could include a vehicle repair, loss of a job and to replace an uninsured tablet or mobile device.

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Facilitator's Notes

Core Activity

CELIA'S BUDGET

10
mins

- ✓ Give out **Resource 1 – Shaping up Celia's Budget**. Explain that Celia is looking to cut back her spending every month. At the moment she is spending everything she earns and thinks she can make some cuts. Read through the information about Celia to give the young people an idea of the things that are most important to her. Discuss the areas of spending that the young people think Celia could cut down on. Are there any areas in which Celia should not reduce her spending? Why is this?
- ✓ Ask the young people to re-write the expenditure amounts in the column labelled 'Adjusted'. Some of these will remain the same, but the young people may decide to reduce the spending in some areas. Discuss whether they managed to reduce Celia's spending, and if so how. Explain that there is always a balance between spending and saving, and whilst saving is important, you also need the opportunity to spend a little and enjoy yourself.

Core Activity

PRIORITISING YOUR OWN BUDGET

10
mins

- ✓ Explain that having completed the '**Celia's Budget**' exercise, the young people will now be given an opportunity to create their own budgets and see whether they are able to make any cuts to their own expenditure. This follows the same method as in '**Celia's Budget**' – firstly inputting their actual figures and then reviewing the nonessential expenditure to see if savings can be made. The questions at the bottom of the resource sheet aim to highlight how any savings in spending can accumulate over time.

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Facilitator's Notes

Core Activity

REVIEW

5
mins

✓ Recap on the learning objectives for the session and discuss with the young people whether they feel they now understand those learning objectives:

- Appreciate the importance of having a contingency fund if possible
- Be able to prioritise a budget to include saving
- Know how to compare savings products effectively

Core Activity

EXTENSION

15
mins

✓ Having made adjustments to your budget to enable you to build in some saving, the next challenge is where to keep your money. Briefly discuss the advantages of saving money in a savings account as opposed to a current account (this is covered in more detail in **Session 7 – Banking Options**).

Consider some of the ways which people try to save:

- Ask a friend to look after the money so you can't spend it?
- Keep it in a jar in your bedroom?
- Transfer whatever money you have left at the end of the month into a savings account?
- Put a certain amount of money into your savings account at the start of every month?

Which would the young people find works the best for them? Are there any other ideas? Discuss the reasons and any other ideas they might come up with.

The session does not include any specific information about current saving accounts, and the facilities that may be on offer to the young people. Some of this is covered in **Session 7 – Banking Options**, but you may wish to discuss the characteristics of, and differences between, different types of savings accounts.

Facilitator's Notes

SESSION GLOSSARY

Annual Equivalent Rate (AER)

The name given to the interest rate you will see advertised on any form of savings.

Bank statement

A written summary of your income and expenditure over a fixed period of time.

Budget

A way of planning for the money you have coming in and going out.

Expenditure

The technical term for the money that we spend.

Financial adviser

Somebody you may want to speak with to get financial advice.

Income

The term given to the money that we receive.

Instant access

When you are able to take out your money immediately.

Interest

The reward paid for saving money, and the 'cost' of borrowing money.

ISA

An Individual Savings Account allows you to save a fixed amount of money tax free each year.

Pension

A form of long term investment to be used in retirement.

Statement

A document received from your bank or building society showing all of the transactions on your account for a fixed period of time.

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Resource #1



ESSENTIAL AND NONESSENTIAL SPENDING

Put a tick next to the images below you think are 'essential spending', and a cross next to the images you think are 'nonessential spending'.



Music Downloads



Gas



Sweets



Food



Nights Out



Travel to Work



Mobile Device Apps



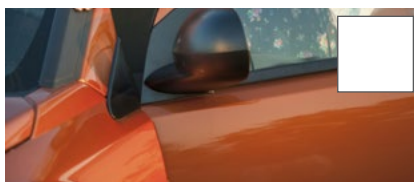
TV Licence



Electricity



Cigarettes



Car Insurance



Computer Games



Clothing



Toothpaste



Rent

SHAPING UP CELIA'S BUDGET



Celia has been trying hard to cut back on her spending each month, but has never managed it – always spending everything she earns.

Find out a little more about Celia and then see if you can adjust her expenditure so that she has some money left at the end of the month.

Celia is nineteen and has worked for the council for just over a year. She is happy in her job and how much she earns, but so far she has not been able to save any of her income. Celia knows the only way to start saving is to cut her spending but doesn't have a clue where to start.

She thought about cutting her mobile costs, but this is on a contract with eighteen months left to run. Her travel is needed in order to get to work and some of her clothes she also wears for work. Celia loves going out with her friends, and that can get expensive!

Cigarettes are something she knows she should give up, but it's only really when she's out with her mates and she finds she just ends up buying some. Celia's music is important to her and she tries to buy a couple of albums each month.

If Celia did not smoke how much could she save each month?

How much could she save over six months?

INCOME		EXPENDITURE		ADJUSTED
Work	£1,022	Rent	£305	
		Food	£220	
		Gas & Electricity	£55	
		Mobile device	£35	
		Going out	£210	
		Clothes	£70	
		Music	£25	
		Cigarettes	£22	
		Travel	£80	
TOTAL	£1,022	TOTAL	£1,022	

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Resource #3



YOUR OWN BUDGET

Just like Celia's budget try to use your own weekly income and expenditure to create a budget. Think about where your money comes from each week, and how you spend it. Add this into the table below.

Once complete, see if there are any of your nonessential expenditures that you could reduce. If there is, write the new figure in the 'Adjusted' column.

INCOME	£	EXPENDITURE	£	ADJUSTED
TOTAL		TOTAL		

How much have you managed to reduce your expenditure by each week?

Over a month how much would you have saved?

Over six months how much would you have saved?

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Education Group

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