Planning for a big purchase and value for money

Age range: 11-14

BARCLAYS | Life**Skills**

Session overview

This lesson, focused on supporting students to budget and plan for the future, belongs to the suite of Money Skills lessons for young people aged 11-14.

Time	Key learning outcomes	Resources
60 mins	By the end of the activity students will have: • Understood what value for money means and how to apply this thinking. • Calculated the potential cost implications of borrowing to purchase a big item.	• Planning for a big purchase and value for money slides.

The **Money Skills 11-14 lessons** support students to develop helpful financial skills for their future, prepare them for the world of work, and keep up to date with modern financial changes. They are accredited with the Young Money Financial Education Mark, recognising them as recommended financial education resources.

This lesson plan is designed to be used in tandem with a PDF containing interactive activity slides.

Contents

There is Money Skills content to suit a range of ages and abilities – take a look at our 5-11, 11-14, 14-16, 16-19, 19+ resources, which focus on topics such as attitudes to money, money management and risk, and financial independence.

Please note that this lesson includes figures used in calculations such as student loan thresholds, NI contributions or similar. These figures were correct at the time of publication but may have changed by the time you use the resource as they are usually updated by the Government on a yearly basis.

Activity one

Value for money

1. Compare prices of food

- As a class, consider the price labels and offers on **slide 2**. Record any comments from the students in the text boxes. Consider:

> **What makes a good deal?**
>
> **Are any of the items on the slide not a good deal?** (e.g. the bag of apples vs the snack pack, or the cherryade)
>
> **What about the shelf life of an item, and how quickly you will use it?** (e.g. it might be better value to buy a bigger bag of carrots or apples, but not if you won't use them all)
>
> **Where in the store are offers normally displayed? How can the location of an item influence our spending?** (e.g. at the end of an aisle to attract attention, or by the tills)
>
> **How can you make sure you get the best price?** (e.g. compare prices online)

- **Slide 3** shows two similar biscuit products. Ask students which one they'd want to buy, using the following question as prompts:

> **Why and how can advertising and packaging encourage us to spend more?**
>
> **What else might you take into consideration? What about fairtrade options?**
>
> **Why might one be more expensive than the other? What impact does a well-known brand name have on the cost?**

- Using the information on the slide, ask students to calculate how much each biscuit costs, and suggest which of the products is better value for money. Then walk through how to calculate the cost per gram – with an older or more able group you could ask them to do this independently.

Answer

Product 1 – £2.40 ÷ 24 biscuits = 10p per biscuit / 10p ÷ 14g = 0.71p (less than a penny per gram).

Product 2 – £1.80 ÷ 24 biscuits = 7.5p per biscuit / 7.5p ÷ 10g = 0.75p (less than a penny per gram).

Conclude by comparing the cost per biscuit and cost per gram – it looks like Product 2 is cheaper per biscuit, but as each biscuit weighs less, the cost in relation to the size of the biscuit is similar.

Activity one

Value for money (cont'd)

2. Discuss a spending dilemma

- Karim has three events coming up in the next month; a friend is going paintballing for a birthday, he is going out for dinner with his family, and he's going to the cinema to celebrate the end of term with friends. But what should he wear for each occasion? He's got black trousers, a white shirt and black shoes but he wants to get some new items of clothing.

3. Present ideas

- In groups, ask the students to select from the clothing options on **slide 4** and create an outfit for each event, allowing time for them to briefly present why they have made those choices. Prompt the students to consider:

  If the top is for a special/one off occasion, should he spend less on it?

  If the outfit is for wearing outdoors/going to get dirty, should he buy cheaper items?

  Does he need to buy something new for every event?

- Once they have selected their outfits, add that Karim only has a budget of £50 for all his new clothes. Does this affect their decisions?

Activity two

Financial planning for a big purchase

1. Introduce different ways to buy things

- This section focuses on a purchase that someone aged 18-20 might have as a need or a want. As a whole class, use **slide 5** to consider the options for purchasing a new laptop. Explain that to buy the laptop, they could either save up and pay all of the costs in one go, or look to spread the cost using a finance or credit plan – looking at the information, can they notice how this could affect the overall cost? These costs are for illustration purposes and the prices may not be an accurate reflection.

2. Compare different ways to buy a laptop

- Ask students to answer the questions on **slide 6** – one half of the class considering buying it in one go, and the other half buying in instalments. Allow a few minutes for them to discuss and calculate their answers, before working through the questions together, filling in the boxes on the slide. Use the below to prompt and check answers:

New laptop	Saving to buy	Buying on finance
Do you think it is a need or a want?	Students to discuss	
How much will it cost in total, including additional costs (over the first year)?	£347.95	£464.95
How much money is needed in one go?	£250 for laptop, £18 for laptop bag, £19.95 for virus protection = **£287.95**	£25 for laptop, £18 for laptop bag, £19.95 for virus protection = **£62.95**
What are the ongoing costs that you need to plan for?	£5 per month for insurance	£5 per month for insurance and £28.50 per month for the laptop = **£33.50**
Are any of the additional costs needs or wants?	Students to discuss Could argue they are all 'wants', but bag would prevent damage, insurance will provide financial protection against loss, theft or damage, and antivirus software is important for keeping the laptop and data safe	
Do you think the insurance is worthwhile?	Make sure students understand that insurance involves paying money to a provider who will then pay you compensation if you suffer a loss, damage or injury in certain situations	
How much extra do you pay if you pay in instalments?	£464.95 - £347.85 = **£117.10**	
Why would you consider paying in instalments/on finance in some situations?	Students to discuss Make it clear to students that if you decide to pay in instalments because you can't afford the upfront cost, it's important to plan for each monthly payment and make sure you can afford those. Missing a payment could negatively affect your credit score	

Activity two

Financial planning for a big purchase (cont'd)

3. Calculate costs

- **Slides 7-8** show information for two other purchases – a holiday and buying a car. In small groups, ask them to choose one of these and compare paying up front or paying in instalments. Print copies of **slides 7-8**, and ask them to complete the student sheet on **slide 9**.

- Make sure they understand that some insurance is a legal requirement (car insurance) whilst others come down to personal choice.

- Encourage them to consider how they could plan for the purchase – setting aside regular savings, increasing their income, borrowing money, paying in instalments, tracking and budgeting, etc.

First car	Saving to buy	Buying on finance
Do you think it is a need or a want?	Students to discuss	
How much will it cost in total, including additional costs (over the first year)?	£3,500 for the car + £2,040 for 12 months insurance + £192 for 12 months parking permit + £167 for one off additional costs = **£5,899**	£2,289 for the car over 12 months (including deposit) + £2,040 for 12 months insurance + £192 for 12 months parking permit + £167 for one off additional costs = **£4,535**
How much money is needed in one go?	£3,500 for the car + £170 for 1 month insurance + £16 for 1 month parking permit + £167 for one off additional costs = **£3,853**	£300 deposit + £170 for 1 month insurance + £16 for 1 month parking permit + £167 for one off additional costs = **£653**
What are the ongoing costs that you need to plan for?	£170 per month insurance + £16 per month parking permit = **£186**	£153 per month for the car + £170 per month insurance + £16 per month parking permit = **£339**
Are any of the additional costs needs or wants?	Students to discuss Some are needs such as insurance, MOT, car tax. Could argue the parking permit is a want, if other parking might be available perhaps further away without it. The dice are a want, but also a low cost item.	
Do you think the insurance is worthwhile?	Make sure students understand that insurance involves paying money to a provider who will then pay you compensation if you suffer a car crash, including damage to both yours and other vehicles.	
How much extra do you pay if you pay in instalments?	£3,972 - £3,500 = **£472** £300 deposit + £153 for 24 months = £3,972 for the car over 24 months (Assume all other costs are the same over the 24-month period)	
Why would you consider paying in instalments/on finance in some situations?	Students to discuss Make it clear to students that if you decide to pay in instalments because you can't afford the upfront cost, it's important to plan for each monthly payment and make sure you can afford those. Missing a payment could negatively affect your credit score.	

Activity two

Financial planning for a big purchase (cont'd)

Trip to Portugal	Saving to buy	Buying on finance
Do you think it is a need or a want?	Students to discuss	
How much will it cost in total, including additional costs (over the first year)?	£550 for flights, hotel and transfers and £235 for additional costs = **£785**	£682 for the package + £235 for additional costs = **£917**
How much money is needed in one go?	£550 for flights, hotel and transfer + £15 insurance = **£565**	£142 deposit + £15 insurance = **£157**
What are the ongoing costs that you need to plan for?	n/a (except for spending money on the holiday)	£90 per month for six months = **£540**
Are any of the additional costs needs or wants?	Students to discuss Could argue they are all 'wants', but food and drink is a necessity, insurance will provide financial protection against loss, theft or damage.	
Do you think the insurance is worthwhile?	Make sure students understand that insurance involves paying money to a provider who will then pay you compensation if you suffer a loss, damage or injury in certain situations.	
How much extra do you pay if you pay in instalments?	£917 - £785 = **£132**	
Why would you consider paying in instalments/on finance in some situations?	Students to discuss Make it clear to students that if you decide to pay in instalments because you can't afford the upfront cost, it's important to plan for each monthly payment and make sure you can afford those. Missing a payment could negatively affect your credit score.	

Extension

- Ask students how financial planning could prepare them for unexpected changes or costs, e.g. job redundancy or emergency house repairs. Discuss the importance of regular savings – not just putting away what you have left at the end of the month, but putting money aside and then living within a budget.

- Allow students a couple of minutes to think of ways to plan for unexpected costs, and share ideas.

- **Money Helper** recommends having the equivalent of three months' worth of essential outgoings available in an instant access savings account. So, if you calculate that you spend £1,000 a month on mortgage or rent, food, heating bills and other things you can't live without, you should aim to have £3,000 in emergency savings.

Summary

- Ask students to discuss in pairs or small groups some key things that they have learnt from the session, e.g. are there any new skills that they have learnt or things they now know which they didn't know at the start of the lesson.

- To close the lesson ask students who are comfortable to share any key take aways.