 Core 1.2 – personal finance

Please read this statement about the programs and their purpose.

The purpose of the project is to integrate learning across several topic areas and focus on the big picture learning. It will incorporate the elements of the quality teaching document into student tasks to increase the significance of the learning for students.

The programs are not structured as lesson plans and are designed to support flexible implementation. They have a simple format that provides a small number of large tasks to cover the learn about and learn to statements for each topic.

In using these programs students take more responsibility for their learning, work more in groups and have greater choice about what case studies and examples they engage. Teachers will act as facilitators, but will still need to intervene in the learning to teach explicitly concepts, skills and terminology when students find difficulty within particular tasks. All the tasks can be used for assessment for or assessment of learning purposes. Teachers can use the tasks to provide feedback to students and assess the products and processes of the task for the purpose of recording data that will be used for school reporting purposes. When using the tasks in these ways for assessment, there is no need to create additional assessment tasks and end of topic tests are not needed because teachers will have already the assessment information needed for school reporting.

Schools can add their own resources and vary the ICT suggestions, within the syllabus requirements, to match their school resources. Feedback is welcomed and adjustments will be made to improve the units in response to evaluation of these programs. Resources may become outdated over time and will require updating to ensure a contemporary approach is used.

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Core 1.2 – personal finance

Focus

Students develop knowledge, understanding and skills that assist them to achieve financial independence by developing the ability to make informed judgements and to take effective decisions regarding the use and management of money.

Time – 20 hours

Outcomes

A student:

* 5.1 – applies consumer, financial, business, legal and employment concepts and terminology in a variety of contexts
* 5.2 – analyses the rights and responsibilities of individuals in a range of consumer, financial, business, legal and employment contexts
* 5.3 – examines the role of law in society
* 5.4 – analyses key factors affecting commercial and legal decisions
* 5.5 – evaluates options for solving commercial and legal problems and issues
* 5.6 – monitors and modifies the implementation of plans designed to solve commercial and legal problems and issues
* 5.7 – researches and assesses commercial and legal information using a variety of sources
* 5.8 – explains commercial and legal information using a variety of forms
* 5.9 – works independently and collaboratively to meet individual and collective goals within specified timelines.

Suggested ICT

* Word processing applications to prepare and present research information
* Excel spreadsheet to prepare budgets
* PowerPoint multimedia application to present information
* Graphics within PowerPoint to present information
* Internet to access information
* Access database to gather statistics

Resources

* [ACCC](http://www.accc.gov.au)
* [Fair Trading](http://www.fairtrading.nsw.gov.au)
* [Moneysmart](http://www.moneysmart.gov.au/)
* [Choice](http://www.choice.com.au)

| Students learn about | Students learn to |
| --- | --- |
| Earning an income   * types of income:   + from work, investments, business ventures and social welfare programs | * identify the different types of income |
| Spending and saving income  Income   * Expenditure * Spending patterns and factors which influence the need for saving   + income, age, location wealth | * identify fixed and variable expenditure * discuss the reasons for saving * investigate the relationship between responsible spending and saving patterns at various life stages. |
| Borrowing money   * reasons for borrowing * getting a loan   + Types of loans, lending institutions, ability to repay, credit rating | * discuss the reasons for and against borrowing money * evaluate the borrowing options for making a substantial purchase * identify specific situations in which individuals should or should not borrow money * compare the advantages and disadvantages of different types of loans and lenders * identify factors affecting an individual’s credit rating |
| Managing finances   * features of responsible financial management   + budgeting   + saving   + monitoring and record-keeping   + avoiding over commitments | * use a spreadsheet to prepare a hypothetical household budget which includes the following categories:   + income and borrowing   + fixed and variable expenditure   + saving * monitor and modify the hypothetical budget |
| * insurance | * identify different types of insurance policies and discuss their importance   + health, car, home, life, income protection |
| * consequences of poor financial management   + financial   + legal   + social | * identify the consequences of the misuse of credit * identify and critically analyse a range of strategies to solve a variety of financial problems * discuss the factors which may contribute to financial mismanagement in particular communities |
| * sources of financial advice   + the financial services industry: the range of organisations and the services offered   + the responsibilities of lenders and financial advisers and their legal obligations * the laws that regulate and monitor the financial services industry | * research and report on the scope of the financial services industry * access and evaluate financial advice provided by a range of organizations * discuss the responsibilities of lenders when providing relevant information and advice for individuals and community groups * investigate the key changes in consumer laws that protect individuals |
| Investing money   * reasons for investing - major purchase, extra income, retirement * overview of investment options   + shares, property, superannuation, managed fund | * analyse reasons for saving and investing and for postponing consumption for future gain * recognise the relationship between risk and return by investigating investment options * create a portfolio of shares using a database and modify the portfolio using changes in share prices |

Teaching and learning activities

Assessment – the activities require students to demonstrate their learning and are all assessment for learning activities. Some activities might be selected and included in a school assessment schedule for assessment of learning.

Earning an income

Task 1 – researching types of income

Meet the Brown family:

* John and Elizabeth are parents and have three children
* Jason is a university student
* Tayla is a clerical worker at a bank
* Evan is a student in Year 10
* Grandma Phyllis lives nearby. She is 78 years old and in good health.

Except for Evan, all the family members receive some income:

* + John and Elizabeth own a butcher’s shop where they both work. John works full time in the shop and Elizabeth works three days a week.
  + Jason works part time at a hardware store when not at university.
  + Tayla works full time at a bank. She is hoping to be able to buy her own home in the next year.
  + Evan does not have a job.
  + Grandma Phyllis is retired and receives a small income from her superannuation scheme and also a part pension.
* Form groups of six. Look at each of these family members, with each group member focussing on one person in the family.
* Identify the major sources of income for this family member.
* Write a description of this type of income and how the income is determined.
* Share findings with the whole group.
* Investigate social welfare payments this family may be eligible for using the [Centrelink Payment Finder](http://www.humanservices.gov.au/customer/dhs/centrelink).
* Write a paragraph about your conclusions.
* Make suggestions about additional sources of income for this family
* Consider how this may be the same or different to families you know.

Spending and saving income

Teacher note

This task needs a case study to generate a discussion on types of expenditure, differentiating needs and wants, and fixed and variable expenditure.

You may source a case study in the print media or on television or Spending Habits, the Money Smart website or this [Sydney Morning Herald article](http://www.smh.com.au/business/consumer-affairs/sydney-households-spend-an-average-of-163-a-week-on-groceries-20160921-grlcos.html).

Task 2 – surveying saving and spending

* Explain the meaning of fixed expenditure and variable expenditure. Give five examples of each type of expenditure.
* Compile a summary of factors influencing spending under the headings of fixed expenditure and variable expenditure.
* Create a money diary of your income and spending for a week (this diary will be used again in Task 4). Separate your income from various sources such as employment, allowances and gifts. Identify your spending as fixed and variable, including food, entertainment, gifts, transport, telephone and money owed to others.
* Compare the difference between income and expenditure and identify the purpose of any saved income. Students can use the [TrackmySPEND app](https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/mobile-apps/trackmyspend) on the Money Smart website for this exercise.
* As a class design a survey to gather information about the spending and saving patterns of individuals. In the survey include questions such as:
  + What is most of your money spent on?
  + Are these expenses fixed or variable?
  + Is the spending on needs or wants?
  + What proportion of your income is saved each month? What are you saving for?
  + Are your savings for long term or short term goals?
* The survey is to be conducted by each student with one representative of three age groups:
  + 15-20 years of age
  + 30-40 years of age
  + 60-70 years of age.
* In groups of about 6 students collate your results and comment on the following:
  + What reasons different people give for saving?
  + How saving and spending patterns vary for different age groups?
  + What factors other than age, would have impacted on the saving and spending patterns of the people interviewed?

Borrowing money

Task 3 – weighing up the choices

John and Elizabeth Brown want to borrow $60,000 to upgrade their shop. The money will be used to buy modern shop fittings and equipment. The business has a net worth of $200,000. Their house is currently valued at $650,000 with a mortgage of $220,000 owed to the bank.

They also want to take Evan on an overseas holiday to Hawaii before he is too old to want to travel with his parents.  
Jason needs money for a car to get to University.  
Tayla needs money to buy her first home.  
Evan wants to borrow some money to pay for the hire of an expensive suit for the Year 10 Formal.

* Construct a table with 5 columns.
  + Column 1 – person(s)
  + Column 2 – amount needed and purchase
  + Column 3 – reasons why they should borrow
  + Column 4 – reasons why they should not borrow
  + Column 5 – recommended form of credit and reasons for choice.
* Use the Internet to find out the features of the major types of credit before completing the table.
* Consider advantages and disadvantages of – house mortgage, bank overdraft, redraw on mortgage, credit cards, store credit, personal loan, finance company, no interest loans and small amount loans (Payday lenders).
* For each type of credit consider issues such as – cost, term, credit rating, risk, security, credit limit, deposit, contract.
* As a class, discuss the advantages and disadvantages of borrowing for each of the family members.
* Create a table to show the different types of loans (personal, business, home and long term) and the corresponding interest rates charged by 5 different lenders. Examples:
  + [National](https://www.nab.com.au/)
  + [ANZ](http://www.anz.com)
  + [Commonwealth](http://www.commbank.com.au)
  + [Westpac](http://www.westpac.com.au)
  + [Aussie](https://www.aussie.com.au/)
  + [Rate City](http://www.ratecity.com.au)
* As a class, discuss the importance of undertaking a comparison of interest rates before making a major purchase.
* John and Elizabeth Brown have decided to take a holiday in Hawaii with Evan as he will soon be too old to travel with them.  
  They have decided to borrow $10,000 to pay for the holiday. Using the information you have collected about types of finance, construct a table which shows:
  + advantages and disadvantages of each type of credit facility
  + interest rates which they will pay for each type of credit
  + What are the advantages and disadvantages of borrowing to go on a family holiday?
* Additional borrowing for the shop and a holiday will have an impact on their credit rating.
  + What is the meaning of a credit rating?
  + Investigate the issue of credit rating for them. Use the listed website to answer the following questions about credit ratings.  
    [Money Smart](https://www.moneysmart.gov.au/borrowing-and-credit/borrowing-basics/credit-reports)

1. Outline the factors that affect your personal credit rating.
2. Identify the processes involved when a lender assesses whether to extend your credit.
3. What should you do if the information in your credit report is incorrect?
4. How can entering into a mobile phone plan affect your credit rating?
5. Compare different way that mobile phone plans and prepaid phones impact on credit ratings.
6. Explain some other activities that can influence a person’s credit rating.

As a class, debate the issue:

‘Cash is king when buying anything’.

Managing finance

Task 4 – creating a budget

Teacher note

Review the previous work on the Money Diary (in Task 2). Use the data listed to generate a budget using the budget planner on the Money Smart website or appropriate finance software e.g. MS Access, FilemakerPro, Quicken, MYOB.

* Create a personal budget using the data from your money diary. Include:
  + all sources of income
  + fixed expenses
  + variable expenses
  + disposable income.
* What major expenses do you anticipate in the next month, six months and one year?
* What strategies can you suggest to increase your savings to allow you to make the major expenses you have identified?
* Are you spending more than you are earning in income? What strategies will you use to balance your budget?

Task 5 – website study of insurance

* Review the members of the Brown family (see Task 1) and identify what insurances policies they should consider (money values should be estimated) including home, business, car, health insurance, income protection and public liability.
* Use the information to construct a table with each family member and their specific insurance needs.
* In groups, select one type of insurance need and research the costs and benefits offered by the policies of three insurance companies. Sample sites:
  + [AAMI](http://www.aami.com.au)
  + [NRMA](http://www.nrma.com.au)
  + [GIO](http://www.gio.com.au)
  + [QBE](http://www.qbe.com.au)
  + [Allianz](http://www.allianz.com.au)

Task 6 – case studies of financial problems

Teacher note

Organise for your students to do the “what is your credit card IQ?” Quiz. The quiz is on the [Mint website](http://www.themint.org/pdf/activity_Credit_Card_IQ.pdf).

* Do the credit card quiz to review your knowledge of credit cards? Discuss credit cards as possible source of poor financial management.
* Form groups of 2-3 students to work on case studies of people in financial difficulties. The case studies can be derived from your own experience, or from family, friends or any other source. If you need help with a case study you may like to check out the characters on the [MoneyStuff website](http://www.moneystuff.net.au/)
* Provide an outline of a difficult financial situation and how it occurred.
* Create a table and use it to summarise the possible financial, legal and social consequences of the situation.
* What strategies can be used to address this financial problem? Recommend strategies to assist other people to avoid this problem?
* Use the following websites to research organisations that can provide financial advice. Then answer the questions below.

[MoneySmart](http://www.moneysmart.gov.au)

[LawStuff](http://www.lawstuff.org.au)

[Fair Trading NSW](http://www.fairtrading.nsw.gov.au)

[Choice](http://www.choice.com.au)

[FPA](https://fpa.com.au/)

[AMP](http://www.amp.com.au)

[NAB](http://www.nab.com.au)

* What is the role of a financial adviser?
* Are all financial advisers trained professionals?
* How do you know whether your financial adviser is going to pressure you into purchasing specific products for their own personal gain?
* What laws are there to regulate and monitor the financial services industry?
* When would you recommend that a person seek advice from a financial advisor?

Teacher note – optional task

Find out about the role of Financial Planners by looking at the Investing section of [Moneysmart](http://www.moneysmart.gov.au) and answer the following questions.

* What are the responsibilities of lenders and financial advisers and their legal obligations?
* What laws regulate and monitor the financial services industry?

Investigating money

Task 7 – why should you invest?

* Create a mind map to illustrate the reasons for investing and sort the answers using headings which might include – major purchases, extra income, retirement.
* Collect advertisements or information from websites, one for each of banks, credit unions, finance companies, share investments and real estate investments.
* Create a table to summarise the information provided in the advertisements. For each advertisement locate the information about – rate of return (income/profit), risk (high/low chance of gain or loss) and liquidity (access to money/term).
* You have been given $10,000 from your rich aunty who tells you to invest the money until you are 21 years old.
* How would you invest the money? Write a paragraph to explain your reasons considering factors such as rate of return, security and risk.

Task 8 – class competition for the share market

Teacher note

An excel data base needs to be created to undertake this activity.

* Each pair of students is allocated a sum of $20,000 to invest in the share market.
  1. Use the [Commsec](https://www.commsec.com.au/) and [ASX](http://www.asx.com.au/) websites, newspapers, magazines (BRW and Money), share prospectuses, annual reports and company websites to select 5 companies to invest in. Justify your selection.
  2. The $20,000 needs to be allocated between these companies although it does not need to be evenly distributed.
  3. The movement in the change in the value of these shares needs to be tracked over a two-week period.
  4. The shares need to be 'sold' and the capital gain/loss needs to be calculated. The pair with the highest gain will be the winner and rewarded appropriately.
* Evaluate the performance of your best and least performing shares with regard to capital gains/losses and earnings.
* Prepare a 200 word report on shares as an investment tool.

You should also consider entering your students in the [ASX Student sharemarket game](ASX%20Student%20sharemarket%20game) which is held twice each year.

Task 9 – reflection

During this unit you have learned a range of information about personal finance including budgeting, borrowing money, insurance, and financial planning.

Remember that financial literacy is something that you will continued to learn over your lifetime. Financial needs change when you begin work, have a family, planning for retirement or planning for your financial well-being when you have retired. It is important to understand why these changing strategies are necessary.

What were the important things which you learned about during this unit which you did not know when you started?

What would you like to investigate further to help you continue to be a wise consumer?