Money and You!

SPENDING & BUDGETING

By Anna Young & Joanne Bell

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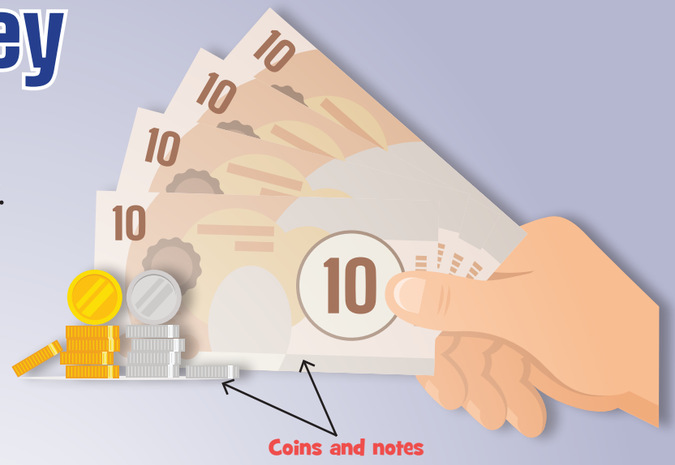
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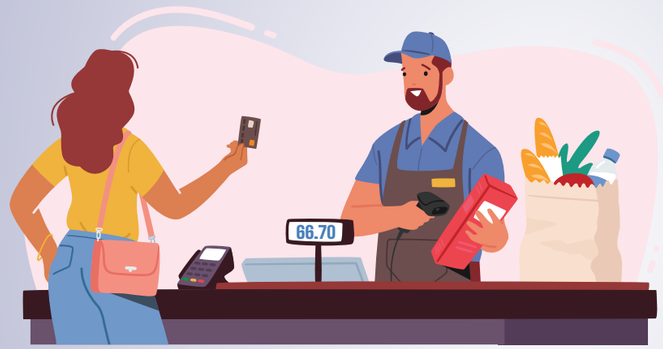
Welcome to the World of Money

This is a book about money. But what exactly IS money?



Coins and notes

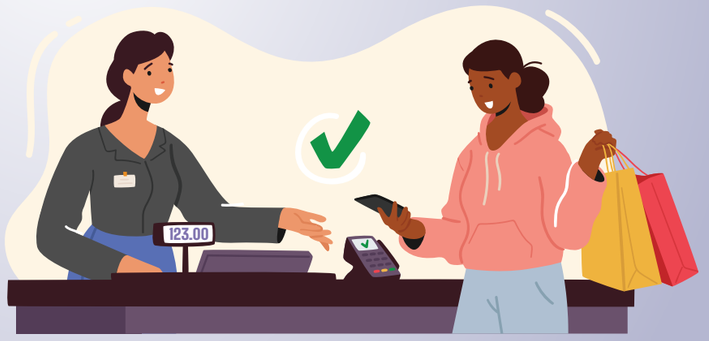
Money can be an item such as a coin or bank note that is used to pay for goods or services.



Paying by card

When a person pays for something using a plastic bank card or their phone, they are also using money. We can't see or touch this money so how does it work?

The person must have money in a bank account. Then they use their card or phone to transfer money from their bank account to the account of the person or business they want to pay.



Paying with a phone



The things we spend money on can be sorted into goods and services. Goods are items you can touch and hold such as a bag of crisps or a toilet roll. A service is when someone does work for you, such as cutting your hair or repairing your family's oven.



What happened before there was money?

In the days before money, people bartered, or swapped, goods and services to get the things they needed. To barter, you had to find someone with the goods you needed and then hope they wanted the goods you had to offer.



We think you'll agree that everyone using money as a common way of paying is easier and better!

Money provides us with almost everything we need – from food to clothes, electricity to a place to live. In this book, we will look at how to spend money wisely and how to budget with money.

"The best things in life are free."

You might have heard someone say this. When so many of the things we need in life cost money, what things can you think of that are free? And are they truly free?

PROTECT YOURSELF

Look out for these facts. They will help you manage your money safely.

Spending Cash & Vouchers

The coins and bank notes we spend are known as cash.

Cash can be used in shops, restaurants and at market stalls, or to pay people who provide services such as taxi drivers or window cleaners.

Lots of people like spending cash because they can see the actual, real-life physical exchange of their money for goods or services.



The use of cash is instant! It leaves your ownership as soon as you hand it over to the person or business you are paying.

Your Cash Your Choice

As a young person, you might be given pocket money or an allowance in cash. You might also receive cash from family or friends in a birthday card.

Cash is accepted by most shops, restaurants, cinemas and other places you may want to visit. It's flexible and gives you lots of choices when you are out and about and spending.



Spending With Vouchers

You might receive a voucher, or gift card, as a birthday present. A voucher is also a type of money.

Vouchers can be made of paper, they might be a plastic card, or even an email. A voucher is worth a set amount of money. It can only be spent in the specific shop, restaurant or other business that issued the voucher.



Spending Money Around the World

In the United Kingdom, people spend pounds and pence. This is the UK's currency. In France and Germany, people buy things with Euros (€). In the United States of America, people use US dollars ($), and in Japan, the currency is Japanese Yen (¥).

There are about 180 different currencies around the world.



£10 note

$10 note



€10 note

If you visit the US, you won't be able to use a ten pound note (£10) in a shop. Just as an American could not use a ten dollar note ($10) in the UK. To spend cash in a foreign country, you usually need to exchange your country's money into the currency of the place you are visiting.

But there's something else you need to know. Ten pounds doesn't equal ten US dollars or ten Euros. Different currencies are worth different amounts compared to each other. This is because of exchange rates. Let's say you are travelling to the countries below:



Exchange rates change all the time. They depend on things such as how well the country's government is running the country or how well businesses are doing. It's complicated stuff! Thankfully a bank or a currency exchange shop at an airport will calculate exchange rates for you.

(Exchange rates correct March 2024.)

Spending Digital Money

You have probably seen people pay for shopping using a plastic card, their phone or even a smart watch. They are buying goods using a digital payment method.





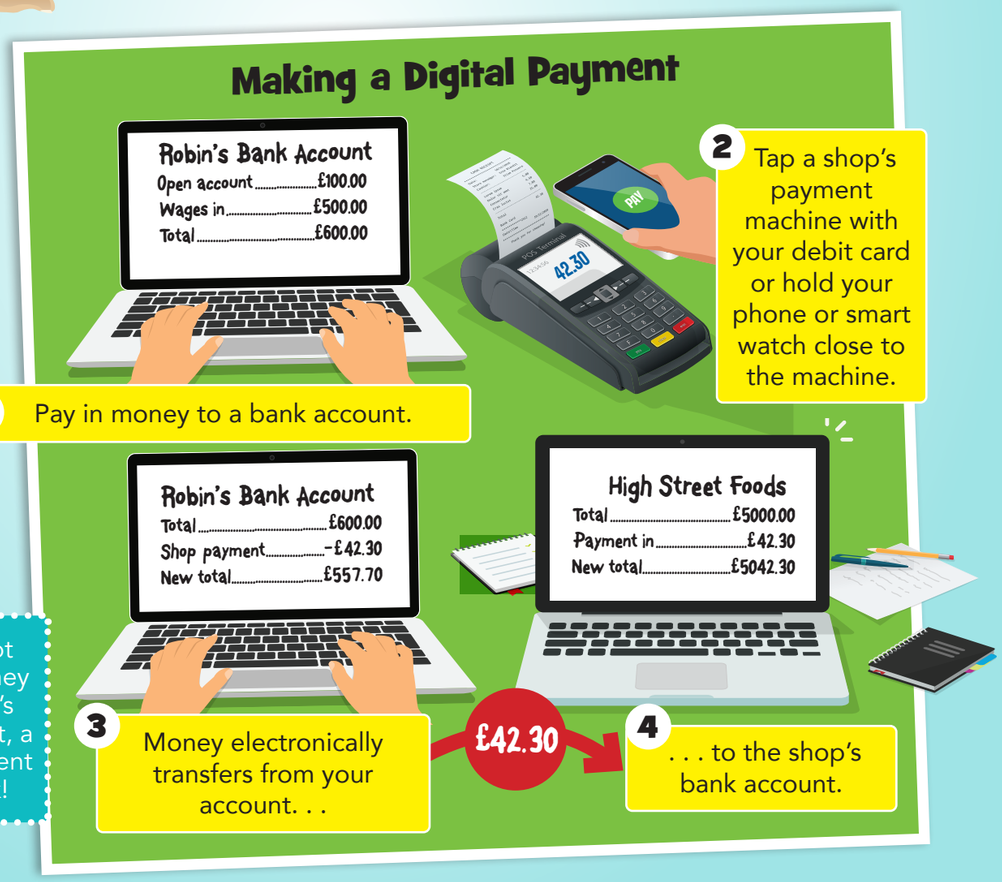




To spend money digitally, a person opens a bank account and pays some money into the account.

The bank gives the person a plastic debit card that's linked to their account. The person can also download a banking app to their phone or smart watch, known as a digital wallet, which is also linked to their account.

Making a Digital Payment



If there's not enough money in a person's bank account, a digital payment won't work!

Some digital payments are made with credit cards which work differently to debit cards.



A bank or credit card company gives their customer a credit card. The card will have a limit you can spend, for example £1500. But this amount is only a loan – you are borrowing the money. You can use the £1500 for a month, but at the end of the month you have to pay it back.

PROTECT YOURSELF

DEBIT CARDS
- You are spending your own money.
- No interest to pay.

CREDIT CARDS
- You are borrowing money.
- You will pay interest if you don't pay the money back.

Using a Credit Card

If you don't pay the money back on a credit card, the bank or other lender will charge you extra money called interest. The interest could be as much as 35% over a year.

Using a credit card may mean you can buy the £100 trainers you want today – even if you don't have that money in your bank account. But if you don't pay the money back, it can be expensive!



£100 trainers

35% interest = £35

Interest is divided by 12 months = £2.91

After one month, your trainers will now cost you £102.91

All About Bank Accounts

Most adults have at least one bank account that they use for everyday transactions. In the UK, this is called a current account. The account holder's wages or salary, that they are paid for doing their job, are paid into this account. A person's pension (when they are older) or benefits are also paid into their account. The money is usually used for day-to-day spending such as buying food and paying bills.

Get Ready to Budget

Buying the things we want is fun. But not having enough money to buy the things we need can be stressful. That's why making a budget is important.



What Is a Budget?

A budget is a financial plan. It helps you organise your money, understand your spending and plan ahead for future expenses. It also helps you understand how much money you must have for things you **need**, and how much money is left over to spend on things you **want**.



What Are Needs?

A need is something that you can't live without, like food, water and electricity. It might also be a warm winter coat or new school shoes, because your feet have gone up an extra size. There's usually little choice about whether or not to spend money on the things we need.



WORK IT OUT!

It's very important for a person's health that they stay fit. A gym membership costs money every month. But there are lots of other ways to exercise. So is buying a gym membership a need or a want?

What Are Wants?



Time For a Treat
You may have heard someone talk about "disposable income". Income is the money a person gets in, such as wages. Once all their needs are paid for, the income that's left is the disposable part. That doesn't mean it gets thrown away! It means that this money can be used on treats and extras that aren't essential.

A want is something that isn't necessary for you to live a normal, safe and healthy life. This might include a chocolate bar, a new book, those £100 trainers or a dream holiday. These are things that we choose to buy.

Your Turn!



A Need or a Want

Which of these things do YOU own or use?

Which ones are needs and which are wants? Can something be both a need and a want?

And is it possible that one person's want is another person's need?

When we make a budget and plan our spending, we must allow enough money to pay for our needs. Only then can we think about spending on wants.

Your First Budget

It's never too soon to start budgeting.

At the moment you may not have many (or any) "needs" that *YOU* have to pay for. The adults who take care of you will be paying for your home, the electricity you use and so on. However, you can still budget for your "wants".

Make a Budget

In a notebook, begin by listing and adding up all your money for a month. This is your total income. For example:

Income

Pocket money £8.00 per week	x 4 weeks	£32.00
Washing car	x 1 week	£ 5.00
Mowing Gran's lawn £4.00	x 2 weeks	£ 8.00
Total income		£45.00



Next, list all the things you need or want to buy. For example:

Spending

Bus into town on Saturday £2.50	x 2 weeks	£ 5.00
Lunch in town £4.99	x 2 weeks	£ 9.98
Birthday present for Mum	(next month)	£15.00
Sweets + drinks £3.00 per week	x 4 weeks	£12.00
Card game		£ 7.99
Total spending		£49.97

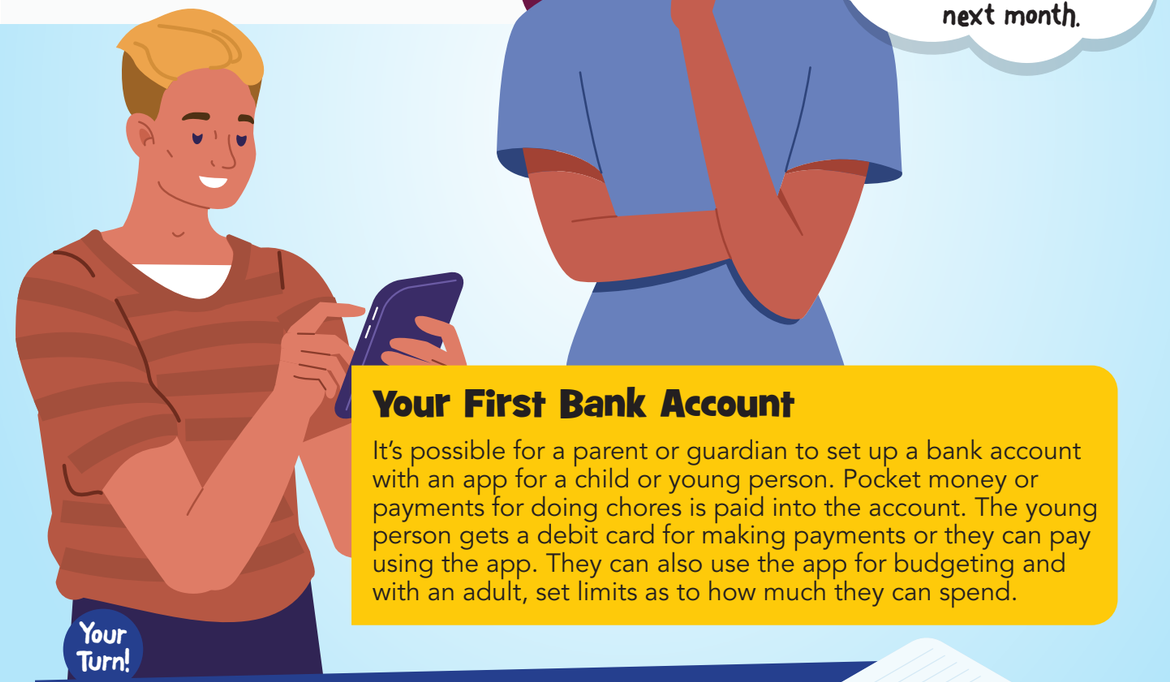


Now you can calculate whether or not you have enough income to buy the things in your budget.

Total income	£45.00
Total spending	- £49.97
	- £ 4.97

Hmmm. . .

the budget shows that you will not have enough money to buy all the things you want. That's important information to know! Now you can figure out what to do differently.



Your First Bank Account

It's possible for a parent or guardian to set up a bank account with an app for a child or young person. Pocket money or payments for doing chores is paid into the account. The young person gets a debit card for making payments or they can pay using the app. They can also use the app for budgeting and with an adult, set limits as to how much they can spend.

Your Turn!

Now grab a notebook and pen and try making your own budget for the next 2 months.

