

Lesson 4: Financial Planning Facilitator Guide

Overview

This lesson is designed to increase students' proficiency in financial literacy. This hour-long session plan, along with your expert knowledge and real-life examples, should enable the next generation of leaders to make sound financial decisions about credit and debt levels. At the end of the session students will reflect on the skills and knowledge they have developed and their potential next steps.

Purpose

This activity plants the initial seed for students to think about the ways in which they might manage their money efficiently and reach their financial goals in the future.

Objectives

Students will be able to:

- ☐ Reflect on their own personal budgets and list sources and uses
- ☐ Discuss what a budget is and the role it serves in planning financial goals
- ☐ Review a sample budget to understand and analyze line items and categories
- ☐ Create a new budget plan
- ☐ Articulate goals related to budgeting and financial planning
- ☐ Be able to make an adjustment to the budget.

Agenda

Getting Started (5 min)

- What is budgeting?

Personal Budgets (50 min)

- Income & Expenses (10 min)
- Review a sample budget (10 min)
- Create a new budget (12 min)
- Make adjustments to the budget (10 min)
- Disaster Preparedness: effect of an emergency on the budget (8 min)

Wrap-up & Reflection (5 mins)

Preparation / Materials Needed

- ☐ Post-its, or paper and tape, or scraps of paper
- ☐ Poster paper for sharing income/expenses
- ☐ Print 'Activity Guide' handout (one per student group)
- ☐ Download the session PowerPoint

Vocabulary

Budget: A financial plan used to forecast and track income and expenses

Expense: Use of finances to fulfil and one-time or ongoing obligation; expenses can be fixed or variable

Fixed Expense: A regular, predictable expense, such as a mortgage payment or rent

Variable Expense: An expense or expense category that is not fixed and can't be precisely predicted; budget planning is something used to limit or constrain variable expenses

Debt: A payment or obligation owed to another person or an institution, such as credit card debt

Interest: A fee, often a percentage of principal, paid in exchange for borrowing money; also, funds earned on investments or on interest-bearing accounts

Savings: Funds not spent and set aside, often on a regular basis, for later use

Teaching Guide

This guide includes a suggested script for the session (in orange). However, please feel free to tailor and adapt this accordingly when delivering.

Section 1: Getting Started (5 minutes)

Hi everyone! My name is ----- . Thanks for letting me join your program today. We are going to talk about budgeting and budget planning.

Share the objectives of the session on the screen (slide 2)

Ask the students what is the most recent thing they have spent money on. Allow a few students to answer and let the conversation flow for a few minutes as a warm-up to the lesson.

Great – thanks. See? It's sometimes hard to remember what you spent your money on, right? Well, that's why people make budgets. What's a budget? Where have you heard that word before, and what do you think it means?

Allow several students to answer. Share the definition, if needed. Also, use a prompt like: "Have you heard about budgeting in the news lately?" to spur discussion about the national budgeting process if that doesn't come up naturally.

Section 2: Personal Budgets (50 minutes)

Activity 1 - Income & Expenses (10 minutes)

We're going to do a group brainstorm that relates to budgeting. Usually, a budget has two sides. There's an income or revenue side, and an expense side. If we think of it as "accounting," it's like an equation where the income side has a plus and the expense side has a minus. Like this:

On the chart paper, put a big "+" on the left side and a big "-" on the right side. (slide 3)

Let's do a group brainstorm about what kinds of things go on the plus side, and then we'll brainstorm about the kinds of things that go on the minus side. So, what kinds of things are sources of income or revenue? Where do people get money from?

Collect answers and write them down on the left side of the sheet. (Depending on paper size, might need a separate sheet for the two brainstorms.) "Job" will undoubtedly come up as an answer. If so, affirm that answer and tell people that, for nearly all families, income from work is the primary source of funds.

After **3 minutes**, shift to the other side of the equation.

What are the things people spend money on? You can start with some of the things you mentioned earlier.

Collect answers and list them on the right side of the sheet (**3 minutes**).

Once you've filled in both sides, stand back and let class look at the lists they generated. (**3 minutes** for debrief and questions)

An alternative to this would be getting students to work in small groups to come up with ideas for the "-" side of a budget. Give students 3 minutes to write things down on a post-it and stick it on the wall. If you don't have post-its, use note cards and tape/blu-tac.

Activity 2 - Review a sample budget (10 minutes)

Students should remain in groups established during the getting started activity (if applicable) - otherwise get the students into groups of 4.

Handout the Activity Guide, 1 per group - this will be used for activities 2-5.

Before introducing the activity, run through some key vocabulary (slide 4).

In your groups, talk through each item in the budget and think about what it means. Decide whether it's a fixed predictable expense or whether it's a variable expense. Also, you will need to decide how you would classify various expenses - are they necessities or non-necessities? Remember that classification may differ from person to person.

Students should work in their groups to classify each item from the sample budget into the appropriate categories (fixed, variable, necessities, non-necessities). They should also discuss any ideas they might have for whether the amount the family spends on each item could be less – or maybe they think it should be more.

Allow **5 minutes** for groups to work through the budget and discuss the different elements. Give them a one minute warning.

What did you come up with? Can I have someone from each group tell everyone about what you talked about and what ideas you had about the budget?

Allow each group to share their ideas (**2 minutes**). If time allows, facilitate some Q&A amongst the groups.

Activity 3 - Create a new budget (12 minutes)

Explain that the students are now going to work in their groups to come up with a new budget for Paul. Activity 3 explains Paul's financial circumstances.

Once you have read the background, think about all the things you discussed for this first budget, and apply these ideas to the new budget you will make for Paul.

Allow **8-10 minutes** for the activity. Give them a one minute warning.

While the groups are working, create a large-scale version of the blank budget template and display it in front of the class. This could be on flipchart paper or on the board. Groups will later enter their data in different colors as they present, so the whole class will have a record of their discussions and decisions.

When the time is up, ask the students whether they worked out a plan that you feel good about? **Pause - before throwing in a curveball!**

Before we wrap up, here's a little twist. Paul is about to move!

Activity 4 - Make adjustments to a budget (10 minutes)

Explain that Paul wants to move to a different flat, where his rent does not include all the bills. He also wants to buy a car and wants to know if he can afford to keep his car.

Using the data from the previous activities, prepare a budget for Paul to see if he can afford to move and have a car (presume Paul has savings for the purchase of the car). You can make adjustments to non-necessary expenses.

Allow **5 minutes** for the students to re-work the budget.

Hear from each group (**3-5 minutes**): how they worked together to create their budget, what they put in each line and why, and then how much would it cost Paul.

As each group presents, ask a few probing questions. **Examples:** How did you decide you needed to spend xxx on yyy? What would happen if the Paul's income went down for some reason? Were there parts of the budget that you disagreed about? If so, how did you handle that?

If time allows, encourage students to work in their groups to find the average for each budget item in order to come up with the overall budget based on the whole class.

As discussions wrap up:

Great job. You just learned a lot about budgeting that you'll be able to use to help you make financial decisions throughout your life.

Activity 5 - Disaster Preparedness (8 minutes)

It is very important to plan for emergencies such as such as accidental damage to your mobile phone or car breakdown.

Allocate each group a number between 1-4.

Depending on the number, the groups need to adjust the budget they have prepared for Paul. For example group number 1, the event is - phone/gadget has been accidentally damaged. If they have allocated money toward gadget insurance it will not cost any extra but if not how much will it cost to purchase a new phone. Add this cost to the budget and see if they can afford it. Car MOT is not covered by breakdown insurance.

Give **5 minutes** to make the adjustments.

Ask each group what impact it had on their budget. Ask how can they pay for items if they don't have any money left. (**2 minutes**)

Now that you have an idea of how to budget for various life events, think of when you go to college - you will have to create budgets during that time also.

Run through some tips for budgeting (slide 7)

Section 3: Wrap Up & Reflection (5 minutes)

Time for students to reflect on what they have learnt from this session and what employability skills they have developed (use slide 9 as a reference or discussion starter).

Ask students to share a key learning with a partner. If time allows, ask for volunteers to share with the wider group.

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