

Earning and Spending Money



Key ideas

In this third unit of our financial literacy series we get our students to take a closer look at earning and spending money by exploring the following concepts:

- **the basic principles of choice, needs and wants**
- **the value of money (when it's gone, it's gone)**
- **pocket money and how to earn it**
- **simple account keeping (records of income and expenditure)**
- **saving money by setting and achieving goals**

It's up to us

- Write the statement 'We all make choices about how we spend our money' on the board. How true do the students think this statement is?
- Do students who earn pocket money have absolute control over how they spend their money or are they restricted to spending it on certain things?
- Introduce the following scenario: 'A grandparent wants to give you \$50.00 for your birthday. You are very pleased about this but you find that before you get the gift, you have to agree to save it or spend it on something to do with sports, books or music. You would have preferred to spend it on a computer game or at a fast food restaurant with friends'.
Have students discuss and list both advantages and disadvantages over having restrictions and no restrictions on how they spend their pocket money or gifts of money.
- Introduce the concept of good choices and bad choices. Have groups discuss and produce a table listing examples of both good and bad choices. Have them justify answers.

The difference between needs and wants

- Help the class understand the difference between needs and wants by listing all the basic things that we as humans need to live our lives, **eg**
 - *we need food, water, shelter, clothes for warmth ...*
- Introduce the idea that all other things we take for granted are not really needs but things we want.
- Tell students that all households have to make choices as to how they are going to spend their money and they always have to make the choices between their needs and their wants.
- As a homework assignment, have students talk to their parents and ask them what they consider are the needs of the household – the things they will spend their money on first, **eg**
 - *the electricity bill, the rent/mortgage, household food ...*Report back and make a 'needs' master class wall chart.

Cross curricula classroom activities promoting student financial literacy brought to you by:



Curriculum: Social Studies, English, Mathematics, Visual Arts

- Resources and Economic Activities
- Oral, Written, Visual Language
- Number
- Design

Teacher Indicative Learning Intentions

- Understand that we all make choices about how we will spend our money.
- Be able to distinguish between wants and needs in terms of what we spend our money on.
- Understand that households make provisions for fixed costs that occur every month, called a budget.
- Understand the purposes of pocket money, how we can earn it and ways to supplement our earnings.
- Know how to design and use a simple budget and expenditure form to help us manage our money.
- Be able to set and discuss realistic savings goals and knowing how to achieve them.

Best suited to Curriculum Levels 2-3 (adapt for higher levels)

When it's gone, it's gone

- Have the class consider the following scenario: 'A group of friends are going on a two day bush tramp and pack enough food to last them for the two days. They enjoy the food so much that they eat it all on the first day'.
Help students see that put simply – the friends will have nothing to eat the next day. The decision they made to eat all the food was not a good one. Day two will be a hungry day!
Tell students that this is the decision that all households have to make every time the money earners get paid. If they are paid once a week, once a fortnight or even once a month, and spend all the money in the first day on something they wanted, there would be no money to pay for the needs of the household.
- Introduce the idea that households can plan ahead. This is called a budget. Any money left over can be saved or spent on things they want such as entertainment, trips etc.
- Develop the idea that some things such as house rent or phone rent will always cost the same (fixed) and money will have to be put aside for these every week.



Setting and Achieving our Goals

When it's gone, it's gone continued ...

- Challenge students to come up with ways to save on the weekly household budget and put aside money for things they want such as a trip to Sydney, a new fridge ... **eg**
 - *save electricity – turning lights out when not in the room*
 - *pulling curtains to keep heat in*
 - *making phone calls in off peak times*
 - *buying food specials and/or growing own vegetables*
 - *turning down hot water temperature ...*

Pocket money and how to earn it

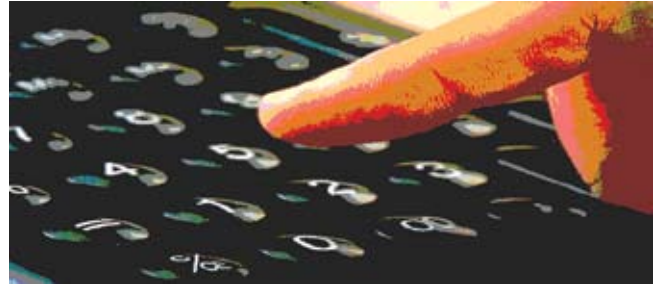
- Discuss the idea of pocket money. Do the students think that pocket money is a good idea? What do they think about the following statements?
 - *'we should be expected to help out in the household in return for pocket money'*
 - *'it is better to get a lump sum of pocket money rather than be paid on a job by job basis'*
 - *'pocket money is a good way for us to learn how to manage money better'*
- Introduce the idea that if we manage our pocket money well, and save a little of it each week, we can save up to buy something we really want.
- How many class members have after school or weekend jobs that earn them additional money? Have groups brainstorm ways that they can earn money that is extra to pocket money, **eg**
 - *a dog walking service*
 - *mowing neighbours' lawns*
 - *a craft or homemade lemonade stall*
 - *delivering papers or flyers ...*

Managing a budget

- Tell students that people who manage their money well keep a record of what money they have earned – called income, and what money they have spent – called expenditure. This means that at any time, they know exactly how much money they have and how much they will have to save for that 'special something' they really want.
- Introduce the idea that this is not really as hard as it seems. All they need to devise is a simple weekly table or form that has the following information:
 - *a column to list total of money they have that week (income)*
 - *a column to list amount spent and what on (expenditure)*
 - *a column showing amount of money remaining.*
- Challenge groups to design budget forms. Groups can report back and have the class evaluate the forms for effectiveness. You may be able to invite an accountant to talk to the class and show them some simple examples of forms.

Setting and achieving savings goals

- Now that the students can see where their money goes each week, as a class, discuss the alternatives they have with any money they have remaining at the end of each week. Find out what the students know about savings. Can the class give reasons why it is a sensible idea to put a little money aside each week?
- Introduce the idea that if we set ourselves some savings goals, we can clearly see what we have to do to achieve them and are more likely to make a real effort to achieve these goals.



- Have students write a list of personal savings goals they would like to set themselves, **eg**
 - *saving up for an iPod or a mobile phone*
 - *buying that cool Tee Shirt or cross trainers*
- Develop the idea that it is easier to achieve a goal if they have one goal at a time. Have students design a simple goal sheet, **eg**

Name _____
My Goal _____
Amount Needed: _____ Target Date: _____
Weekly Amount Needed to Achieve Goal: _____

- Have students refer to their money management sheet and make calculations as to how much they will have to save each week to achieve their goal. Calculate for several target dates. How realistic do they think their target date is?
- Schedule regular time where students can share their progress towards achieving their goals and encourage each other. Help students see that some fine tuning or adjustment may be necessary! In the next unit of this series we will take a close look at how gaining interest with a savings account will assist students to achieve their savings goals.

ASB Achieve Your Goals Incentive

The team at ASB are keen to see students achieve their savings goals as part of their financial literacy studies. ASB invites teachers to send in copies of individual student goal sheets along with a short paragraph written by the student stating why they want to achieve this goal.

Each student entry will go in the draw for an ASB Money Box (20 draws) and the first 5 lucky students drawn will also receive \$50 in a new Headstart Savings Account.

Send student entries to:
ASB Savings Goals
ASB Bank
P O Box 35, Auckland.



Entries must be received by 10 March 2006

NB: Please include

Teacher Name, School and Class Name, School Postal Address and Phone Number.

For full competition terms and conditions visit:
www.teachingonline.org/asb.html