The True Potential Centre for the Public Understanding of Finance

The Chartered Accountants' LIVERY CHARITY

Managing my money for young adults

Guidance for teaching staff

COURSE OVERVIEW

The Open University BUSINESS SCHOOL

Introduction

In a complex and ever changing financial environment, four in ten adults in the UK are not considered to be in control of their finances. Despite the introduction of mandatory personal financial education across UK secondary schools, those aged 18-24 are one of the age groups most likely to be over-indebted – representing over a fifth of the total over indebted population of the UK – evidenced by research from StepChange, the Financial Conduct Authority, and the Money Advice Service in recent years.

Our own research[1] reveals one in seven 18 year olds are already in debt, almost two-thirds (60%) of these admit they owe money to payday loan companies – £168 each on average; excluding more traditional student borrowing, these 18 year olds have already racked up debts on credit cards (60%), unauthorised overdrafts (57%), store cards (49%) and catalogues (49%).

But it's not just help when it comes to managing debts that young adults require. Guidance is also needed to understand how to budget effectively, how to choose between an array of financial products, how to use credit cards properly, how to understand taxation and how to manage finances when leaving home to go into higher education or to take up a job.

Studies have shown that a planned programme of financial education can play an important role in helping young people to navigate new financial and consumer landscape, but teaching staff need help too when it comes to providing personal finance education in the classroom.

The Chartered Accountants' Livery Company Charity and The Open University Business School's specialist team in the True Potential Centre for the Public Understanding of Finance, have collaborated to create a bespoke solution to ensure young people are equipped to make the best financial choices possible and eliminate spiralling debt and poor money management.

The free course, *Managing My Money for Young Adults*, is principally targeted at 16-18 year olds, preparing them for life after school or college. It is also relevant for those up to their early 20s just leaving higher education. Those completing the course and its end-of-session quizzes will be eligible for a Certificate of Achievement, demonstrating to financial providers and employers that they are financially savvy.

The Open University is committed to supporting young adults through both formal qualifications and informal education. Thanks to the generous support of the Chartered Accountants' Livery Charity we have been able to create this free OpenLearn course and this Teachers' Pack, to empower and enable teachers to use *Managing My Money for Young Adults* in the classroom. The course is available at http://www.open.edu/openlearn/money-business/managing-my-money-young-adults/content-section-overview

1 OnePoll, on behalf of The Open University Business School, with 1,000 UK 16-18 year old, September 2017

Managing my money for young adults is a free badged open course offered by The Open University on the OpenLearn platform

Study is structured across eight sessions of around 3 to 4 hours each.

The course covers the financial education needs of young adults as they complete school education and move on to employment, apprenticeships and higher education.

It is designed so that learners can choose to work alone at times that suit them or in group sessions at school or college, facilitated by teaching staff.

Learning is driven by videos and video animations, case studies, activities and quizzes. A budgeting web app (available on Managing My Budget) and a facilitated forum bring to life the key skills and perspectives of money management. Feedback is provided for all the activities and quizzes in the course, enabling learners to check their progress and understanding.

There are two types of quiz: short practice quizzes and two longer badge quizzes at the ends of Sessions 4 and 8.

Completion of all the sessions and a score of 50% or more in the two badge quizzes makes learners eligible for a Statement of Participation and digital badge, details of which are in the Introduction and guidance section on the course website.

The course is fronted by **Bobby Seagull** who came to the public view in 2016 and 2017 as a star of the BBC's *University Challenge*.

Martin Lewis of moneysavingexpert.com is also involved in the course. In a series of videos he talks to students at Denbigh School, Milton Keynes about personal finance issues including student finance, credit cards and being an astute consumer.

As Chartered Accountants we work with numbers and are comfortable with them. Our role in finance is to interpret and communicate the meaning of figures – whether for businesses, individuals, Government or charities. Many people do not find finance nearly so easy. The Chartered Accountants Livery Company has long believed that there is a fundamental need to improve the teaching of finance in schools. It is, in our view, verging on the criminal that students leave full time education without an understanding of key life skills such as how to open a bank account, earning money and tax, the meaning of credit, costs of borrowing, impact of debt, etc. The lack of effective personal finance education is one of the reasons so many young people get into serious debt and financial difficulties.

This course is an outstanding example of how to combat this weakness in our Society. We supported the programme and development of the course because we could see its value and because we believe it will really help to improve the financial skills of young people and that will be good for the economy, for Society and above all the individuals themselves.

Clive Parritt

Master, The Chartered Accountants' Company

About the author

The course has been produced by Martin Upton of The Open University Business School.

Martin is Director of the True Potential Centre for the Public Understanding of Finance (True Potential PUFin), based at The Open University Business School.

Martin has previously produced a series of free online personal finance courses including:

- Managing my money
- Managing my investments
- Managing my financial journey

These courses have been studied by nearly 100,000 people.

Prior to joining the Business School Martin spent 20 years working in financial services, principally at Nationwide Building Society.

Acknowledgements

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The establishment and work of the True Potential Centre for the Public Understanding of Finance (True Potential PUFin) at The Open University Business School is the result of the kind donation of funding from True Potential LLP.

The production team would like to thank the staff and students of Denbigh School, Milton Keynes, for their help in the making of this course. Particular thanks to Anthony Steed, Assistant Headteacher.

The students at Denbigh School also have their say in a set of three videos where they discuss their own money management and the areas of personal finance of particular interest to them.

Course structure

Course content matches the timeline of young people's financial experiences.

1. You and your money
2. Earning money, understanding tax
3. Being a savvy shopper and building a budget
4. Preparing for life after school
5. Living in shared households
6. Understanding debt and how to borrow wisely
7. A good credit rating and how to keep it
8. Planning now for later in life – buying a home and planning your pension

Session 1 is all about savings accounts and bank accounts. Typically these are the first financial products that young adults meet. We then move on to credit cards, which many people obtain when they reach the age of 18.

Session 2 takes us into the world of work, pay and taxation because many young adults will leave school and move into work when they reach 16, and many others will start part-time jobs while remaining in full-time education.

Session 3 looks at how young adults spend their money, and the risks to which they might be exposed when they shop online. This session also examines how a simple budget can be compiled and managed by a young adult who is still living in the family home.

Session 4 examines the different routes young adults might take after completing their secondary education. It looks into the financial consequences of moving into higher education. Many young adults will live away from home for at least part of the year at this stage in their lives, and so the session explores in detail how a more complex budget can be drawn up and managed.

This is the longest session of the course. Whether studied alone or in a classroom setting, it might make sense to split it into two shorter sessions. The suggested split is between Sections 8 and 9. Sections 1–8 cover options after leaving school, and Sections 9–15 look in detail at budgeting and financial management after leaving home. The badge quiz at the end of this session covers the first half of the course.

Session 5 focuses on a specific set of circumstances that many, if not most, will experience when they leave home – living in a shared rental with other young adults. The session demonstrates how to navigate this complex set of challenges without falling into financial and other pitfalls.

Session 6 tackles the effective management of personal debt. Young adults can become quickly immersed in debt, whether student loans, bank loans or other less attractive forms of borrowing. Learning in this session is all about how to make good borrowing decisions before getting into debt, and not afterwards!

Session 7 investigates credit ratings: the decisions that will help learners attain and maintain an excellent credit score. This is a key area of financial education for young adults who may not even be aware that their personal circumstances and financial behaviour are being scored by credit rating agencies.

Session 8 looks at buying property and sorting out a pension. Arguably these are the two biggest financial decision areas in life yet it's often assumed that they're irrelevant to young adults. The point is that early planning positions a young adult more favourably for owning their own home and securing a good income in later life. The badge quiz at the end of this session covers the second half of the course.

Objectives of the course

After studying this course learners should be able to:

1. budget effectively, taking into account the changes they will encounter as they get older and leave the family home
2. understand how to choose and manage bank and savings accounts
3. understand how to finance further and higher education studies
4. borrow sensibly and manage debts effectively
5. plan ahead to make life's goals financially achievable.

Helping teaching staff

These guidance notes are designed to support delivery of the course in a classroom setting.

They detail session objectives, and summarise subjects and issues covered.

They also suggest further discussions and activities. As a teacher, feel free to augment these with your own activities that perhaps draw on your own experiences of financial management and financial products.

Session 1:
You and your money – guidance for teaching staff

This first session of the course focuses on the money matters that many, if not most, 16–18-year-old learners will be familiar with – bank accounts, savings accounts and the basics of looking after money. We also cover credit cards at the end of the session since these can be obtained from the age of 18.

As you can see, the session – like the rest of the course – provides activities to reinforce teaching points and to test learners' knowledge and understanding.

The session ends with a short quiz of 5 questions.

We start Session 1 watching students at Denbigh School talking about how they manage money and use financial products. They also talk candidly about their financial concerns. The short film hopefully breaks the ice for learners by showing how the financial activities of peers at Denbigh School resonate with their own experiences. This is followed by an activity where learners review how they currently manage their money, and whether they have bank and savings accounts.

These sections of Session 1 can set up a classroom activity – watch the video and then complete the activity, followed by a classroom discussion.

The focus then turns to bank accounts. Many 16–18-year-olds will already have an account, and those who do not are likely to have them by the time they complete their secondary education and move on to the next stage of their life.

The associated activity on choosing a bank account can be used in the classroom. Anyone who already has an account can check how it matches up against the features for accounts that are presented here.

Next up are savings accounts. It's likely that more 16–18-year-olds will have savings rather than bank accounts and will use them for many of the same purposes that bank accounts are used, such as receiving pay for their (part-time) jobs. In class you might explore the savings-account-versus-bank-account 'divide', and build on this to explore why eventually a bank account will be needed even if savings accounts are in place. The classroom discussion can also extend to the rationale for savings – something that successive governments have portrayed as essential. Saving, as we know, means foregoing current consumption – so why should people save, particularly given the miniscule interest paid on savings accounts in recent years?

Later in the course (Session 6) we explain how interest rates are set, and why they are at a historic low currently, but feel free to cover this topic now in the classroom discussion. Interest rates are based on the official rate of interest (or Bank Rate) set by the Bank of England. This has been low since 2008 as the Bank has been trying to keep the economy moving by ensuring that borrowing costs are low for those who want to invest in projects or buy property. Inflation has also been low, removing the need to use high interest rates to stave off inflationary pressures. Low interest rates are good news for borrowers but bad news for savers – particularly those reliant on interest earnings to support their incomes or pensions.

There's an activity on the differences between various types of savings account – ISAs, notice accounts, instant access accounts and fixed-rate accounts. This is a good one for the classroom: why would you choose any one of these accounts over the others?

The session then moves on to the crucial subject of the compounding of interest. The simple mechanics of compounding are demonstrated in a video animation, with learners given the opportunity to try out the calculations for themselves. The video animation also looks at how the high interest charges on some forms of debt can quickly lead to the scale of those debts escalating alarmingly – a useful teaching point given the current concern the Bank of England has about the growing scale of credit card debts.

The last subject covered by Session 1 is credit cards. This section could prove controversial since most learners believe that you can't get a credit card when you are as young as 18 years. The coverage examines both the bad and good features of credit cards. Given that media coverage focuses on the negative aspects of credit cards, this uncovering of positives might come as a surprise. It is for these very reasons that the course covers the subject early and dispassionately. Within a very short time learners will find that credit cards are being marketed to them. Many will see others in their peer groups use cards and this will encourage them to apply. In shops they might find that store cards are marketed to them too. It's better to be clued up before the event rather than after a card has been obtained and used.

There’s an activity on the good and bad features of credit cards that should provide material for classroom discussion and for the demystification of a financial product that nearly everyone will use extensively during their lifetime. Martin Lewis also contributes some of his thoughts about credit cards.

Further demystification is provided by a video animation on the contents of a credit card statement, and this is followed by a simple activity on the interest charges on credit card debts. A key point here is that the interest charges are per month – so while an interest charge of 2.5% may not look much to learners you should point out that this equates to an annual rate of interest of 30%.

The session finishes with a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

Summary and estimated times

The session is designed to offer 3 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Talking points	Video	10 minutes
2	You and your money now	Text and activity	20 minutes
3	Why a bank account?	Text	5 minutes
4	Which bank account?	Text and review	20 minutes
5	How to check your bank account	Video animation	10 minutes
6	Staying secure	Video	5 minutes
7	Why a savings account?	Text	10 minutes
8	Do I pay tax on the interest I earn?	Text	5 minutes
9	Why different interest rates?	Text and activity	20 minutes
10	Calculating interest on savings accounts	Text and video animation	15 minutes
11	Alternatives to savings accounts	Text	10 minutes
12	Your first credit card	Text, video and activity	20 minutes
13	What is the credit card statement telling me?	Video animation and activity	10 minutes
14	End-of-session quiz	Quiz (5 questions)	15 minutes
15	Session round-up	Text	5 minutes
	Glossary		

At the end of this session learners should:

1. know how to go about selecting a bank account, savings accounts and credit cards
2. be able to check their bank statements
3. understand the role that credit rating agencies play in their financial life
4. be able to make good decisions about phone contracts, including whether to buy phone insurance
5. know how to undertake financial transactions securely.

Session 2:
Earning money, understanding tax – guidance for teaching staff

In Session 2 the subjects are earning money and taxation. There's also some coverage of government benefits, with a focus on benefits that might be relevant to young adults.

Only a proportion of 16–18-year-olds in full-time education have jobs but most in this age group will soon experience employment either by moving into a job when they leave school or by doing temporary work while on vacation from further and higher education. Learning more about employment and tax is of critical importance to this age group. We saw in the filmed discussion that students at Denbigh School raised issues of tax, tax codes and employment among the problems that concerned them. It's also quite likely that some of your own students are working part time in 'zero-hours' contracts.

The session starts with employment rights and zero-hours contracts in two filmed interviews with personal finance expert Jonquil Lowe.

There's sufficient material in these first two sections to support classroom discussions around three basic questions.

1. Why have a minimum wage?
2. Why does the minimum wage vary with your age?
3. Who benefits from the flexibility of zero-hours contracts?

We then move on to deductions from incomes in the form of Income Tax and National Insurance contributions (NICs). Few young part-time workers are likely to pay these as their incomes will be below the thresholds for liability to them. However, it is important to understand how liability to taxes and NICs is calculated. Certainly those moving into full-time employment after school will, in most cases, experience these deductions. The topic is explored across several sections.

In addition to the practical calculations in these sections there are key discussion areas embedded in the materials, including the following questions:

1. What's the difference between direct and indirect taxes?
2. What are the other major taxes besides Income Tax and NICs? (VAT; Corporation Tax; Stamp Duty Land Tax.)
3. Why isn't more taxation raised via VAT and other indirect taxes so that people can keep more of the incomes they earn?
4. Why is Income Tax a progressive tax (when seen across the income spectrum)? (The means explaining why technically it is progressive and then examining the justification for such progressivity.)
5. Why not increase the Income Tax rate for those earning more than £80,000 a year?

The session also provides practical advice on understanding tax codes and the relevance of tax-related documents like P45s. Young adults often experience problems with these issues, particularly if they move from one job to another. Being able to check that a tax code is correct and knowing what to do if you think it's wrong is helpful now and in the future.

The last focus in the session is government benefits, including a brief explanation of the current roll-out of Universal Credit. Learners are not expected to have direct experience of claiming benefits but in most cases they'll live in households that receive benefits, even if only Child Benefit.

The content of this session will prepare learners for what they're likely to experience after leaving school but an equally important objective is to help them understand why taxes are levied (because, in part, they fund benefits and other measures aimed at supporting people who are economically disadvantaged).

Areas for discussion include the following questions.

1. What is means testing?
2. Why are some benefits means tested while others are not?
3. Why is the benefit system so multi-layered and complex?
4. Do benefits act as a disincentive to work?

In the The Open University's online course Managing My Money the theme of benefits evokes extensive and sometimes heated discussions among learners. It is a controversial and sensitive subject. Note should be taken of this when planning classroom coverage.

The session then moves on to a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

In the round-up for the session Martin Lewis shares an anecdote about his first job.

Summary and estimated times

The session is designed to offer 2½ hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Earning while you're learning	Video, text and activity	15 minutes
2	Zero-hours contracts – good or bad?	Video and activity	15 minutes
3	Understanding Income Tax	Text and video animation	15 minutes
4	Understanding National Insurance contributions	Text and activity	30 minutes
5	What's the right tax code?	Text and activity	20 minutes
6	Do you need to complete a tax return?	Text	15 minutes
7	Why pay taxes? Are you entitled to benefits?	Text and activity	15 minutes
8	End-of-session quiz	Quiz (5 questions)	15 minutes
9	Session round-up	Text and video	5 minutes
	References and Glossary		

At the end of this session learners should:

1. know the minimum wage and the other employment rights to which they're entitled
2. be able to identify the pros and cons of zero-hours contracts
3. understand Income Tax and National Insurance contributions, and how these are deducted from earnings
4. understand Income Tax codes and when to make Income Tax returns understand the basics of state benefits, their funding and how means testing works.

Session 3:
Being a savvy shopper and building a budget – guidance for teaching staff

In Session 3 learners build a basic budget to use while they're living in the family home. Here for the first time they use the budgeting web app that has been produced for this course.

Their experience of budgeting in this session provides the base for more detailed budgeting in Session 4, where they draw up and manage a budget designed for life away from home.

After a short video where Denbigh School students talk about money management the session kicks off by looking at spending, and an activity that splits expenditure between essentials, non-essentials and a 'middle' category of desirables. This is an easy segment to run in class, with learners classifying different items of expenditure into the three categories. It can be followed by a discussion on the outcomes. Typically much of the discussion focuses on the desirables – items that, while not essentials, make life more enjoyable.

The question of whether or not to buy insurance for a phone, and how to go about buying it if it's needed, is then covered. Given the audience, this is a good case study about what needs to be considered when contemplating spending that might not be essential.

Next is an investigation into factors that affect the choices we make in the marketplace, and a video introduction to the subject of heuristics. This could be followed by a classroom discussion on which of the heuristics learners recognise and which ones they 'apply' when they make spending decisions. The subject might seem a little odd to learners, but it's the one area of the course where we look at how financial decisions are influenced by behavioural factors. Given the growing acknowledgement of the role of behavioural biases in financial decision making, it is a useful subject to broach.

The session then moves on to the use of the internet in shopping, recognising the rapid growth of this method of spending in recent years. There is a video where Martin Lewis talks about how to be an astute consumer – essentially that it does not always pay to be a loyal customer.

We look at comparison sites and at how to detect a potentially dodgy internet site. The activity on dodgy internet sites is a useful exercise in itself but the subsequent discussion can focus more widely on the extent to which learners rely on the internet for shopping, whether they prefer virtual shopping to high-street shopping and whether the ease of the internet is a hazard to keeping within a budget.

The remainder of the session is given over to building the basic budget to use while living at home. This is pivotal to the course. Research shows that the chief basic skill needed to avoid financial pitfalls is the ability to draw up and manage a budget.

We start with an activity on why having and managing a budget makes increasing sense from the age of 16, examining changes to income sources and to expenditure that typically start to occur after this age.

To help learners there is a video animation of the budget-building process. Learners can use the grid provided to draw up their budget, printing it off if needed.

Learners need to be guided through this carefully. They should consider, and ideally discuss, the consequences of their findings.

The maths involved in a basic budget should not be daunting. There are, though, certain matters relating to budgeting that need to be explored.

1. The 'brought forward' and 'carried forward' amounts. These show how the budget for a given period – be it a single month or a year – is linked both to the previous and the following periods.
2. The recognition that contributions to savings accounts constitute a spending item in the budget even though no item has actually been purchased with the money. I felt it important to include contributions to savings in the budget to help learners grasp the fact that saving for the future is of critical importance.

3. The issue of how to budget for items where the actual spend occurs not regularly, such as every month, but only intermittently. Examples of this type of item are holidays and Christmas presents. Here, of course, the requirement is to put money aside each month to meet the payments on these intermittent items when they have to be made.

This is a central area of learning in the course and time should be taken to make sure that learners get comfortable and engaged with the principles of budgeting. Some of the activities in this session require learners to draw up and evaluate different budgets in order to help familiarise them with this keystone to financial management.

The session finishes with a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

Summary and estimated times

The session is designed to offer 3 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Talking points	Video	5 minutes
2	How to manage your spending	Text and activity	20 minutes
3	Your phone contract and insurance	Text and activity	15 minutes
4	Your biases do affect your shopping	Video	10 minutes
5	Comparison websites – not the full story	Text, video and activity	15 minutes
6	Virtual shopping – pros and cons	Text and activity	20 minutes
7	The reasons for budgeting	Text	10 minutes
8	Budgeting when at home	Text and activity	15 minutes
9	Building your first budget	Text, video animation, and activity	30 minutes
10	Budget case studies	Activity	15 minutes
11	End-of-session quiz	Quiz (5 questions)	15 minutes
12	Session round-up	Text	5 minutes
	References and Glossary		

At the end of this session learners should:

1. understand the difference between essential and non-essential spending
2. be able to make good decisions about phone contracts – including whether to buy phone insurance
3. appreciate the behavioural biases that affect the way we spend money
4. be able to shop online wisely and without exposing themselves to scams
5. understand, draw up and use a simple personal budget.

Session 4: Preparing for life after school – guidance for teaching staff

Session 4 aims to help learners plan for life after the end of secondary education. For 16–18-year-olds this is the first of the sessions that looks at forthcoming events and opportunities. In this respect it contrasts with the first three sessions that look at financial matters this age group might be experiencing already.

While the session looks at risks and challenges that come with life after school and first living away from the family home, it also emphasises the opportunities and the positive experiences that can come from this next stage of life.

This is the longest session of the course. Whether it is studied alone or in classroom sessions, it may make sense to split it into two shorter sessions. The suggested split is Sections 1–8 (options after leaving school) and Sections 9–15 (detailed exploration of budgeting and financial management after leaving home, and the longer quiz covering the first half of the course).

The session starts with a series of sections covering the options when finishing secondary education. We cover further and higher education, going into a job and apprenticeships, as well as the option of a 'gap year'. These sections include interviews with teachers at Denbigh School who provide careers and university guidance.

Covering this material in the classroom can be tricky as learners' choices will be very personal and there may be reluctance to talk about these in a group environment. The most productive approach to this content could be a general discussion about the attractiveness of the different options. Here are some examples:

1. Is it better to go straight into a job or an apprenticeship now rather than rack up huge debts in getting a degree?
2. Is the pay for apprentices exploitative or is it good value, given access to work experience and a work-related qualification? The term 'apprentice' might, in the minds of some people, be associated with manual and factory-related work. But nowadays, as we have seen, apprenticeships are available in all sectors, including top accountancy and consultancy firms.
3. Are internships just cheap labour or a good way to improve your CV and get into paid employment?
4. Is a gap year just a glorified holiday that could mar your CV or is it a way to earn money as you travel as well as a time for reflection on what you really want to do with your life?

After this, the session moves on to some practical guidance about the finances of further and higher education, including the reality (for most) of student finance. The session does point out that sources of money, other than student loans, are available for those who aim to continue their studies, in the form of bursaries and other awards – something that is certainly worth checking out.

For those aiming to continue their education it is worth taking a look at student loans and, in particular, how and when repayments of student debts have to be made. One point to highlight is that currently student debts are like a tax rather than a conventional debt: liability to repay only occurs once an income threshold is exceeded. Martin Lewis makes this point clearly in a video in this section. Recent events have shown that student finance is a political hot potato, so it's important to stay alert to any future changes in the way students are supported in further and higher education.

After some tips about how to make the most of young adult status – including taking the opportunity to change bank accounts – the focus in the last four sections of the session is an in-depth study of how to budget effectively once you've left home.

The study kicks off by looking at how budgeting becomes more complex compared with living at home. Learning is supported by a discussion with existing and past university students about the financial pressures that can arise when leaving home and going into higher education.

We then go through the process of building the 'living away from home' budget. Introductory text explains the activity step by step, and learners can choose between completing their budget using a PDF budgeting 'grid' download. Either way, they'll have a 'take-away' record of their work. The maths once again is straightforward. The key issue to drive home is that there will now be new sources of income (student loan advances, possibly bursaries, income from vacation work) and new expenditure commitments (for example, accommodation costs, groceries, utility bills).

The key teaching point to emphasise here is just how radical is the change in the need for good financial management skills once you've moved away from home.

A range of suggestions is provided for saving money – essential guidance for those who find that their budget is revealing an excess of spending over income.

Session 4 is a busy one. It covers the point at which individuals approaching the end of secondary education are making choices of critical importance about their future.

These choices bring financial consequences that young adults and their families need to be alive to.

The session has a longer quiz of 15 questions covering the first four sessions of the course. This can be completed in the classroom and followed by a feedback discussion. Note that this is a badge quiz.

In the session round-up Martin Lewis talks briefly about the need for students to be financially and socially savvy when they leave home.

Summary and estimated times

The session is designed to offer 4 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Planning a gap year	Text and activity	15 minutes
2	Going into an apprenticeship	Video and text	15 minutes
3	Starting a career	Video and text	15 minutes
4	Going on to further and higher education	Text	10 minutes
5	Student loans – what can you get?	Text and activity	15 minutes
6	Student loans – accumulating and repaying the debt	Text and video	15 minutes
7	Other sources of income and funds for study	Text	10 minutes
8	Making the most of discounts and deals	Text	10 minutes
9	Upgrading your bank account	Text	10 minutes
10	Budget pressures away from home	Video and activity	20 minutes
11	A budget for living away from home	Text and activity	30 minutes
12	What if spending exceeds income?	Text	10 minutes
13	How to make economies on spending	Text	10 minutes
14	End-of-session quiz	Quiz (15 questions)	45 minutes
15	Session round-up	Text and video	5 minutes
	References and Glossary		

At the end of this session learners should:

1. understand the choices available to them when they finish secondary education
2. understand how they can finance further and higher education studies
3. know how to take advantage of the deals and discounts that are available for young adults
4. be able to build a more detailed budget that they can use when living away from the family home
5. understand the budgetary pressures that can arise when they live away from home, and how to manage these.

Session 5:

Living in shared households – guidance for teaching staff

Session 5's focus is on a single subject area: the financial and organisational implications of living in a shared household. Central to this experience are safety and security, and in order to provide a full 'information pack' for learners these issues are included in the coverage – one of the few moments in the course where the guidance moves beyond purely financial education.

While it is learners who intend to continue their education who have the most to gain from this session – as they are very likely to end up spending at least a year in a shared household during their time at university or college – the treatment is designed to benefit every learner who is soon to complete their secondary education. Someone taking up employment in a new town, for example, may well be moving into a shared household. Even those who remain in their 'home' town might, within a few years, move into a shared rental as part of the process of exercising their independence.

The session includes a step-by-step guide to locating the right property, sorting out the rental contract, managing the financial and day-to-day realities of living in a shared household, and ensuring that the rental does not result in adverse financial consequences (for example, being charged for damage that is not the tenants' responsibility).

Colour is provided in an interview with current and former students who describe their experience of shared accommodation. Additionally Bobby Seagull provides a summary checklist of points to focus on.

The session is probably best studied alone rather than in a classroom environment, and will clearly be of immediate interest to those who are soon to go into further and higher education.

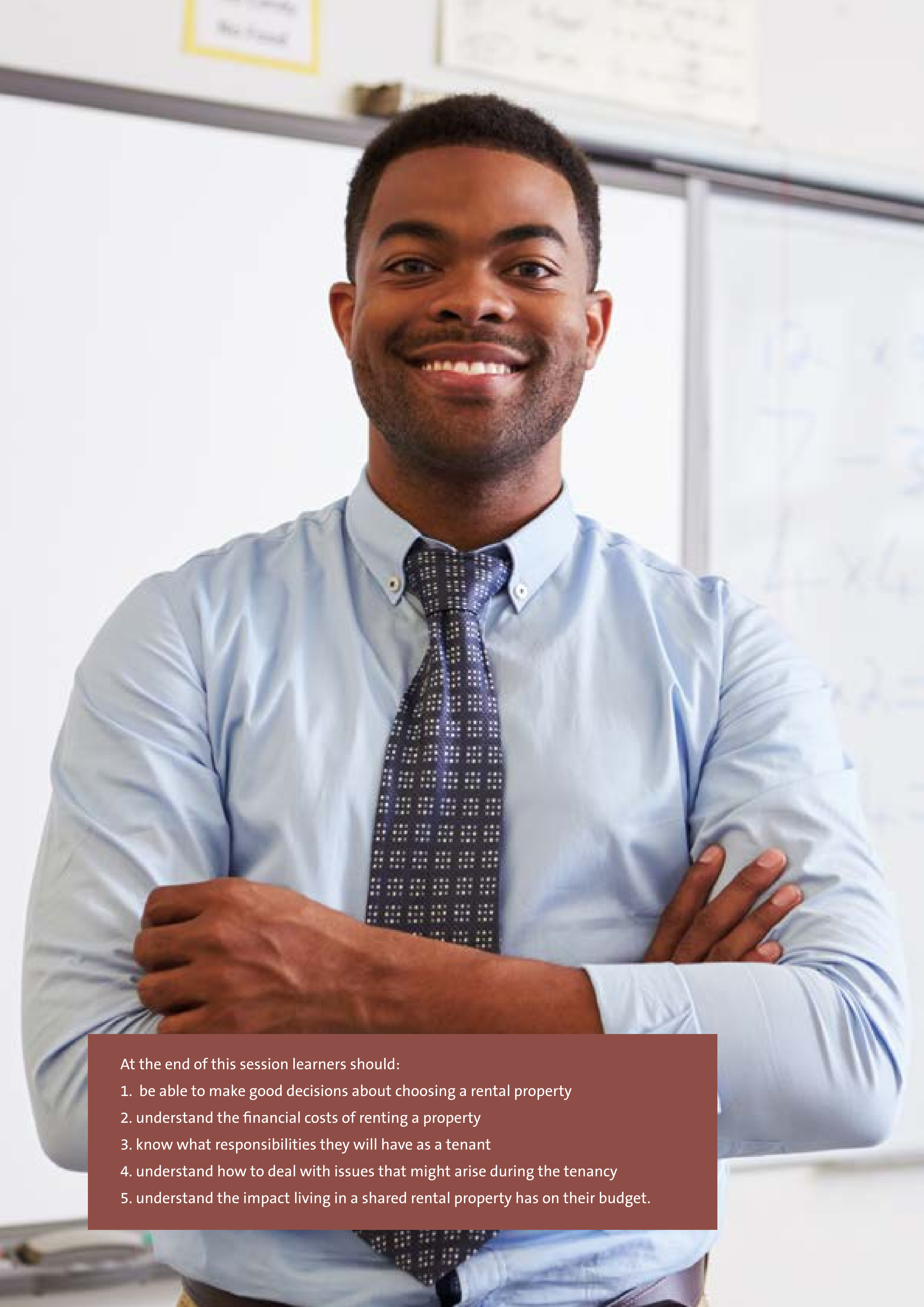
One straightforward classroom discussion would be on the potential benefits and pitfalls of living in shared accommodation.

The session finishes with a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

Summary and estimated times

The session is designed to offer 3 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Finding the right property	Text and activity	20 minutes
2	Deposit and rent	Text and activity	15 minutes
3	The tenancy agreement	Text and activity	20 minutes
4	Shared bills and a household bank account	Text and activity	15 minutes
5	Moving in and taking control	Text and activity	15 minutes
6	Resolving issues	Text	10 minutes
7	A budget for shared rentals	Video and activity	30 minutes
8	Towards the end of the tenancy agreement	Text	10 minutes
9	No longer a student	Text	10 minutes
10	End-of-session quiz	Quiz (5 questions)	15 minutes
11	Session round-up	Video and text	15 minutes
	Glossary		



At the end of this session learners should:

1. be able to make good decisions about choosing a rental property
2. understand the financial costs of renting a property
3. know what responsibilities they will have as a tenant
4. understand how to deal with issues that might arise during the tenancy
5. understand the impact living in a shared rental property has on their budget.

Session 6:

Understanding debt and how to borrow wisely – guidance for teaching staff

Session 6 is the first of two sessions that cover the subjects of borrowing and debt. The overarching objective is to demonstrate that borrowing is usually not a 'bad thing' – after all, around 90% of personal debt in the UK relates to mortgages. The 'problem' debt is largely confined to parts of the other 10%.

The various activities, videos and texts in this session present the cost of borrowing from a variety of perspectives, including different interest rate bases and Annual Percentage Rate (APR), the key comparator when choosing between debt products. Learners take a look at the role of the Bank of England in setting the level of interest rates and revisit the subject of compounding, which was first covered in Session 1.

Classroom activities in support of this part of the session could include the following questions:

1. What factors would influence the choice of fixed rate versus variable rate debt products?
2. What does the Bank of England consider when setting the level of interest rates?

For the second of these questions there's a good supporting video piece with Andy Haldane, Chief Economist at the Bank of England and member of the Monetary Policy Committee, talking about the factors that are taken into account.

As part of the session's rational investigation into borrowing we then look at four borrowing scenarios and ask learners to identify which of these are sound reasons for borrowing and which are not. This hopefully reinforces the point that borrowing is not 'bad' per se. Rather, the context of the borrowing needs to be understood before a view can be formed. The sequence of case studies works well as a group activity.

The rest of the session is spent exploring the market for borrowing money by looking at who the lenders are and what debt products are on offer.

A number of important points can be drawn out in classroom discussions:

1. It's not just banks that lend money. We have, among many other groups, building societies, finance houses, credit unions, payday lenders and (as seen in Session 4) the Student Loans Company.
2. The difference between secured and unsecured borrowing, including the fact that the former is normally cheaper than the latter
3. The fact that there's a wide range of interest rates on the different debt products – and this diversity of cost should inform borrowing decisions.

To embed the work on debt products there's an activity that involves placing debt products in order from cheapest to most expensive. Note that there some caveats in this activity – principally the reference to rates 'normally' charged, which is a way of sidestepping the complication caused by special 'teaser' rates, commonly 0%, that are periodically offered by credit card companies.

The session finishes with coverage of payday lenders and credit unions. There's an interesting interview with High Stickland, the Chief Economist of Citizens Advice, who talks about the damage wrought by payday loans. As well as offering invaluable insights into how payday lenders operate, the interview also discusses the clampdown on their charges and practices that is now applied by the Financial Conduct Authority (FCA). The FCA's role includes the regulation of the sale of financial products to the public.

A good classroom discussion could revolve around the issue of why people would ever borrow from a payday lender, given their APRs in excess of 1000%. Interestingly, a peak time in the week for people to borrow from payday lenders is late on Friday evenings. A discussion might ask whether borrowing decisions are being taken in a considered manner at this particular time of the week.

The session finishes with a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

Summary and estimated times

The session is designed to offer 3 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Borrowing – when and why?	Text and activity	20 minutes
2	Debt –some basic facts	Text	10 minutes
3	The impact of compounding interest	Text	10 minutes
4	Alternative interest rate bases	Text and activity	15 minutes
5	Annual percentage rate of interest (APR)	Text	10 minutes
6	The role of the Bank of England	Video, text and activity	20 minutes
7	Good debt, bad debt?	Activity	20 minutes
8	Who are the lenders?	Video	10 minutes
9	Debt products	Text and activity	20 minutes
10	Danger! Payday lenders	Video, text and activity	20 minutes
11	End-of-session quiz	Quiz (5 questions)	15 minutes
12	Session round-up	Text	5 minutes
	Glossary		

At the end of this session learners should:

1. understand who they can borrow from and what debt products are available
2. know when borrowing is sensible and when it is reckless
3. understand what determines the cost of borrowing money
4. understand the ranking of debt products in terms of the interest rate charged.

Session 7:

A good credit rating and how to keep it – guidance for teaching staff

The coverage of borrowing money continues in Session 7.

Much of the content of the session focuses on the role of credit rating agencies, whose activities may come as a surprise to learners. We also introduce learners to a wider perspective on borrowing decisions in personal financial management by introducing them to certain contextual considerations.

The session starts with one of these issues of context – this one being about alternatives to borrowing money when buying an expensive item. (The alternatives explored here are saving up money or drawing on existing savings.)

The pair of activities in this first section look into the pros and cons of different ways of financing a major purchase, and would work well in the classroom. One additional point that is brought out here is the difference between the interest rate charged on borrowed money and the rate paid on savings. The profitability of lenders is primarily linked to their interest 'profit margin', provided courtesy of their savings and borrowing customers.

Moving on to the core of the session we start to uncover who the ratings agencies are, what they do, and how they affect both access to borrowed money and the interest rate charged when borrowing takes place. Included is a video where Martin Lewis provides an analogy to explain the guiding principles behind the assessment of creditworthiness. We examine what causes a good and a poor credit rating, and we look at some truths and myths about credit ratings. Coverage of this topic ends by looking at what people can do to maximise their rating, including checking their credit files for accuracy.

There are a number of activities to draw on in the classroom.

1. The credit ratings game is a simple exercise in ranking the credit standing of four individuals.
2. The myths and facts sequence is perhaps more challenging, but the answers when they're revealed will provide helpful guidance to learners in the coming years as their credit files are compiled by the agencies.

The next contextualisation issue is how to build debt repayments into a budget. The teaching objective here is to get across the fact that accommodating the cost of debts takes place within the overall household budget. The point is that the amounts going out on other items of spending may have to be adjusted to avoid defaulting on debts.

The last section on debts and borrowing lists details of the leading (and free) debt advice organisations Citizens Advice and Step Change, and offers expert tips for dealing with borrowing issues. Hopefully your students will never need to use these later in life.

The session finishes with a short quiz. This can be completed in the classroom and followed up with a feedback discussion.

Summary and estimated times

The session is designed to offer 3 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	To borrow or not to borrow?	Activity	20 minutes
2	Credit rating agencies and you	Text and video	15 minutes
3	They are watching you	Text	20 minutes
4	The credit ratings game	Activity	20 minutes
5	Credit ratings: myths and facts	Activity	20 minutes
6	Credit ratings and taking control	Text	15 minutes
7	Debts and repayments – build them into your budget	Text	10 minutes
8	Budget shortfall? Do not borrow!	Text	20 minutes
9	Help! Is there anyone out there?	Text	15 minutes
10	End-of-session quiz	Quiz (5 questions)	15 minutes
11	Session round-up	Text	5 minutes
	References and Glossary		

At the end of this session learners should:

1. understand the pros and cons of borrowing money to buy things – relative to other ways of financing a costly purchase
2. understand credit rating and the activities of the credit rating agencies
3. know how to maintain a good credit rating
4. know what they can do if they have problems with debts.

Session 8:

Planning now for later in life – buying a home and planning your pension – guidance for teaching staff

In this last session of the course we get learners to look ahead to two of most important areas of financial management they will face in the future – buying a home and arranging a pension.

Some may question the place for these subjects in a personal finance course aimed at young people. However, there are good reasons to include these subjects:

1. They are the two most important financial decision-making areas that we face in life.
2. Most young people will be alive to these subjects, given the extensive coverage they get in the media. The subjects are also very likely to surface in discussions in households.
3. The earlier that planning starts for both issues, the better. Certainly exposure to the subject of pensions will occur quite early in working life, given the auto-enrolment policy now in place.

If nothing else, it makes sense while people are still young simply to plant in their minds the seed that these subjects are important. The Denbigh School students clearly pick up on this point in the video at the start of the session.

Buying property is covered first, with a discussion about the benefits of buying as opposed to renting a home. This topic makes for a good classroom discussion. It could lead to the ballooning of property prices in the UK – particularly in the south and south-east – and how this has made it very difficult to get a foot on the property ladder.

There are three sections in the session covering the process of buying a home. We look at what's involved in getting a mortgage, at the associated costs of the acquisition (in addition to the negotiated cost of the property) and at the (often tortuous) legal and administrative mechanics of completing the transaction.

This is very likely to be one area of the course where the content and activities can be readily augmented by the personal experiences of teaching staff!

We then move to pension planning, starting with the reasons why long-term planning and starting as early as possible to build a pension make total sense.

In terms of pension products we cover the state pension first. We emphasise that the age at which this can be received is increasing, and that even if the full pension is paid it won't be enough to avoid income poverty in retirement.

Coverage then moves on to the subject of auto enrolment. There is a short but useful classroom activity here around why it is better to give people the option to opt out of a pension scheme rather than the option to opt in.

The following parts of the session cover the two alternative forms of pension product – occupational pensions and personal pensions – and the two different types of pension scheme – defined benefit schemes and defined contribution schemes.

It would be a useful classroom discussion in itself to talk through these terms and what they mean, particularly in terms of attractiveness and risk to those investing in these products/schemes.

We finish up on pensions with just a brief look at the pension reforms that have recently unfolded in the UK, which aim to give people more freedom to access and use their pension savings. We cover the risks and benefits of this new flexibility – perhaps the risks will only manifest themselves in future decades as pensioners exhaust their pension pots!

Before the closing video and the quiz, learners are introduced to a simple four-stage financial planning model. This can be applied to virtually all financial decisions and is a tool for learners to use now and in the future.

To end the session and the course there's a longer quiz of 15 questions covering this half of the course. It can be completed in the classroom and followed up with a feedback discussion. Remember that this is a badge quiz.

Summary and estimated times

The session is designed to offer 4 hours of study.
Estimated times for sections may be reduced or increased at your discretion.

	Introduction	Video	5 minutes
1	Talking points	Video	5 minutes
2	Why buy your own home?	Activity	15 minutes
3	Getting the funds together	Video animation and activity	20 minutes
4	What are the costs of buying?	Video animation	10 minutes
5	Completing the transaction	Text and activity	15 minutes
6	Thinking ahead about your pension	Text and activity	15 minutes
7	The state pension	Text	10 minutes
8	Auto enrolment into a pension scheme	Text and activity	15 minutes
9	Occupational pensions	Text	15 minutes
10	Personal pension schemes	Text	15 minutes
11	Recent pension reforms in the UK	Text and activity	15 minutes
12	A model for financial decision making	Video animation	10 minutes
13	Applying the model to your decisions	Activity	15 minutes
14	Bobby says goodbye	Video	10 minutes
15	End-of-session quiz	Quiz (15 questions)	45 minutes
16	Session round-up	Text	5 minutes
	Glossary		
	Thanks and Acknowledgements		

At the end of this session learners should:

1. understand what they need to do to buy a property
2. understand how to plan for a good pension
3. know what pension they can expect from the state
4. understand the alternative pension products and the factors that determine how much pension income they get from each
5. understand how the four-stage financial planning model can be used when making all important financial decisions.

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