

MANAGING YOUR FINANCES



AGENDA

- Starter
- Understanding Deductions
- Bank Accounts
- Your Credit and Credit Score
- Conclusion
- Student Assessment

Objectives

Students will identify the information included on a payslip.

Students will understand how bank accounts work.

Students will learn about credit and their credit score.

Materials Needed

- “Words to Know in Finance” activity sheets for each student (Parts I, II, and III)

Starter (5 minutes)

Have students raise their hands if they have a bank account. Have students brainstorm all the banks they are aware of.

Part I Understanding Deductions (15 minutes)

Purpose: Students understand the deductions on their payslip.

1. Students identify the difference between “net” and “gross” pay.

Have students identify the various parts of the payslip. Remind students that it is essential to check each payslip to ensure you are being paid correctly for the hours you have worked. Remember if you are over the age of 18 years, you must check the rules regarding superannuation contributions.

2. Students discuss the value of Superannuation.

Ask students what they think superannuation is. Lead them to understand that all employees in Australia are covered by the Superannuation Guarantee. It applies to full time, part time and casual workers.

Explain to students why it's crucial for them to comprehend and think about the benefits offered by an employer as they progress in their careers. In Australia, common benefits include health coverage through tax payer funded Medicare and employers contribution to your superannuation. Remind students to weigh up pros and cons to initiate additional voluntary deductions at various stages of life and career. Students can research when the Federal Government would match a portion of your additional Superannuation contributions.

Students explore the Money Smart Superannuation Contributions Optimiser Calculator.

<https://moneysmart.gov.au/grow-your-super/super-contributions-optimiser>

Part II Bank Accounts (15 minutes)

Purpose: Students learn about bank accounts.

1. Students understand what a bank account is.

Ask students to describe a bank account. Lead them to recognize that a bank account is an agreement between a **depositor** and a bank that says the bank will keep their money **in trust** until it is withdrawn.

Ask students what a bank does with the money it keeps in trust. Lead them to understand that banks hold a portion of the money, invest a portion of it in **bonds**, and lend a portion to other people and businesses as loans for buying a car, purchasing a home, and more.

Explain that there are many types of bank accounts but the main account students will encounter are transactions and savings accounts. For example, students will receive their income into their personal transaction account which will receive little or no interest. It is then up to the individual if they want to put away money for savings. If they choose this option, they can open a savings account and earn with higher interest.

2. Students understand the value of bank accounts.

Explain to students the importance of research when opening a bank account.

1. Encourage students to research the different types of banks and what they offer.
2. Compare different transactions and savings account features, fees, and interest. Remind students to ensure the account they open does not have an attached credit card unless the student chooses to opt into that feature.
3. How often will you need cash? (Both checking and savings accounts will generally allow for withdrawals of cash. Savings accounts are designed to keep money with a bank for a longer period of time, so the number of monthly withdrawals may be limited or account holders might lose interest or be given a service charge if they exceed that amount.)
4. How are you planning to pay your bills? (Two common ways to pay bills is BPAY or direct debit. BPAY does not incur any fees but direct debit may incur a payment processing fee.)
5. What is the minimum balance your bank requires? (Some banks require you to keep a certain amount of money in your account and will charge a fee if you drop below that.)

Point out to students that banks vary greatly in the services they offer and that it is always a good idea to find the one that best fits their needs. Add that many banks offer accounts specifically for students.

3. Students learn to manage their bank accounts.

Tell students that having a bank account is a major responsibility. It is vital they check their accounts regularly ensure they have no unauthorized withdrawals. Explain to students that they must manage their money in order to avoid overdrawn fees.

Point out to students that one of the best ways to avoid overdraft fees is to make sure they keep track of their income and expenses. Say, "Most banks provide an app that allows you to view the amount of your available funds as well as any **posted** and **pending** transactions. There are also many free apps that help you categorize your spending and set savings goals." Tell students that not everyone has access to a banking app, then ask volunteers to suggest other ways to keep track of spending. (Student responses may include viewing their account activity online, using a **checkbook**, and keeping receipts.)

Add that, in addition to helping track spending habits, these apps can also help identify incorrect or **fraudulent transactions**. Say, “It’s possible for another person to obtain your banking information and make unapproved charges. By checking your account activity regularly, you can catch suspicious charges and report them to your bank.”

Part III Your Credit and Credit Score (25 minutes)

Purpose: Students develop an understanding of credit.

1. Students understand how credit works.

Say to students, “I’m going to ask you a series of questions. If you agree with what I say, raise your hand.” Then, ask students the following questions, pausing for a brief moment between each to give them time to respond.

- Say, “Imagine there is something you really want that costs \$50, but you can’t afford it right now. What if I told you I’d lend you money so you can purchase it today? Would you accept it?”
- What if you have to pay 20% more than what I lent you if you take longer than 30 days to repay me? For example, if I give you \$50, you’ll owe me \$60 if you don’t repay me in 30 days, and then \$72, and so on.
- What if I said you didn’t have to pay me all back at once? Instead, you could pay me as little as \$10 each month.
- What if I said that, even if you agree to a \$10 per month **payment schedule**, you’ll still be charged 20% on your remaining balance each month? So, if you owe \$50 and pay me \$10, the next month you’ll owe me \$48 instead of \$40?”

Tell students that this is similar to how **credit** works. Lead students to understand that credit is the ability to borrow money to make purchases that you will pay back at a later date. Point out that one of the primary ways people make purchases using credit is through a **credit card**. Say, “Credit cards are an agreement between you and an **issuer** where you promise to pay back whatever they have lent you, plus other agreed-to charges.”

Emphasize that these other “agreed-to charges” are important to keep in mind when using a credit card. Tell students that credit cards can seem like “free money,” but they are not. Explain that every credit card has different terms, but generally, if cardholders pay the full amount of the **credit card balance** due every month, they will not have to pay **interest**. On the other hand, if they pay only the **minimum payment** amount, or anything less than the full balance due, they will pay interest.

2. Students learn about credit scores.

Divide students into three groups and say, “While it could make sense to delay a purchase until you have enough cash to cover the cost, there are times when that may not be possible. I’m going to present each group with a scenario in which someone wants to make a large purchase or is faced with a large expense, and your job will be to research the costs and the options to pay for it.” Then, assign groups with one of the following:

- A couple is looking to buy a two-bedroom house in your neighborhood.
- A high school graduate wants to attend college and is trying to determine whether to stay in-state or go out of state.
- A mother of three young children wants to purchase an SUV.
- A person needs knee surgery.

Inform students they have 10 minutes to gather as much information as possible. When doing their research, have them consider things such as what options are available to the purchasers, what the standard interest rates are, and how much (if any) cash they might need upfront. After 10 minutes have passed, ask volunteers from each group to share their findings with the class.

After each group has presented, stress that there are some purchases or expenses that may not be possible without receiving a loan. Say, “However, financial institutions will not just loan money to anyone. Banks and other institutions want to make sure that you have the ability to repay the money you borrow, and they determine this using your **credit score**. Teachers expand here if students have any further questions.

3. Students learn what to do if they have a credit problem.

Tell students to suggest some things that may happen if they are irresponsible with their credit. List student responses. (Students responses may include, their credit card gets revoked, they can damage their credit score, and it will be difficult to get loans in the future.)

Ask students, “What do you do when you have a problem that you can’t solve?” Suggest to students that they should ask for help. Explain that if they get into a situation in which they can’t make payments on their debt, the best thing to do is to talk to the people or companies to whom they owe money. Explain that sometimes, those companies will help develop an affordable payment plan to pay off the debt.

Have students consider what they discussed regarding credit cards and offer ways to avoid some of the drawbacks. List student responses. (Students responses might include: never put more on a credit card than you can pay every month, save money until you have enough to make a purchase, make sure you are comfortable with the minimum payment for loans, understand the terms associated with the money you are borrowing.)

Tell students that regardless of whether they get a debit card or a credit card, it is essential to avoid overspending. While money charged to a debit card is removed directly from the user's bank account, you can still get into trouble by depleting your funds. As mentioned earlier in the lesson, many banks will penalize account holders whose funds go below a predetermined amount. Remind students that it is important to monitor their transaction account balance and credit card activity regularly in order to stay on top of their finances and avoid potential issues.

Conclusion (2 minutes)

Explain to students that the best way to avoid financial trouble is to manage their money carefully. Remind students of the following **key points** that were taught in this lesson:

- It is important to keep check of your money and spend wisely.
- Credit cards have strengths, such as ease of use and safety, and drawbacks, such as annual fees and the danger of excessive debt.
- Establishing good credit is essential in order to make larger purchases in the future.

Student Assessment

1. What are the main types of bank accounts and the differences between them?
2. Identify three scenarios in which a person might purchase something using credit.
3. How is a credit score determined?

LESSON EXTENSIONS

Using Quotations

“Never spend your money before you have it.”

Discuss the meaning of this quote with your students. Then, have them write about how it could apply to bank accounts as well as debit and credit cards, and when this quote may not be sound advice (*for example, home mortgages, student loans, and car financing*).

Using Technology

Have students research moneysmart.gov.au for tools and guidance on taking control of money. Visit canstar.com.au for an unbiased comparison website.

Homework

Have students research local banks and determine, based on fees and requirements, which one provides the best services for their needs. Encourage students to learn the differences between the accounts banks offer and the steps they need to take in order to open an account. Have volunteers share their findings with the class.

Using Technology

Explain to students that being patient and doing research on pricing trends can save them money. Tell students that there are several apps, websites, and web browser extensions whose purpose is to save them money by automatically applying coupons to purchases or tracking an item's price. Have students identify three ways they can use technology to save money (*for example, ShopBack, Honey, Mint, and Keepa*).

Homework

Have students investigate and understand what credit card debt is and the ramifications of poor debt management.

Additional Activity

Have students investigate banking scams. Discuss the need to keep passwords private.

WORDS TO KNOW IN FINANCE

automated teller machine (ATM) – a machine that allows people to complete basic transactions, such as checking their account balances, withdrawing or depositing funds, or transferring money between accounts

bonds – loans to a company or government that pay a fixed rate of interest to the lender over time

checkbook – a book of blank checks

checking account – a bank account that allows deposits and withdrawals; funds can be withdrawn through checks, debit cards, and more

credit – the ability for someone to borrow money and pay it back at a later date

credit card – a plastic or digital card that allows people to make purchases on credit

credit card balance – the amount of money owed to a credit card company

credit score – a number assigned to a person based on factors such as their ability to make payments and the amount of money they owe; the higher the score, the more likely a borrower is to be able to repay loans

debit card – a plastic or digital card that deducts money directly from a checking account to make purchases

deductions – items withheld from a person's pay, usually relating to benefits such as healthcare or retirement funds

deposit – the placement of money into a checking or savings account

direct deposit – an electronic payment directly to an employee's account by an employer

fraudulent transaction – a transaction that was unauthorized by an account holder

gross pay – full amount of pay received before withholdings and deductions

interest – a charge incurred for borrowing money, usually as a percentage of the money owed

issuer – a company that provides credit cards

minimum balance – the minimum dollar amount a bank requires its customers to keep in their bank accounts; dipping below this amount can result in fees

minimum payment – the lowest amount of money required to be paid on a loan or credit card balance each payment due date

WORDS TO KNOW IN FINANCE

(CONTINUED)

negative balance – an account balance of less than zero, indicating that more money has been spent than was available in the account

net pay – amount of pay remaining after deductions from a person's gross pay

online banking – known as internet banking or web banking, an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website or app

overdraft fee – a fee incurred when a bank covers a payment that is greater than the available funds in a checking account

pay period – the recurring schedule that determines how frequently a person is paid

paycheck – a check or payment for salary or wages

payment schedule – a schedule of when repayment is made between a borrower and a lender

pay stub – a piece of paper accompanying each paycheck that lists gross pay, withholdings, deductions, and net pay

pending transaction – an approved transaction that may be reflected in your account balance but has yet to be fully processed

posted transaction – an account transaction that has been fully processed

savings account – a bank account that earns interest and is meant to hold funds for an extended period of time

Superannuation – a retirement plan offered by some employers that allows employees to save and invest in their retirement

union dues – regular payments made to labor unions (which are organizations that represent collective interests of employees) to cover the cost of membership

withdraw – to take money out of an account

withholdings – mandatory items withheld from a person's pay, such as income taxes.