



Managing Real-World Finances

Name: _____

Class: _____

Teacher: _____



PREVIEW

PREVIEW

PREVIEW

Managing real-world finances

- . preparation for financial independence
- . furthering understanding of how financial systems function
- . making sound short and long term financial issues

Learning outcomes

Students will be able to do the following by the end of this unit:

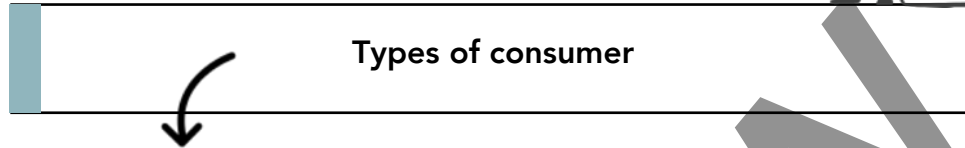
- . demonstrate ways of being smart consumers
- . keeping accurate financial records to support good financial management
- . evaluate different forms of borrowing and lending
- . identify the pros and cons of different forms of saving and investment
- . assess and explain to others the consequences of financial management
- . demonstrate an understanding of financial systems and the role of government regulating these systems

1. What does it mean to be a 'smart consumer'?

Background: different types of consumer



Types of consumer



Loyal customers

- . buy again and again
- . recommend to others
- . = 20% of customers

Impulse customers

- . buy on impulse
- . easily persuaded to buy
- . buy through a recommendation

Discount customers

- . buy discounted goods
- . look for best bargains/deals
- . not very loyal

Wandering customers

- . just looking around (social)
- . no real need
- . buy if something 'catches their eye'

Need-based customers

- . buy only what they need

Smart customers

- . buy after done their research
- . looking for value for money and best products

Activity 1.1

For each type of customer, give your own example

Example:

Loyal customer

*I usually only buy Adidas sports clothes
I always look in the adidas shop first*

1. What does it mean to be a 'smart consumer'?

Loyal customer	
Discount customer	
Impulse customer	
Wandering customer	
Need based customer	
Smart customer	

1. What does it mean to be a 'smart consumer'?

Learning objectives

- . define the term 'smart consumer'
- . define the term 'price' and explain the difference between price and opportunity cost
- . describe the key features of being a smart consumer

Smart consumer = value for money

What is value for money?

Every product or service has a **price**

Prices:



Burger
£ 5

Possible reasons for buying it:

- . Hungry
- . Better quality than fast food
- . Driving past



Smartphone
£ 800

Possible reasons for buying it:

- . Latest model
- . Best brand - impress my friends
- . Old phone does not work very well

Satisfaction = value (different things to different people)

Whatever we purchase (buy) we want to be satisfied with our purchase.

Burger = tasty, no longer hungry, good service etc

Smartphone = like new features, does everything you want it to etc

Value - what else can you buy with the money?

Activity 1.2

In pairs look at each scenario.

Decide on whether the purchase is good value.

Gym membership

- . £ 120 per month
- . all the latest equipment
- . you go 6 times a week
- . you look good on insta !

Is this good value?

Gym membership

- . £ 35 per month
- . has some good equipment
- . you have been twice in the last month

Is this good value?

Apple iPhone

- . £ 900
- . you spend over 4 hours a day on your phone
- . you take lots of selfies

Is this good value?

Horse

£ 5,000

- . you use a few times a year with your friends who all have one

Is this good value?

Street cafe

- . £ 5
- . basic restaurant
- . shawarma, chips & large fruit juice + hummus

Is this good value?

1. What does it mean to be a 'smart consumer'?

Deciding what to do with your money, when you have a choice - buy one thing rather than another is called:

Opportunity cost = the price of a iPhone = price of a laptop (AED.4500)

If you decide to buy the iPhone, you may not be able to buy the laptop

This is called a **sacrifice**

If you are satisfied with the smartphone - it does everything you want, is of good quality then the smartphone was good value.

Smart consumers = get good value for money

Are well informed about the product, use the product and it does what you want it do

After finding out about the product, you may decide not to buy it = smart consumer



Activity 1.3

*Give an example for each type of purchase
Decide on whether the purchase was good value.*

EXAMPLE
Impulse buy
T shirt

Was it good value?
I was in a rush, bought the T shirt without trying on. Turned out to be too small. Had to go back and change it for bigger size.

Impulse buy

Was it good value?

1. What does it mean to be a 'smart consumer'?

Loyalty purchase

Was it good value?

Discount buy

Was it good value?

Need based purchase

Was it good value?

Smart purchase

Was it good value?

Activity 1.4

PREVIEW

1. What does it mean to be a 'smart consumer'?

What makes for a 'smart consumer'?



Doing research

- . check the product/service
- . price; sizes; what is it made from; guarantee; design; colour; technical specifications

Advertising aware

- . companies will claim lots of things in adverts, they may not all be true
- . adverts can give information or persuade people to buy (making things look good)

Check labels

- . food labels contain a lot of information: calories; fat content; where it is from; etc



<https://www.youtube.com/watch?v=S2g9kDpR8eQ>
15 Things You Didn't Know About The Advertising Industry
 www.akux.com (17 mins)

Being price aware

- . check around for prices
- . bulk buying can be cheaper (sometimes not)
- . quality is more expensive
- . are you paying more for a brand name?

Understanding service

- . does the service compare?
- . how does the company treat you?
- . can you exchange goods easily?
- . if buying online what is the delivery time?

Comparing goods or service

- . compare like for like (not all goods are the same)
- . check price
- . check service; delivery; guarantee
- . technical specifications: e.g. smartphone; battery life; camera specs; screen resolution etc

<https://www.youtube.com/watch?v=9k7PJJoNAXkk>
30 Advertising tricks
 5-minute crafts (12 mins)

1. What does it mean to be a 'smart consumer'?

Activity 1.5

Use the internet to research the following

Research

Name of product/service

- . price, sizes, design
- . technical specifications
- . guarantee

List five key features of the product

Check labels

- . where the product was made
- . what it is made from
- . ingredients (food)

Check three labels and list (or upload) what it shows - include one food item

Price aware

- . check around for prices
- . bulk buying can be cheaper
- . branded products are more expensive - are they better quality?

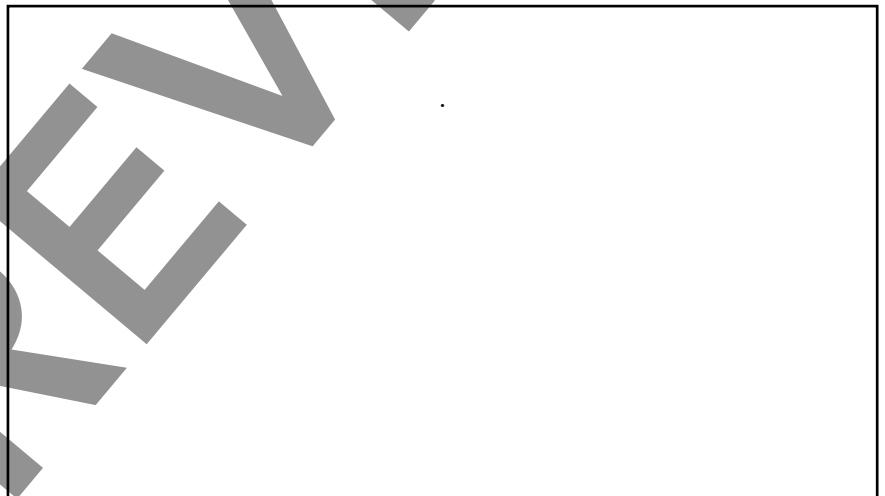
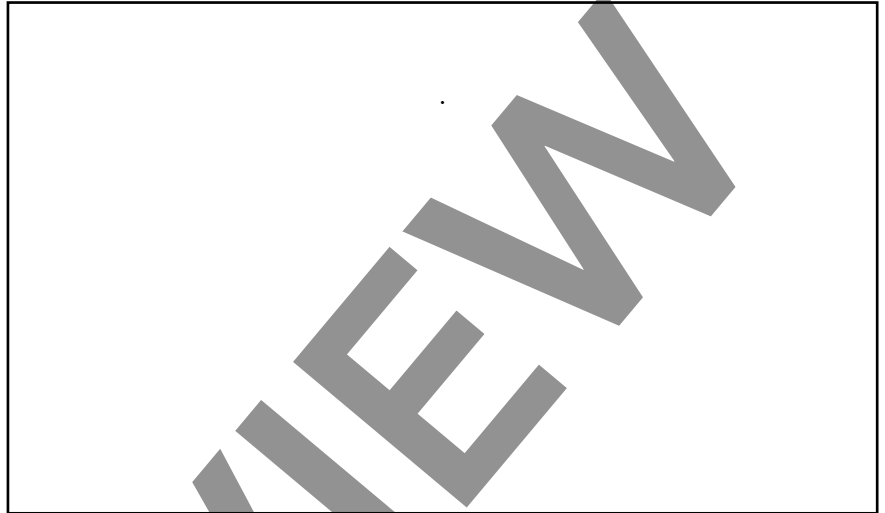
Research one product (t-shirt) then find 4 of them at different prices.

1. What does it mean to be a 'smart consumer'?

Advertising aware

- . companies making claims
- . how are they persuading you?
- . making products look cool or very inviting (food products)

Paste three adverts that make something look better than it actually might be



1. What does it mean to be a 'smart consumer'?

Check labels

- . where the product was made
- . what it is made from
- . ingredients (food)

Check three labels and list (or upload) what it shows - include one food item

Service

- . compare the service of different companies
- . what is the exchange policy?
- . if online, what is the delivery time?

Give an example of good and bad service.
(from your own experience)

1. What does it mean to be a 'smart consumer'?

Activity 1.5a

Extension activity

Complete the comparison table for two products

Comparison of products (car, phone etc)				
. compare: price, features, technical specification, guarantee. price, being cool etc				
Product 1:		Product 2:		
For each feature give a score out of 10		For each feature give a score out of 10		
Description/list of feature	Score	Feature	Description/list of feature	Score
	/10			/10
	/10			/10
	/10			/10
	/10			/10
	/10			/10
	/10			/10
	/10			/10

1. What does it mean to be a 'smart consumer'?

Activity 1.5a

Extension activity

Which is the best product according to your comparison?

Which of the two products would you buy? Explain why

Product 1:	Product 2:
Total:	Total:

1. What does it mean to be a 'smart consumer'?

Activity 1.6

Discussion and debate

Researching before buying a new car is a waste of time

Women are 'smarter consumers' than men

Nobody is persuaded by adverts anymore

Preparation

Whether you are **For** or **Against** you research both sides - then you are prepared for the counter argument.

Have 3 or 4 main arguments - try to anticipate what they will say and deal with it in your points - end on your 'killer' point.

Have 2 or 3 questions ready to ask

Try to predict questions they will ask you - what is your weakest argument?

1. What does it mean to be a 'smart consumer'?

Activity 1.7

Revise for a test



Test: What does it mean to be a 'smart consumer'?

Revision

1. Know the meaning of:
. price . value . satisfaction . opportunity cost
2. Know the different types of customers
3. Explain how you get the best value on your purchases
4. Explain how you can be a 'smart consumer'
5. Explain why you have to be careful of adverts

PREVIEW

2. What are the main features of sound financial management?

Learning objectives

- . distinguish between salary and wage
- . identify how a family can balance its income and expenditure
- . define a budget and understand the advantages of family budgeting
- . be able to explain the importance of planning for retirement

Income

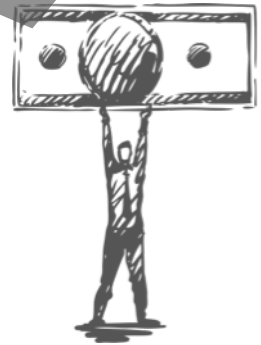
The amount of money an individual or family gets over a period of time - week, month or year.

Income can come from a range of different sources.

Salary is the amount earned at work e.g. AED. 30,000 per month or AED. 360,000 per year - for a set period of hours per week.

Wage usually linked to time - money per hour, per day or week

Investments can give income from shares in companies or rent from houses



Expenditure

The amount of money an individual or family spends over a period of time - week, month or year.

Typical expenditure includes:

- . rent or mortgage on the home
- . food
- . utilities - electricity and water
- . cars
- . leisure activities
- . holidays



2. What are the main features of sound financial management?

Activity 2.1

Identify your income and expenditure for a typical week

Income

Expenditure

Activity

Amount

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

Total amount spent: _____

How much money do you have left? _____



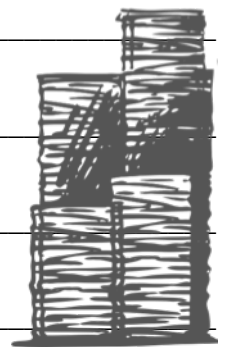
2. What are the main features of sound financial management?

Activity 2.1a

Extension work:

If your allowance was reduced by 50%, how would you alter your expenditure? Explain your answer

PREVIEW



2. What are the main features of sound financial management?

Balancing Income and Expenditure

If you have more income than expenditure at the end of the month or year you are in **surplus**.

If your expenditure is greater than income at the end of the month or year you are in **deficit**.

The amount you are in deficit is called **debt** - the amount you owe.

People in **debt** might owe banks or credit cards money, this has to be paid back.
Debt increases if banks or credit cards are not paid.

To pay the debt people may have to borrow money from friends or relations, or take loans from the bank.

or

increase income and/or reduce their expenditure.

Activity 2.2

In pairs list ways in which income can be increased and expenditure reduced.

Increase income

How can a family can increase its income?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Decrease expenditure

How can a family reduce its expenditure?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

2. What are the main features of sound financial management?

Budgeting

A **budget** is plan of future income and expenditure.

Budgeting is an example of **sound financial management**.

All businesses have an annual budget.

Good budgeting can reduce the chances of going into debt.

Planning a budget can be quite complicated in a large family and once set it is important to keep to it and **monitor** it. Budget computer software is available to help.

Even with a good budget, things can happen to put you in debt e.g. a car can break down or your house may need repairs (a/c).

It is important to put a **contingency sum** in a budget so there is some money for emergency expenditure.



Budgeting breakdown

Fixed costs

- . rent/mortgage
- . DEWA
- . food
- . clothes
- . cars
- . insurance

Variable costs

- . restaurants
- . activities
- . entertainment

Savings

- . holidays
- . cars
- . contingency
- . retirement

2. What are the main features of sound financial management?

Activity 2.2a

Extension work:

In pairs, research the expenditure for a family of four - mother, father, two children aged 6 (girl) and 12 (boy). Your teacher will give you your monthly income.

Item	Cost (per month)
Housing (rent)	
Utilities (gas, electricity, water)	
School uniform, books, tripsetc)	
Food	
Clothes	
Transport (cars, taxis etc)	
Insurance (car, home etc)	
Eating out (restaurants, take-away)	
Entertainment (activities etc)	
	Income: Expenditure:

2. What are the main features of sound financial management?

Activity 2.2a

Extension work:

During your research what expenditure surprised you the most?

If your expenditure was more than your income, how could you reduce your expenditure?

Was your income enough? If not how much would you need?

PREVIEW

2. What are the main features of sound financial management?

Managing spending

There are lots of good habits for managing spending effectively.

Paying bills on time

Families get bills for:

. rent/mortgage . utilities . car loans . internet . credit cards

All bills need paying on time - not paying bills can create problems

- . don't pay internet = get cut off
- . don't pay car loan = car taken back
- . don't pay credit card = interest 2% per month added to the debt



Sound financial management = pay bills on time

Activity 2.3

Answer the questions below

1. What is income?

2. What is expenditure?

3. What are fixed costs?

2. What are the main features of sound financial management?

4. What is debt? _____

5. What is a contingency sum? _____

6. Why can credit cards be bad? _____

7. What is sound financial management? _____

8. Why is sound financial management important? _____

2. What are the main features of sound financial management?

Activity 2.4

Discussion and debate

Being in debt is part of life in the 21st Century

My children will look after me when I am old therefore I don't have to plan for my retirement

Budgeting is a waste of time, I spend the money I have and then stop spending when the money runs out

Preparation

Whether you are **For** or **Against** you research both sides - then you are prepared for the counter argument.

Have 3 or 4 main arguments - try to anticipate what they will say and deal with it in your points - end on your 'killer' point.

Have 2 or 3 questions ready to ask

Try to predict questions they will ask you - what is your weakest argument?

2. What are the main features of sound financial management?

Activity 2.5

Revise for a test



Test: What are the main features of sound financial management?

Revision

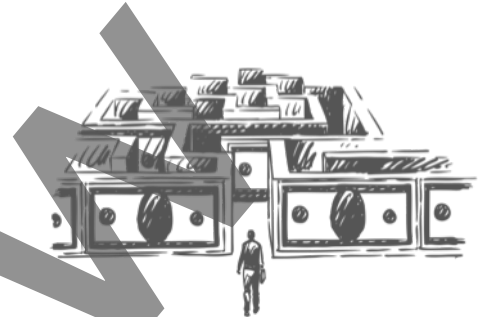
1. Know the meaning of:
 - . income . expenditure . salary . wage . debt . variable costs
 - . surplus . deficit . budget . contingency sum . fixed costs
2. Understand how to balance a budget
3. Explain why budgeting is important
4. Explain the term sound financial management
5. Explain why planning for retirement is important

PREVIEW

3. What are the different forms of borrowing and lending?

Learning objectives

- . define the terms borrowing and lending and give examples
- . explain the risks of borrowing and lending
- . describe different types of borrowing and lending
- . explain the relationship between savers and lenders



Borrowing money

Borrowing is taking money - after a time paying it back.

Informal borrowing is taking money from friends or relations or possibly illegal lenders

Formal borrowing is taking money from official institutions e.g. banks

Money borrowed has to be paid back in **instalments** (per month) for a set period of time

Informal borrowing

- . Friends
- . Family
- . Illegal lenders

Formal borrowing

- . Credit cards
- . Bank loans
- . Bank mortgage
- . Overdraft
- . Pawn brokers

3. What are the different forms of borrowing and lending?

Borrowing from a bank

People and businesses deposit money into banks who pay them for **saving** with them.

Banks also lend money to people and businesses who wish to **borrow**.



Conventional banks

- . pay interest on money deposited: 0.5 - 2.0%
- . charge interest on money borrowed: 5.0 - 10%
- . the difference between the two is profit for the bank
- . the bank accepts the risk of a borrow not paying back the amount loaned

Islamic banks

- . based on Sharia Law - fixed interest is not allowed
- . the bank, the depositor and borrower share the risk of the borrower
 - . borrowers pay a fee
- . the bank invests the money and any profits made will be shared by the depositor and the bank



<https://www.youtube.com/watch?v=A0M-HvDzsBY>

How does Savings & Term Investment Accounts operate in an Islamic Bank?

Amana Bank

3. What are the different forms of borrowing and lending?

Activity 3.1

Answer the questions below

1. Give 2 examples of informal borrowing _____

2. Give 3 examples of formal borrowing _____

3. In your lifetime what are you likely to borrow money for? _____

4. Explain the difference between conventional and islamic banking

3. What are the different forms of borrowing and lending?

Types of borrowing

Loans

Secured

. banks lends money, but if not paid back, assets taken in return (car, house etc.)

Unsecured

. bank lends money, if not paid back, the bank loses

. loans at 4 - 10% +



Mortgages

. money lent to people to buy a house
 . mortgage 15 - 30 years
 . interest at 4 - 6%



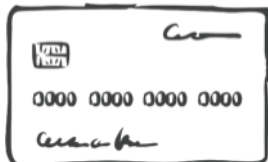
Overdrafts

. people with an account, can spend more than they have in their account for a short time (an overdraft)
 . high interest 20% + pa



Credit cards

. have a certain time to pay back the money, after that time you pay interest on the outstanding amount
 . high interest at 20% + pa



3. What are the different forms of borrowing and lending?

Lending

Money can be spent = consumption

Money not spent = saved

Saved money

- . kept at home
- . invest in shares
- . **saved in a bank or similar**

Saved money can be lent to others

- . savings account in a bank
- . savings plans with financial institutions
- . pension funds

- . money lent by banks and others use savers money
- . savers get paid interest on their savings

Personal loans Mortgages

Islamic banking

+

Business loans

Savings accounts called **Wadiah**

Bank uses savings (with permission) to lend to others - loans, mortgages etc

Profit from the lending is shared with the savers - **Hiba**



3. What are the different forms of borrowing and lending?

Activity 3.2

Answer the questions below

1. What is a secured loan? _____

2. Explain why a mortgage loan is taken over a long period of time? _____

3. Explain how money saved becomes money lent _____

4. Why is it important not to use overdrafts and credit cards as a way of borrowing money? _____

3. What are the different forms of borrowing and lending?

Types of banks

Banking

Banks take deposits of money and lend money out. They also offer financial advice and offer services like foreign currency exchange. Some banks specialise in the services that they offer.

The UK is one of the best countries in the world for doing business, and so there are a lot of banks and financial companies. London is one of the largest financial centres in the world.

They are regulated by the Bank of England (BoE) and Financial Conduct Authority (FCA).



1: Retail banks

Retail banks, have savings accounts and lend money to individuals - loans and mortgages. They also lend to small businesses. These may be online only



3: Investment banks

Investment banks are involved in the buying and selling of stocks of companies.

5: Central banks

Serve the country by controlling monetary policy and the supply of money in the economy. They set interest rates.

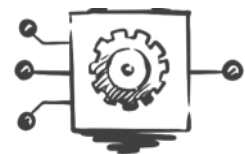
2: Commerical banks

Commercial bank provides money for commercial activity, giving loans and managing accounts of individuals and businesses.



4: Islamic banks

Islamic Banks in accordance with Sharia law.



6: Industrial banks

Industrial banks support and provide money for productive activities, like setting up factories or helping business to expand.

3. What are the different forms of borrowing and lending?

Activity 3.3

Research examples of the different types of banks

Type of bank	Examples
Retail banks	
Commerical banks	
Investment banks	
Islamic banks	
Central banks	
Industrial banks	

3. What are the different forms of borrowing and lending?

Activity 3.4

Answer the questions below

1. Describe the different types of banks _____

2. Explain why we have different types of banks _____

3. Which type of bank do most people use? Explain your answer _____

3. What are the different forms of borrowing and lending?

Understanding banking

Bank accounts

- . account at the bank, online + phone
- . use ATM

Current account

- . salary goes into the account each month
- . money for day-to-day business

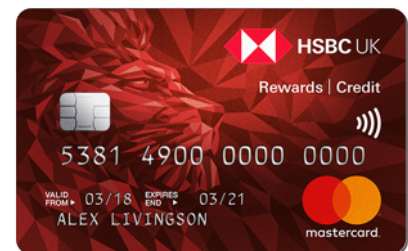


. Debit Card

- . linked to your bank account
- . when you use your debit card, money comes out of your current account

Savings account

- . save money
- . pay interest (or profit)
- . may have to keep money in the account for a certain amount of time



. Prepaid

- . VISA or Mastercard
- . only use money that is 'placed' on the card (available from banks, exchange shops etc)
- . not linked to any bank account



VISA and Mastercard receive a small payment per transaction from the seller (shop, online etc). Hence some shops prefer cash!

3. What are the different forms of borrowing and lending?

Activity 3.5

Give the advantages and disadvantages of each type of payment



Advantages

Disadvantages



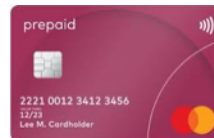
Advantages

Disadvantages



Advantages

Disadvantages



Advantages

Disadvantages

3. What are the different forms of borrowing and lending?

Activity 3.6

Discussion and debate

Credit cards should be avoided

Borrowing money is necessary

It is better to borrow money from a bank than from family

Preparation

Whether you are **For** or **Against** you research both sides - then you are prepared for the counter argument.

Have 3 or 4 main arguments - try to anticipate what they will say and deal with it in your points - end on your 'killer' point.

Have 2 or 3 questions ready to ask

Try to predict questions they will ask you - what is your weakest argument?

3. What are the different forms of borrowing and lending?

Activity 3.7

Revise for a test



Test: What are the different forms of borrowing and lending?

Revision

1. Know the meaning of:
. borrowing . lending . conventional banks . Islamic banks
2. Explain the different types of borrowing money
3. Explain why we have different types of banks
4. Explain the different types of bank accounts and bank cards

PREVIEW

PREVIEW