

# Ready for the challenge

Planning your  
personal budget



**LifeSkills**

Created with  **BARCLAYS**

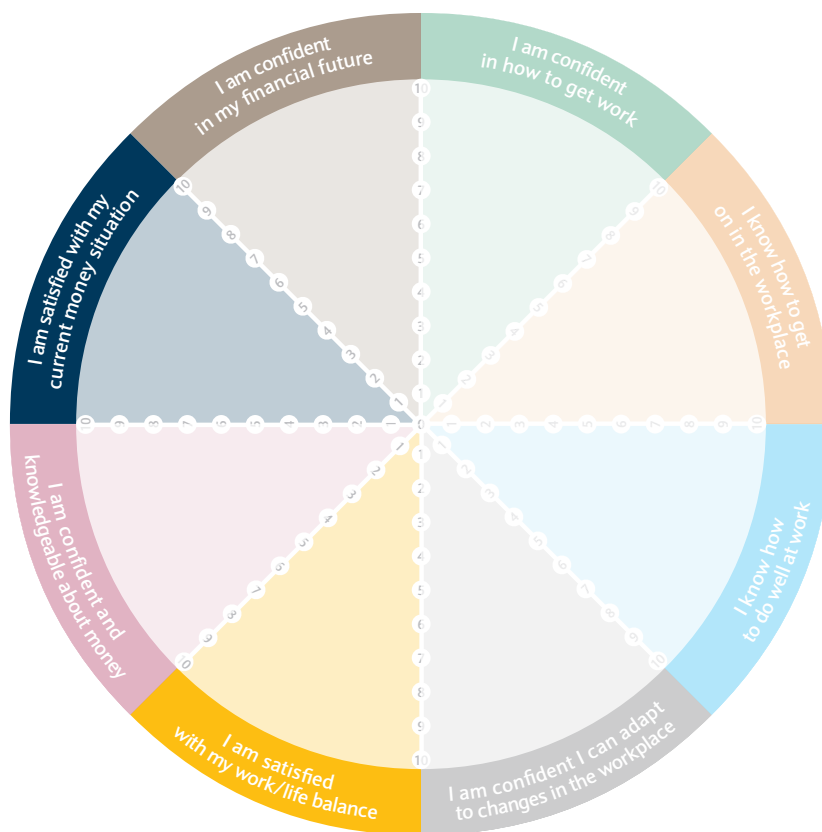
# Introduction

Objectives	Which will lead to
<p>This module will help learners identify their sources of income and understand how to create a budget which tracks their income and expenditure. It includes relevant case studies and scenarios, as well as sample income and outgoings. Learners could bring their own information if they feel comfortable.</p> <p><b>At the end of the module learners will be able to:</b></p> <ul style="list-style-type: none"><li>✓ Identify their sources of income</li><li>✓ Understand how to create a budget that tracks income and expenditure</li></ul>	<ul style="list-style-type: none"><li>✓ Improved financial capability and money management</li></ul>



## 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.




## Core activity: part one

Time	Educator guidance	Expected outcome
	<p>Refer back to your learner's LifeSkills wheel and discuss how they scored themselves in relation to this module. Discuss what they need to know or do to be able to increase how they rate their satisfaction with this area.</p> <p>It is important to gauge your learner's attitude towards discussing money. Are they open to discussing money, how do they talk about money?</p>	<ul style="list-style-type: none"> <li>✓ Learners are reminded of where they are now and what they need to do to reach a higher satisfaction score in this area</li> </ul>
	<p><b>Ask your learner if they can come up with a definition for what they think a budget is. Ensure a discussion takes place by asking your learner to explain their thinking.</b></p> <p>Share this definition: <b>An estimate of income and expenditure for a set period of time to help guide money management.</b></p> <p>Learners may think of a budget negatively, as a means of restriction, but explain that it can also be called a spending plan, and it's all about planning spending so that our money works best for us. This simple shift in mindset can be really valuable.</p> <p><b>Ask your learner:</b></p> <ul style="list-style-type: none"> <li>• How can using a budget/spending plan help effective money management?</li> </ul> <p>Highlight that comparing and tracking income and outgoings is key to successful budgeting, and can help them make the most of their money. We need to give each pound a job to do and if it doesn't have a job, give it one. For example, putting money into savings, allocating to different bills or personal spending.</p> <p>Explain that it is also important to accommodate for unexpected fluctuations, such as car repairs or insurance excess, and that we need to think about the bigger picture over a year in order to plan our monthly spending. For example, if you know you spend £400 at Christmas, then divide this by 11 months to ensure you save the right amount across the year.</p> <p>Discuss with your learner different scenarios where they would need to work out a larger cost and divide it, for example Christmas, holidays, birthdays, large one-off purchase.</p>	<ul style="list-style-type: none"> <li>✓ Learners will have an understanding of what a budget is</li> <li>✓ Learners should have an understanding that using a budget/spending plan helps with effective money management</li> </ul>

## Core activity: part two

Time	Educator guidance	Expected outcome
	<p>Explain that it is important to know which debts/payments are priority/non-priority as these can affect your credit history.</p> <p>Create a list of different outgoings with your learner and ask them to identify which they think are priority and which are non-priority and what the consequences might be.</p> <p><b>Priority debts include:</b></p> <ul style="list-style-type: none"><li>• Mortgage</li><li>• Rent</li><li>• Council tax</li><li>• Utility bills</li></ul> <p><b>While non-priority debts include:</b></p> <ul style="list-style-type: none"><li>• Overdrafts</li><li>• Personal loans</li></ul> <p>Complete the <b>Keeping up with the bills and Consequences quiz</b> with your learner, using the opportunity for discussion at each point.</p>	<p>✓ Learners should have an understanding of what priority and non-priority debts are</p>


## Core activity: part three

Time	Educator guidance	Expected outcome
	<p>Now that an understanding of budgeting has been established, look at the following list of statements about the functions and benefits of a budget:</p> <ul style="list-style-type: none"><li>• Gives control</li><li>• Keeps you focused on goals</li><li>• Helps organisation</li><li>• Enables planning for expected and unexpected costs</li><li>• Helps when making wider plans</li></ul> <p>Ask your learner to pick out which they think are true before revealing that they are all things that a budget can help with.</p> <p>Discuss with your learner whether they already have a budget, how they do this and if they face any challenges when trying to stick to it. Discuss the barriers and encourage your learner to come up with possible solutions.</p>	<p>✓ Learners will understand how a budget can help them</p> <p>✓ Learners should understand that they may face challenges/ barriers to budgeting and be encouraged to explore what these might be and how to overcome them</p>


## Core activity: part three (continued)

Time	Educator guidance	Expected outcome
	<p><b>If your learner feels comfortable discussing their income streams, prompt questions could include:</b></p> <ul style="list-style-type: none"><li>• Does your income allow you to do what you want to do?</li><li>• Do you have any disposable income or money left over for savings?</li><li>• If no, what are the barriers to you achieving this?</li></ul> <p>If relevant, learners can check that they are accessing all benefits they are eligible for by visiting <a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a></p>	<ul style="list-style-type: none"><li>✓ Learners will understand how a budget can help them</li><li>✓ Learners should understand that they may face challenges/ barriers to budgeting and be encouraged to explore what these might be and how to overcome them</li></ul>

## Core activity: part four

Time	Educator guidance	Expected outcome
	<p>Talk through the <b>case studies</b> featuring different people and situations. Discuss the challenges each of the people featured might have when budgeting/managing money.</p> <p>Choose one and support your learner to create a budget for this person using the template.</p> <p><b>Questions to consider:</b></p> <ul style="list-style-type: none"><li>• At the end of the month will they be in credit or debit?</li><li>• What could they do to reduce their outgoings?</li><li>• Which of the costs are regular/ predictable and which are not?</li><li>• What unexpected costs might they need to consider?</li></ul>	<ul style="list-style-type: none"><li>✓ Learners will have an understanding of what potential challenges arise for people when budgeting</li><li>✓ Learners will be able to identify challenges and suggest solutions</li></ul>


## Wrap up

Time	Educator guidance	Expected outcome
	<p><b>Ask your learner:</b></p> <ul style="list-style-type: none"><li>• Think about what you have covered in this session, what steps can you take next to move forward in this area?</li></ul> <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"><li>• Set aside time to actively review outgoings each month</li></ul>	<ul style="list-style-type: none"><li>✓ Learners are able to identify an action or next step to move forward in this area</li></ul>

## Wrap up (continued)

Time	Educator guidance	Expected outcome
	<ul style="list-style-type: none"> <li>• Calculate their take home income/potential take home income and use this as a basis for completing a savings plan/monthly budget</li> <li>• Calculate how much money I can regularly feasibly put away each month to increase my savings, make changes to expenditure or decrease debt</li> </ul> <p>You may wish to suggest your learner maps out their action plan as:</p> <div data-bbox="288 600 997 775" style="background-color: #d9ead3; padding: 10px; border: 1px solid #d9ead3;"> <ul style="list-style-type: none"> <li>✓ Do now:</li> <li>✓ Do soon:</li> <li>✓ Do later:</li> </ul> </div> <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>Further information and guidance on budgeting can be found via the following organisations:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.citizensadvice.org.uk/debt-and-money/budgeting/">www.citizensadvice.org.uk/debt-and-money/budgeting/</a></li> <li>• <a href="http://www.stepchange.org/debt-info/your-financial-situation/making-a-budget.aspx">www.stepchange.org/debt-info/your-financial-situation/making-a-budget.aspx</a></li> <li>• <a href="http://www.moneyadviceservice.org.uk/en/categories/budgeting-and-managing-money">www.moneyadviceservice.org.uk/en/categories/budgeting-and-managing-money</a></li> <li>• Universal Credit Personal Budgeting Support (advice to help claimants of Universal Credit manage their money on a monthly basis – available in person, online or over-the-phone depending on area)</li> </ul> <p>Refer your learner back to the LifeSkills wheel and check if they are closer to achieving their desired score. Encourage your learner to take away the <b>Budget template</b>.</p>	<ul style="list-style-type: none"> <li>✓ Learners are able to identify an action or next step to move forward in this area</li> <li>✓ Learners should feel more confident in discussing gaps in their knowledge when it comes to budgeting, and have a plan to address this</li> </ul>

## Optional extension

Time	Educator guidance	Expected outcome
	<p>Using the <b>Budget template</b>, encourage learners to start creating their own budget, listing their own income and outgoings. This will help to build confidence as they will be completing this in a safe space with the chance to ask questions.</p>	<ul style="list-style-type: none"> <li>✓ Learners should feel comfortable and confident with considering their own budget and how best to make create a spending plan relevant to their situation</li> </ul>

## Optional extension (continued)

Time	Educator guidance	Expected outcome
	<p>Share the <b>Spending diary template</b> with your learner.</p> <div data-bbox="288 353 997 707" style="background-color: #d4edda; padding: 10px;"><ul style="list-style-type: none"><li>✓ <b>Do now:</b> Start filling in your weekly diary template</li><li>✓ <b>Do soon:</b> Review the figures at the end of the week – what spending patterns do you notice? Where could any reductions or savings be made?</li><li>✓ <b>Do later:</b> Update the budget template to see how much closer this brings you to your goals</li></ul></div> <p><b>Alternatively, if they feel comfortable discussing, ask your learner to share some of their outgoings/expenses.</b></p> <ul style="list-style-type: none"><li>• Are there any they might cut back on/reduce/allocate differently?</li><li>• Could they change certain habits in order to budget better?</li><li>• Consider this in light of their goals, for example build savings/help clear debt</li></ul>	<ul style="list-style-type: none"><li>✓ Learners will be clear and confident on their own budget and how to get the best out of it</li></ul>



## Keeping up with the bills

Discuss the items listed below and decide what might happen if you had one of these bills to pay and no money to pay it.

Tick column A for the six most important bills. Tick column B for the 5 bills that could wait if necessary.

Item to be paid	Possible consequence	A	B
Rent			
TV licence			
Gas or electricity			
Mobile phone			
Mail order catalogue			
Bank loan or overdraft			
Store card or credit card			
Payday loan			
Family or friends			
Water rates			
Council tax			

## Keeping up with the bills – answers

Discuss the items listed below and decide what might happen if you had one of these bills to pay and no money to pay it.

Item to be paid	Possible consequence	A	B
Rent	You could be evicted from your home.	✓	
TV licence	You will have to pay a court fine.	✓	
Gas or electricity	Your supply will be cut off. You may be given a pre-payment meter, which will more expensive than standard billing.	✓	
Mobile phone	Your phone may be cut off. You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.	✓	
Mail order catalogue	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Bank loan or overdraft	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Store card or credit card	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Payday loan	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Family or friends	You may be taken to court and ordered to repay.		✓
Water rates	You may be taken to court and ordered to repay. Your credit rating may go down.	✓	
Council tax	A court appointed officer can be sent to take your possessions and sell them to pay off your debt. Money could be taken from your earnings. You could be sent to prison.	✓	





## Consequences quiz

### Quiz: question 1

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Which term describes your bank account if the balance drops below £0?

**A** Under-balance

**B** Over-balance

**C** Overdraft

**D** Bank draft

### Quiz: question 2

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Which of the following forms of borrowing do you think has the highest risk associated with it?

**A** Loan shark

**B** Mortgage

**C** Credit card

**D** Payday loan

### Quiz: question 3

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Why is your credit rating important?

**A** Lenders will consider your rating when deciding on whether to lend you money

**B** It can impact on the interest rates lenders set for you

**C** Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house

**D** It lasts for six years



## Consequences quiz (continued)

### Quiz: question 4

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Which of the following could have a negative impact on your credit rating?

A

Having a credit card

B

Paying your mobile phone bill by Direct Debit

C

Living at the same address for a long time

D

Missed payments on a credit card

### Quiz: question 5

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Which of these is the most important bill to prioritise if you are in financial difficulties (pay first)?

A

Council tax

B

Broadband – telephone/internet

C

Water

D

Digital TV package



## Consequences quiz: Answers

**1. The answer is C**

If you attempt a transaction when your bank account balance is below £0, you use money from your overdraft, if you have one set up. This is borrowing from the bank. Some banks will let you borrow up to a certain amount as an overdraft for free, while others will charge you interest or a fee if you go as much as a penny overdrawn. It's worth finding out what your bank's policy is, just in case

**2. The answer is A**

Loan sharks are people who lend money illegally. Because they are unregulated by law, they are a high risk way of borrowing money – there is no paperwork, they can set their own interest rates and repayment terms, and change them without warning, and may encourage further borrowing to pay off existing debts

**3. All of them are correct!**

Lenders will consider your rating when deciding on whether to lend you money, it can impact interest rates lenders set for you, affect how likely you are to get a mortgage, and last six years.

Your credit rating is a record of your money habits. It takes into consideration late payments and even the rating of people you have shared accounts with. Lenders will use the information on your credit rating to decide whether to lend you money – for a loan, a mortgage, or a credit card. Your rating indicates the likelihood of you being able to repay the debt

**4. The answer is D**

If you make your payment after the monthly deadline on your statement, you might have to pay a late payment charge. On top of this, other companies might see that you were late, as part of your credit record. This could have a negative impact on future credit applications including applying for a mortgage

**5. The answer is A**

This is classed as a priority debt, those that you should pay first if you're unable to meet all your bills and debt repayments. Others include a TV licence, gas and electricity, mortgage and rent. This is because they could lead to you receiving a court summons



# Case study



## Ahmed

Ahmed is a single male, aged 22 and enjoys spending time outside playing sports. He wanted a career that kept him fit and active and to gain a salary and experience of the workplace straightaway, so he applied for a sports coaching apprenticeship. He is now in his second year.

The role is based at a school during term time and at a sports centre in the school holidays. He currently lives at home with his mother and pays her some rent each month. He needs to drive to work each day so has to budget for petrol and other car costs including insurance.

He enjoys going to the cinema with his friends and plays in a football team at the weekend. He has an apprenticeship discount card which gets him money off at the cinema and restaurants. Ahmed needs to monitor his budget closely to make sure he can pay his bills and still enjoy socialising with his friends.

Consider whether Ahmed currently has a negative or positive balance at the end of the month, and how he could change some of his spending habits to work towards his saving goal.

Income	Amount	Notes
Wages (£7.70 ph for 37.5 hours)	£1,155.00 minus £109.53 tax and National Insurance deductions	Paid 4 weekly
<b>TOTAL</b>	<b>£1,045.47</b>	
Expenditure	Amount	Notes
Rent	£125.00	Bills included
Mobile phone	£45.00	Monthly contract with 100 minutes and 1GB of data included
Groceries	£100.00	Usually includes some essentials for his mum as well as his food each month
Petrol	£100.00	Uses his car to travel to work
Going out	£250.00	Socialising with friends each weekend, includes going to the cinema.
Gym membership	£60.00	Paid monthly
Football membership	£48.00	£6 per six-a-side session, twice a week (£12 x 4)
Haircuts	£20.00	
Road Tax	£12.25	Paid by direct debit over 12 months
<b>TOTAL</b>	<b>£760.25</b>	



## Case study



### Lindsay

Lindsay is in her late 30s and married with two children. She works part time and receives benefits. She has amassed an amount of debt over the years due to not budgeting correctly and her husband having a short time out of work.

Her two children both attend primary school and her husband works in construction. They enjoy having takeaways as a treat because they cannot often go out to eat. They sometimes feel stressed due to their debt repayments.

Consider whether Lindsay currently has a negative or positive balance at the end of the month, and how she could change some of her spending habits to work towards her saving goal.

Income	Amount	Notes
Wages after tax	£1,338.62	Paid monthly
Benefits	£1,640.85	Paid monthly
<b>TOTAL</b>	<b>£2,979.47</b>	
Expenditure	Amount	Notes
Rent	£625.00	
Council Tax	£153.00	
Electricity	£56.00	
Oil	£25.00	
Water rates	£98.00	
Telephone	£12.50	
Mobile phones	£47.00	For 2 mobile phones, 200 minutes and 5GB of data each
TV licence	£12.37	Paid monthly
Internet	£12.05	
Groceries	£550.00	This is an estimate and is sometimes more.
Takeaways	£50.00	They have a takeaway every 2 weeks
Petrol	£240.00	Used for work and to take the children to school
Road tax	£34.99	
Car insurance	£105.00	Annual cost for 2 cars
Car maintenance	£105.99	
Child-related expenses	£272.82	
Pet insurance	£45.34	
Contents insurance	£18.38	
Haircuts	£15.00	
Credit card and loan repayments	£500.00	
<b>TOTAL</b>	<b>£2,978.44</b>	



## Case study



### Sinead

Sinead is 19 and is keen to go to university away from home in Northern Ireland and establish her independence.

For her first year, Sinead is going to be living in the university halls of residence. She plans to be very busy with her studies but wants to try to fit in going to the gym regularly too. She'll need to invest in a laptop and some books that have been recommended by her course tutors.

Sinead needs to book flights home each term and hopefully getting a job on campus will help her pay for this.

Consider whether Sinead currently has a negative or positive balance at the end of the month, and how she could change some of her spending habits to work towards her saving goal.

Income	Amount	Notes
Maintenance Loan (equivalent monthly)	£702.50	£8,430 per year, paid in 3 instalments.
<b>TOTAL</b>	<b>£702.50</b>	
Expenditure	Amount	Notes
Rent	£512.48	Self-catered halls of residence
Mobile phone	£35.00	Monthly contract with 100 minutes and 1GB of data included
Groceries	£125.00	Monthly
Going out	£50.00	Socialising with friends
Gym membership	£20.00	Paid monthly
<b>TOTAL</b>	<b>£742.48</b>	



## Case study



### Danny

Danny is a single male, aged 37. He currently rents a room in a shared house. Danny is in-between jobs at the moment and is receiving Universal Credit. He would like to be able to retrain as an electrician, get his own van and become self-employed.

Danny likes to socialise with his friends and spends a lot of time out of the house.

Consider whether Danny currently has a negative or positive balance at the end of the month, and how he could change some of his spending habits to work towards his saving goal.

Income	Amount	Notes
Universal Credit	£317.82	Paid monthly
<b>TOTAL</b>	<b>£317.82</b>	
Expenditure	Amount	Notes
Rent	£120.00	Monthly, bills included
Mobile phone	£45.00	Monthly contract with 100 minutes and 1GB of data included
Groceries	£100.00	
Socialising	£80.00	
Haircuts	£20.00	
TV licence	£12.54	Total cost paid by direct debit over 12 months
<b>TOTAL</b>	<b>£377.54</b>	



# Budget template

## Income

	Weekly	Monthly	Yearly
	Convert from yearly (divide by 52 weeks)	Convert from yearly (divide by 12 months)	
Income, for example job and/or benefits			
(1) Total income	£	£	£

## Regular costs

Expenditure	Weekly	Monthly	Yearly
Regular costs, for example accommodation, food, bills, childcare			
(2) Sub total	£	£	£





## Budget template (continued)

### Other costs

Expenditure cont'd	Weekly	Monthly	Yearly
<b>One off costs, for example buying a TV, fixing the car</b>			
<b>(3) Sub total</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Travel, for example car, train</b>			
<b>(4) Sub total</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Leisure, for example cinema, gym</b>			
<b>(5) Sub total</b>	<b>£</b>	<b>£</b>	<b>£</b>

### Tally

	Weekly	Monthly	Yearly
<b>Income (1)</b>			
Regular costs (2)			
One off costs (3)			
Travel (4)			
Leisure (5)			
<b>Total expenditure (2+3+4+5) = 6</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance (1) – (6)</b>			

If (6) is greater than (1), you need to think of ways to increase your income or reduce your expenditure.



# Budget template (continued)

## Spending diary

Use this sheet to record your spending over the course of one week. Include any regular outgoings, for example mobile phone, and any extra one-off items, for example buying a takeaway, clothes shopping. Writing down everything you spend for a few weeks will really help you to understand your spending patterns and identify areas where you could save.

Item	EWS*	Mon	Tue	Weds	Thurs	Fri	Sat	Sun	Total
<b>Total</b>									

\*Estimated Weekly Spend