



Financial Literacy Curriculum

Lesson 4: Financial Planning



Agenda/Contents

Let's get started

1. Getting Started

- What is budgeting?

2. Personal Budgets

- Income and Expenses
- Review a sample budget
- Create a new budget
- Adjust a budget
- Disaster Preparedness

3. Wrap up and reflection

Session overview

You will learn about the components of a personal budget, including income and expenses. Utilising a case study, you will develop a financial plan. Lastly, you will learn about disaster preparedness.

Objectives

You will be able to:

- Understand the importance of budget
- Manage your income and expenses

What is budgeting?

Usually, a budget has *two* sides.

Income or Revenue
(+)

Expenses
(-)

- Think of a budget as an equation where income increases your budget and expenses decreases it.
- The **balance** shows how much money you have left and is often referred to as '**Disposable Income**'.
- Things to think about:
 - What kinds of things are sources of income or revenue? Where do people get money from?
 - What are the things that people spend money on?

Let's brainstorm ideas for both sides of the budget.
(3 mins + 3 mins)

A sample budget

Now it's time to look at an example budget.

Firstly, some key vocabulary:

Fixed predictable expense

An expense that remains about the same and can be predicted month to month.

Variable expense

An expense that changes month to month and can't be predicted.

Necessity

Something that is absolutely needed. This may vary from person to person.

**In groups, talk through the budget and decide whether each item is a fixed or variable expense and necessity or non-necessity.
Do you think the amount for each item is too low, too high or about right?
(5 minutes)**

Build a budget

Now it's time to build your own budget!



**Read through Paul's background. Apply what you discussed in the last activity and create a budget for Paul.
(8 - 10 minutes)**

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Time for a twist... Paul wants to move to a new flat and is also planning to buy a car for his commute to work!

**In your groups, make adjustments to the budget you have created to see if he is able to afford the move and the car.
(5 minutes)**

Remember, buying a car will incur additional expenses. You might have to drop some items which are non-necessities.

Disaster Preparedness

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

Your group will be allocated one of the following events:

1. **Event** - Laptop has been accidentally damaged - cost £900
2. **Event** - Phone stolen - cost £750
3. **Event** - Car breakdown - cost £550
4. **Event** - Car due for MOT - cost £80

**In your groups, make adjustments to your budget for Paul based on your 'event'. What effect does it have?
(5 minutes)**

Tips for budgeting



- Prepare a budget every **month**
- **Review** you bank statement monthly to check you spendings
- **Keep receipts** if possible
- For savings, set up **standing order** on the date you get paid - this will give you an idea what is left to spend
- Set up **direct debits** to pay bills - this way you won't forget and avoid paying surcharges or penalties

Wrap up and Reflection



What employability skills have you developed in this session?



Thank you

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