



Financial Literacy Curriculum

Lesson 3: My Money and Me



Agenda/Contents

Let's get started

1. Getting Started

- What do you already know?

2. Personal Finances

- Wages and Payslips
- Income Tax and National Insurance
- Pensions
- Renting and Homeownership
- Bills

3. Wrap up and reflection

Session overview

You will learn about the different financial issues that you may encounter as you progress out of school education. You will also learn about the different options available to you.

Objectives

You will be able to:

- Communicate clearly about your financial decisions
- Confidently use vocabulary related to mortgages, pensions, taxes and wages

What do you already know?



Vocabulary Wall

We are going to be talking about the following topics in today's session. What vocabulary do you already know related to these topics?

- Being a homeowner
- Payslips
- Taxes
- Pensions
- National insurance
- TV License

**Jot down any words or questions and stick them on the “vocabulary wall”.
(3 minutes)**

Wages and Payslips



Can you afford it?

You want to buy an iPad which costs **£400**.

If you have a job that pays **£10 an hour**, and you've worked **40 hours** in the week you will have earned £400.

Will you have enough money to pay for the iPad?

**Discuss in pairs.
(2 minutes)**

Payslips

Here is an example payslip.

The diagram shows a sample payslip form with several callouts in blue boxes pointing to specific areas:

- Your payroll number**: Points to the number 123456.
- The tax period**: Points to Tax Week 12.
- Deductions - tax and National Insurance**: Points to the Deductions section.
- Your tax code**: Points to Tax (code 4321A).
- Expenses**: Points to the NI (category A) deduction.
- Pensions**: Points to the Pension deduction.
- Student loan**: Points to the Student Loan Plan X deduction.
- Payments, wages, bonuses, commission**: Points to the Basic Pay line item.
- Workplace benefits**: Points to the Employer's Contributions section.
- Your national insurance number**: Points to the NI Number AB 12 34 56 C.

Form Fields and Values:

Header: 123456, Mr John Smith, Pay Day 01/01/2016

Company: Company Name Ltd, Tax Week 12, CNPayroll

Earnings	Units	Rate	Amount
Basic Pay			2,008.33
Total		Earnings	2,008.33

Deductions	Amount
Tax (code 4321A)	233.33
NI (category A)	169.40
Pension	50.00
Student Loan Plan X	10.00
Total	Deductions 442.73

Running Totals

Tax Year to Date		Accumulations	
Gross Pay	25,000.00	Basic Pay	25,000.00
Taxable Pay	14,000.00	Ers Pension FL	50.00
Tax	2799.96		

This Employment

Gross Pay	25,000.00
Taxable Pay	14,000.00
Tax	2799.96
Employee's NI	169.40
Employer's NI	

Previous Employment

Taxable Pay	
Tax	

Amount Paid

Earnings	2,500.00
Deductions	452.73
Net Pay	1,620.60
B/Forward	
Amount Paid	1,620.60
C/forward	
Payment method	BACS

Employer's Contributions

NI (category A)	100
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Annual Salary 25,000.00

NI Number AB 12 34 56 C

Amount Paid 1,620.60

Income Tax



Part of your salary may be deducted for *income tax*.

Currently, you can earn up to **£12,500** per year without paying tax (this is your **personal allowance**).

Everything you earn between £12,500 - £50,000 will be taxed at 20%.

Anything you earn between £50,000 - £150,000 will be taxed at 40%. (Your personal allowance drops by £1 for every £2 earned over £100,000)

Anything you earn over £150,000 will be taxed at 45%.

If I earn £40,000 in the year, how much tax will I pay?

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Anything you earn over £150,000 will be taxed at 45%.

If I earn £40,000 in the year, how much tax will I pay?

Answer: £5,500.

£40,000 - £12,500 (tax free allowance) x 20% = £5,500

Income Tax

How is the money spent?

- What do you think the money the Government receive in income tax is spent on?

Extension:

- Can you put those things in order - what is the most money spent on? And the least?

**Discuss in your groups.
(2 minutes)**

Income Tax

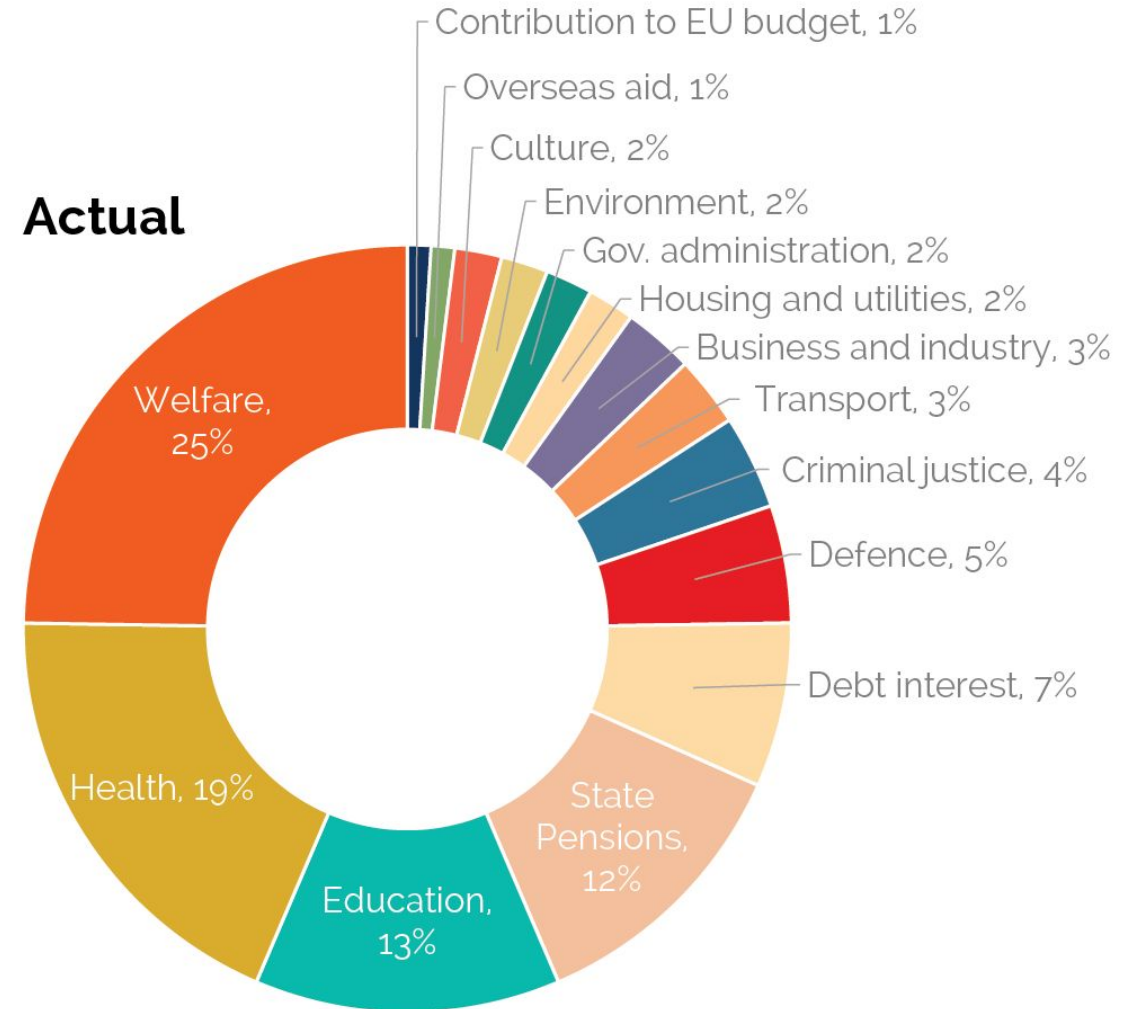
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(2 minutes)**



National Insurance



National Insurance payments go towards the following:

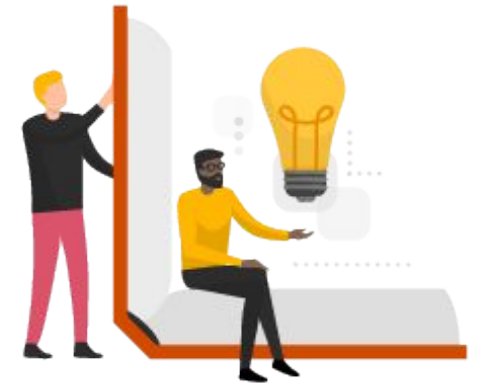
- State pensions
- Maternity Payment
- Jobseekers allowance
- The NHS

The amount of National Insurance you pay is based on what you earn as follows:-

Your pay	Class 1 National Insurance rate
£166 to £962 a week (£719 to £4,167 a month)	12%
Over £962 a week (£4,167 a month)	2%

Pensions

What are pensions?

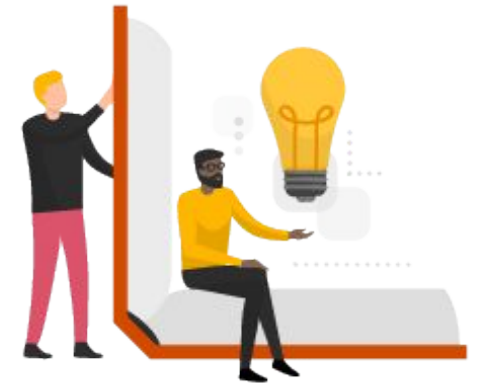


Pensions

What are pensions?

It makes sense to **put some money away for when you're older** and that's what **pension schemes** help you do.

You **save** a little of your income **regularly** during your working life so you can have an **income** in later life, when you want to work less or retire.



Pensions

National Insurance = State Pension

Pay Day 01/01/2016	
CNPayroll	
Deductions	Amount
Tax (code 4321A)	233.33
NI (category A)	169.40
Pension	50.00
Student Loan Plan X	10.00
Total	Deductions 442.73

Once you reach the **state pension age** you will get weekly payments known as the **State Pension**. This is paid to you from National Insurance payments that you made. To get the full state pension you need to have paid National Insurance for **35 years**.

How old is the state pension age?

How much do you think you get paid per week?

Pensions

National Insurance = State Pension

Payroll	
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How old is the state pension age?

68 years old

How much do you think you get paid per week?

Pensions

National Insurance = State Pension

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How old is the state pension age?

68 years old

How much do you think you get paid per week?

£168.60

Pensions

Workplace Pensions

ith	Pay Day 01/01/2016
12	CNPAYROLL
Deductions	Amount
Tax (code 4321A)	233.33
NI (category A)	169.40
Pension	50.00
Student Loan Plan X	10.00
Total	Deductions 442.73

A **workplace pension** is a way of **saving** towards retirement that is arranged by your **employer**. Usually, a **percentage** of your salary is put into the scheme every month. Your employer will usually pay a percentage into it too.

How old is the workplace pension age?

How much do you think you get paid per week?

Pensions

Workplace Pensions

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How old is the workplace pension age?

55 years old

How much do you think you get paid per week?

Pensions

Workplace Pensions

The diagram shows a payroll slip with the following details:

- Pay Day:** 01/01/2016
- Payroll System:** CNPayroll
- Table:**

Deductions	Amount
Tax (code 4321A)	233.33
NI (category A)	169.40
Pension	50.00
Student Loan Plan X	10.00
Total	Deductions 442.73

Callouts from the diagram:

- The tax period:** Points to the 'Pay Day' field.
- Deductions - tax and National Insurance:** Points to the 'Tax (code 4321A)' and 'NI (category A)' rows.
- Your tax code:** Points to the 'Tax (code 4321A)' row.
- Expenses:** Points to the 'Pension' row.
- Pensions:** Points to the 'Pension' row.
- Student loan:** Points to the 'Student Loan Plan X' row.

A **workplace pension** is a way of **saving** towards retirement that is arranged by your **employer**. Usually, a **percentage** of your salary is put into the scheme every month. Your employer will usually pay a percentage into it too.

How old is the workplace pension age?

55 years old

How much do you think you get paid per week?

It depends!

Where to live

Renting vs Homeownership

What are the **pros and cons** of:

1. Being a homeowner
2. Renting a home



**Discuss in groups and use flipchart to record your ideas.
(3 minutes)**

Affordability



Remember, **mortgages are a loan**, which spreads the cost of the payment of the house over several years.

If you buy a house for £200,000, will you pay exactly this amount back? **Discuss with your team**

Affordability



Remember, **mortgages are a loan**, which spreads the cost of the payment of the house over several years.

*If you buy a house for £200,000, will you pay exactly this amount back? **Discuss with your team***

Interest is a charge that the bank will add on to your mortgage payments as a charge for lending you the money to purchase your house. This means you will **repay more than the value of the house** as you are also paying the bank for their money lending service.

Consider what might happen if you do not keep up with repayments on your mortgage? Or on your rent?

What might it be sensible to do to prevent this?

Other bills

What other bills do you think you might need to budget for?

Think:

- House related
- Personal devices/subscriptions
- Luxuries



**Discuss in groups and use flipchart to record your ideas.
(2 minutes)**

Other bills

TV Licence

You can access TV through various devices. TV licence rules have recently changed. **You will need a licence even if you do not watch programmes via a normal television set.**

You will need a licence if:

- You **watch or record live TV** programmes from devices such as:
 - Computers, including laptops and tablets
 - Mobile phones or games consoles
 - Digital TV boxes or DVD/VHS/Blu-ray recorders
- **Download or watch** any BBC programmes on iPlayer (whether it is live, catch up or on demand).
- You live in a **shared** house with **separate** tenancy agreements or halls of residence (in these cases, each person may need to have their own licence!).

The current annual cost of a licence is **£154.50** for a colour TV, which can be paid yearly, quarterly, monthly or even weekly.

There are refunds available if you are not going to be a resident for a full 12 months. You will need to apply for a refund with supporting evidence that you no longer need a licence.

What do you think the penalty is for being caught without a TV licence?

Other bills

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What do you think the penalty is for being caught without a TV licence?

The consequences could include prosecution and/or a fine of up to £1000.

Other bills

Council Tax

Whether you move out because of university, a new job or just to have your own space, you need to think about **council tax**.

Households where everyone is a full-time student don't have to pay Council Tax as they are exempt. If there is someone in your household who is not a full-time student, you will have to pay Council Tax, but may be eligible for a discount.

To be considered as a "full-time student", there are certain criteria your course must meet. This may differ between councils but as an example:

- you may need to be on a course that lasts at least 1 calendar or academic year; and,
- you may need to study at least 21 hours study, tuition or work experience per week.

(It is your responsibility to check if you meet the criteria and you may need to prove this before the council will confirm your exemption).

There is also typically a 25% council tax discount given to households with only one adult occupant.

Be aware that local authorities do track down people wrongly claiming single-person discount.

What do you think the penalty is for not paying council tax?

Other bills

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There is also typically a 25% council tax discount given to households with only one adult occupant.

Be aware that local authorities do track down people wrongly claiming single-person discount.

What do you think the penalty is for not paying council tax?

The consequences could be as severe as a prison sentence.

Wrap up and Reflection



What have you learnt today?



Let's revisit the Vocabulary Wall

What vocabulary do you now know related to these topics?

- Being a homeowner
- Payslips
- Taxes
- Pensions
- National insurance
- TV License

**Add any words and remove any answered questions
(2 minutes)**

What employability skills have you developed in this session?



Thank you

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