



Taking control of your income

 **BARCLAYS** | LifeSkills



Module overview

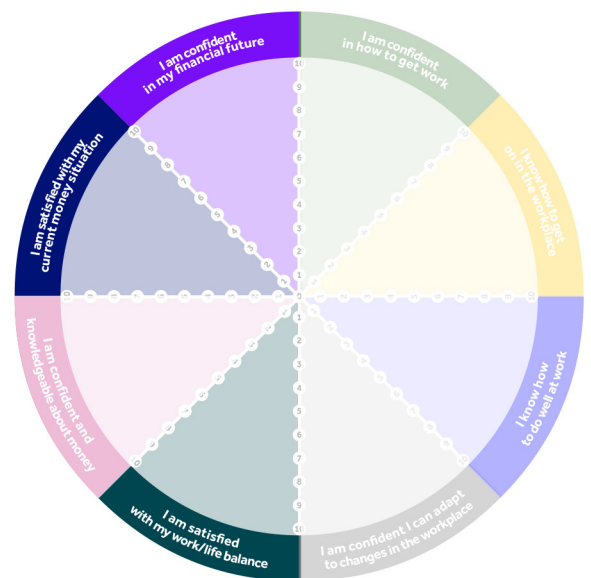
This module will help learners to understand their income, including from work and other sources such as benefits, and understand the main features of a payslip.

Time	Key learning outcomes	Which will lead to
25 mins	<p>At the end of the module learners will be able to:</p> <ul style="list-style-type: none"> Have a better understanding of their income, including from work and other sources such as benefits Understand the main features of a payslip <p>Which will lead to:</p> <ul style="list-style-type: none"> Improved financial capability and money management 	<ul style="list-style-type: none"> Improved confidence and capability in being able to produce a CV that appropriately portrays the learner's experience and does them justice

Important

Introduce the activity and theme and remind your learner of the coaching-based approach. Agree the desired outcome of the session with your learner.

Throughout the activity, we have included 'do now', 'do soon' and 'do later' actions which may help your learner to think about the next steps they could take. Alternatively, you could use the 'do now', 'do soon' and 'do later' headings to help your learner come up with their own actions.



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Introduction

Time	Educator guidance	Expected outcome
🕒 2-3 mins	<p>Refer back to your learner’s LifeSkills wheel and discuss how they scored themselves in relation to this module.</p> <p>Discuss what they need to know/do to be able to increase how they rate their satisfaction with this area.</p>	<ul style="list-style-type: none"> Learners are reminded of where they are now and what they need to do to reach a higher satisfaction score in this area


Core activity one

Understanding different sources of income

Time	Educator guidance	Expected outcome
🕒 3-5 mins	<p>Start by asking your learner:</p> <p>What sources of income do you have? Where else might someone’s income come from?</p> <p>Create a mindmap and use the ways of getting income below as prompts to help them recognise this doesn’t just have to come from employment:</p> <ul style="list-style-type: none"> Work (could have multiple jobs, have two jobs, would they include partner’s income if they were living with someone?) State benefits – state pension, disability living allowance, Universal Credit Selling an item on an online auction site for more than its original value Interest on a savings account Inheritance – money left to you by someone when they die Borrowing – loan, overdraft, credit card and mortgage <p>Ask your learner:</p> <p>When and why might levels of income vary?</p> <p>For example, change in hours worked, redundancy, inheritance, new job, maternity/paternity leave.</p> <p>Do now: Think back and list out occasions when your income has varied over the last year</p> <p>Do soon: Consider all the ways in which you could get income. List the opportunities you feel you could explore further, for example online auctioning of items you no longer want</p> <p>Do later: Set yourself a total target of what you want to achieve through your total income and how you could do it, for example raise £300 through selling previously used baby equipment over 6 months</p>	<ul style="list-style-type: none"> Learners should understand the different sources of income that someone might have and that it doesn’t solely come from employment Learners should be able to recognise what their own sources of income are, and when and why they might vary

Core activity two

Deductions that can apply to income

Time	Educator guidance	Expected outcome
<p> 5-7 mins</p>	<p>Introduce the concept of payslips and deductions by explaining that an advertised salary (gross salary) doesn't always represent the amount of money you will take home (net pay).</p> <p>Ask your learner:</p> <div style="background-color: #e0f2f1; padding: 10px; margin: 10px 0;"> <p>How might the amount you earn be different to the amount you actually receive? What different payments are taken from your pay before it reaches your account?</p> </div> <p>Create a mindmap with the different ways your learner suggests, using the following payments as prompts:</p> <ul style="list-style-type: none"> • Tax • National Insurance • Student loan • Pension • Childcare vouchers • Loan schemes • Attachment of earnings (for debts) • Fines <p>Discuss tax and National Insurance deductions and outline what they are. Discuss the different tax brackets for different incomes and the amounts of money you can earn before paying taxes.</p> <p>Explain that depending on how much they earn, the deductions will be different:</p> <ul style="list-style-type: none"> • Each person has a personal allowance that they can earn before they pay tax. For 2019/20 this is: £240 per week, £1,042 per month or £12,500 a year • After this, the UK basic tax rate for 2019/20 is 20% on annual earnings from £12,501 up to and including £37,500 • Following this, the UK higher tax rate for 2019/20 is 40% on annual earnings from £37,501 up to and including £150,000 • Finally, the UK additional tax rate is 45% on annual earnings above £150,000 <p>Reference: gov.uk</p>	<ul style="list-style-type: none"> • Learners should have an understanding that the advertised salary doesn't always represent the amount of money they will take home due to different deductions • Learners will have an understanding of tax and national insurance deductions and that these will depend on how much they earn • Learner will have an understanding of what a pension is and the benefits of having one


Core activity two

Deductions that can apply to income (cont'd)

Time	Educator guidance	Expected outcome
	<p>Ask your learner:</p> <p>Do you know what a pension is? Do you have one?</p> <p>Discuss that this is one way of planning for the future and all employers have to automatically enrol their eligible workers into a workplace pension scheme unless the worker chooses to opt out. Payments into a pension will also reduce your monthly take home amount, but enable you to build up savings for when you choose to stop working. Explain that this will also be a supplement to the basic state pension.</p>	


Core activity two (optional activity)

How are deductions calculated and applied to income?

Time	Educator guidance	Expected outcome
 10 mins	<p>If you have time and it would be valuable to your learner, work through an example to demonstrate how deductions work.</p> <p>Explain to your learner that they are now going to work through an example.</p> <p>Show Sonya's scenario. She has a job with a £20,400 yearly salary and is paid monthly. She will pay tax and National Insurance. Work through the questions to calculate the deductions that will appear on her payslip.</p> <p>Further questions for discussion:</p> <p>What else might affect Sonya's take-home pay?</p> <p>What about work benefits such as bike or travelcard loan scheme?</p> <p>If your learner needs a more challenging scenario, provide Kate's scenario. Explain that not everyone has a set monthly wage and that there are other things to consider such as being paid weekly, fluctuating income, whether the income is made up of benefits and wages, not being sure about what your income will be and being paid in multiple ways.</p>	<ul style="list-style-type: none"> Learners will develop their knowledge of deductions through application With increased knowledge, learners will have more confidence and understanding when it comes to deductions

Core activity three


Taking deductions and income into consideration when budgeting?

Time	Educator guidance	Expected outcome
<p> 7-10 mins</p>	<p>Choose from option A or B depending on the needs of your learner and time available.</p> <p>A. If it would be most useful for learner to reflect on their own situation</p> <p>Suggest that learners consider their own sources of income. They should be aware of their take home weekly or monthly income and any reasons for this to fluctuate. This is the starting point of being able to budget and save.</p> <p>B. If it would be most useful for your learner to work through example calculations</p> <p>Present the job descriptions handout. Read them through together before asking prompt questions such as:</p> <ul style="list-style-type: none"> • How much could you earn per week in each job? • How much could you earn each month? • Calculate what the income tax and National Insurance deductions for the first example • Consider the Filling out application forms confidently or Planning your personal budget modules to take this learning further 	<ul style="list-style-type: none"> • Learners should feel comfortable and confident with considering the amounts that their own job would pay due to deductions and consider this as a starting point for being able to budget and save • Learners should feel comfortable and confident with considering the amounts that different jobs would pay due to differing salaries and deductions

Wrap up

Time	Educator guidance	Expected outcome
<p>🕒 5-7 mins</p>	<p>Ask your learner:</p> <p>Think about what you have covered in this session, what steps can you take next to move forward in this area?</p> <p>Agree an action or next step that your learner can take to consolidate what has been covered in the session, for example:</p> <ul style="list-style-type: none"> • Set aside time to actively review their payslip each month • Calculate their take home income/potential take home income and use this as a basis for completing a savings plan/monthly budget <p>Discuss any gaps that your learner feels they have in knowledge, skills or confidence in taking control of their income and agree how these might be addressed.</p> <p>Refer your learner back to the LifeSkills wheel and check that they are closer to achieving their desired score.</p> <p>Learners should take away the Payslips terminology handout.</p>	<ul style="list-style-type: none"> • Learners are able to identify an action or next step to move forward in this area • Learners should feel more confident in discussing gaps in their knowledge when it comes to taking control of their income, and have a plan to address this

Optional extension

Time	Educator guidance	Expected outcome
<p> 10-20 mins</p>	<p>If it would be beneficial to your learner, you can complete this activity which explores the features of a payslip. Look together at Sonya's payslip.</p> <p>Talk through the key features with prompt questions, for example:</p> <p>Which parts should you check each month?</p> <p>What does the payslip show?</p> <p>What are you not sure about?</p> <p>What's the difference between net and gross pay?</p> <p>Tax code explanation, where could you find help/information? For example, Gov.uk websites.</p> <p>Clarify all the different terms using the Payslips terminology handout.</p> <p>Ask your learner:</p> <p>Do you know where to direct any queries you may have? Discuss where to direct queries, including employer, tax office, benefits office, bank.</p> <p>If you think this would be relevant to your learner and you have time, complete the True or False quiz using the statements below to build confidence and prompt discussion.</p> <ul style="list-style-type: none"> You pay tax on every penny you earn You can never query your tax code with HMRC You must pay into a pension scheme as soon as you turn 18 You need your National Insurance number when you start a new job There's no need to check your payslip You start paying back your university student loan as soon as you get a job Job satisfaction is more important than salary 	<ul style="list-style-type: none"> Learners will understand the benefits of checking their payslips regularly Learners will understand what all the different parts of a payslip mean and how deductions affect take-home pay Learners will understand where to 10-20 discuss any queries they may have

Taking control of your income

Sonya's scenario

Example of advertised salary and how to calculate deductions.

Sonya is 28 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. She pays tax (PAYE) and National Insurance contributions. She has a student loan but doesn't earn enough yet to make repayments. Look at her payslip to calculate the answer to the questions below.

Calculate Sonya's PAYE:

- An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
- What is Sonya's taxable pay? This is the amount of her salary that Sonya will have to pay tax on
- How much tax does Sonya have to pay over the year, if they tax rate is 20% of taxable pay?
- How much tax will be deducted from Sonya's pay each month and reflected on her payslip?

Calculate Sonya's NICs:

- National Insurance contributions (NICs) for 2019/2020 are paid on annual earnings over £8,632. Work out how much of her annual salary Sonya will pay NICs on
- Calculate the NICs Sonya needs to pay on this amount. NICs are paid at 12% (on annual earnings over £8,632)
- Work out Sonya's monthly NICs which will appear on her payslip

Sonya's payslip

Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
0567	S Fletcher		30/06/2017	1150L	AB 123456 C	
Payments	Units	Rate	Amount	Deductions		Amount
Basic	1	£ _____	£ _____	PAYE	£ _____	
				NIC	£ _____	
				Pension	£0.00	
				Student Loan	£0.00	
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£ _____	Total gross pay TD	£5100.00	
				Tax paid TD	£444.99	
				NIC TD	£367.08	
				Pension TD	£102.00	
ABC Company Name			Total Net Pay	£ _____		

Taking control of your income

Sonya's payslip answers

Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
0567	S Fletcher		30/06/2017	1150L	AB 123456 C	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	1	£1700.00	£1700.00	PAYE	£148.33	
				NIC	£122.36	
				Pension	£0.00	
				Student Loan	£0.00	
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£1700.00	Total gross pay TD	£5100.00	
				Tax paid TD	£444.99	
				NIC TD	£367.08	
				Pension TD	£102.00	
ABC Company Name			Total Net Pay	£1429.31		

Taking control of your income

Kate's scenario

Example of advertised salary, how to calculate deductions and questions to consider.

Minimum Income Floor (MIF) is calculated as follows:

- The number of hours you are expected to look for and be available for work each week. This can be up to 35 hours a week, depending on your personal circumstances. For example, you'd be expected to work fewer hours if you have caring responsibilities or you're disabled.
- This figure is then multiplied by the national minimum wage rate for your age group.
- This figure is multiplied by 52 then divided by 12 to reach a monthly figure
- An amount for income tax, Class 2 and Class 4¹ National Insurance contributions is then deducted to arrive at your monthly MIF

Kate is 25 and is a self-employed nail technician at a local beauty salon. She is paid for her appointments weekly from the salon. She is expected to work 35 hours a week. The National Living Wage for her age group is £8.21. Her income fluctuates week to week depending on how many clients she has. Her income is made up of earnings from her job and Universal Credit². She is paid in multiple ways, some card and some cash.

Her MIF is worked out as:

- $35 \times £8.21 = £287.35$ per week
- $£287.35 \times 52$ weeks = £14,942.20 per year
- $£14,942.20 \div 12$ months = £1,245.18 per month
- Income tax and Class 2 and Class 4 National Insurance contributions would then be deducted from £1,245.18 to arrive at the minimum income floor
- On this amount, deductions would be £104 per month based on Class 2 and 4 NI contributions
- $£1,245.18 - £104 = £1,141.18$
- This is the minimum amount the DWP expects Sarah will earn each month and her payment will be based on an income of £1,141.18
- If she earns more than this, her Universal Credit payment will go down by 63p for every £1 she earns unless she qualifies for the Work Allowance
- If she earns less than this, she won't get any more Universal Credit to make up the difference

Questions to consider:

- How would being paid weekly make a difference?
- What impact does a fluctuating income have?
- What impact does having an income made up of benefits and wages have?
- What should you do if you are not sure of what you are going to earn on a week to week basis?
- What should you do if you are paid in multiple ways?

Prompts for discussion:

- Being paid weekly would have an impact on some bills as most are payable monthly
- The impact of having a fluctuating income means making sure to have a working budget in order to ensure that all bills are paid
- The DWP will arrive at a MIF and this is the amount the DWP uses to set the Universal Credit amount each month. She will have a responsibility to inform the DWP of her earnings monthly to continue receiving Universal Credit. She will need to do this online by inputting actual receipts minus income tax, permitted expenses, National Insurance (Class 2 and Class 4) and any pension contributions qualifying for tax relief
- Ensuring that all cash payments are tracked

Taking control of your income

Job descriptions

Warehouse operative

£17,500 per annum | Permanent

Do you have some warehouse experience and are happy to work in a coldstore?

We are looking for a Warehouse Operative to join our team. Monday to Friday 05:30am start for 8 hours per day.

Full training and protective clothing will be provided.

Your duties will include:

- Picking and packing orders in the cold store
- Unloading deliveries
- Stock check
- Stock rotation
- Liaising with office

Care assistant

£8.50 per hour, 37 hours a week | Permanent

As a carer, you'll value kindness above all. It touches upon every aspect of our specialist care homes . Every single person who works here understands that our residents are people just like them with their own stories to tell. And, by joining us, you'll have a wonderful opportunity to give something back to those people.

Right now, we're looking for an enthusiastic and committed Care Assistant to join the team at our care home. Whether providing long or short-term care that includes convalescence, respite and palliative care, our focus is on providing the highest quality service at all times. Is yours?

Your duties will include:

- Care Home
- Carer
- Dementia
- Kindness
- Residential

Accounts administrator

£9.20 per hour, 16 hours a week | Permanent

An opportunity has become available to join a busy local company as a part-time Accounts Administrator.

This company requires a person with an outgoing personality to manage the daily accounts, handling payments, collecting outstanding money / payments.

This position requires a reliable, honest person, that can multitask, is enthusiastic and is able to learn other parts of the business to help out during holidays and peak times. This position requires 16 hours per week, however we can discuss starting / leaving times to suit public transport or other commitments.

If you think that you can fill this role, we'd love to speak to you. Please send us your CV and a covering letter stating why you think that you are the person we need.

Taking control of your income

Payslip terminology

Term	Description
Basic	This is your pay when you work your normal agreed hours
Date	This is the last day of the period for which you're being paid, usually a week or month
Deductions	Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments
Employee number	Unique reference number at your place of work, in case employees have similar names
Gross pay	Your total pay before tax and other deductions
National Insurance (NI) number	Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it
Net pay	The amount of pay you take home after deductions
NIC	National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits
NT	'No tax': appears when no tax is being deducted
Overtime	Extra hours you work and are paid for above your normal working hours
PAYE	'Pay As You Earn': spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary
Rate	Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary
Tax code	This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax
TD	'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK
State pension	The basic state pension is a regular payment from the government. To get it you must have paid or been credited with National Insurance contributions
Student loan	A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income
Pension	A long-term savings plan specifically to provide financial support in retirement. Both you and your employer may contribute to a pension fund throughout your working life.

Taking control of your income

True or false

1.

You need your National Insurance number when you start a new job

True
False

2.

You start paying back your university student loan as soon as you get a job

True
False

3.

There's no need to check your payslip

True
False

4.

You can never query your tax code with HMRC

True
False

5.

You pay income tax on every penny you earn

True
False

6.

You must pay into a pension scheme as soon as you turn 18

True
False

1. True
2. False – university loans do not need to be paid back until you are earning a certain income
3. False – it is important to check your payslip each month to keep track of earnings and check for any errors
4. False – you can call the HMRC Tax Code Services Helpline with any queries
5. False – this is only paid on taxable income
6. False – you are entitled to join a pension scheme when you get a job