Right On The Money: taking control of personal finances
Right on the money: taking control of personal finances is a DVD and print resource for adult literacy and numeracy learners.

The resource will assist learners to develop language, literacy and numeracy skills within the context of personal money management.

The resource supports the development of language, literacy and numeracy skills related to:

Financial Services Training Package (FNS04) in the following units of competency:

- FNSFLIT201A Develop and use a personal budget
- FNSFLIT202A Develop and use a savings plan
- FNSFLIT203A Develop understanding of debt and consumer credit

TAFE NSW Locally developed unit

- NSWTNMY113A Make informed personal financial decisions
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This resource was developed by TAFE NSW – Access and General Education Curriculum Centre

**Project team**

- **Claire Wright**  
  Project Manager  
  TAFE NSW  
  Access and General Education Curriculum Centre

- **Diane Blom**  
  TAFE NSW  
  Numeracy consultant

- **Kristine Brown**  
  Language and literacy consultant

**DVD Production**

- **Summer Hill Media**

**Print resource production**

- **Jenny McGuirk**  
  Editor

- **Tim Holland**  
  Desktop Publisher

- **Summer Hill Media**  
  Photographs

**National Advisory Group**

- **Jill Finch**  
  Senior Head Teacher  
  Literacy and Numeracy  
  (Representing NSW Adult Literacy & Numeracy Council)

- **Jo Gardner**  
  Director  
  Community Regeneration Unit  
  NSW Department of Housing

- **Joan Holschier**  
  Innovation and Business Skills Australia (IBSA)

- **Paul Horsfall**  
  Education Coordinator  
  NSW Office of Fair Trading

- **Sarah Pedrosa**  
  Social Worker  
  Centrelink  
  Parramatta NSW

- **Phillip Powell**  
  AFCCRA  
  (Australian Financial Counselling and Credit Reform Association)  
  Financial Counsellor  
  Anglicare Tasmania Inc

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  Australian Financial Counselling and Credit Reform Association

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To the teacher

Aim

Right on the money: taking control of personal finances is an English language, literacy and numeracy resource which aims to develop learners’ LL&N skills within the important context of personal financial management. In so doing, the resource aims to empower learners by helping them to take better control of their personal finances.

Content

The resource consists of a DVD and workbook. The DVD follows a family - Anna, Vic and their son, Ricky - as they seek advice from a family friend, Kay, about their financial situation. Essentially, Anna and Vic have realised they need to take control of their finances but do not feel confident about how to get started on this process.

There are six scenes, each of about 3 minutes duration. These scenes focus on the family as they discuss and work through some of the financial issues they face.

Each scene relates to one unit of the workbook - providing the personal ‘hooks’ to the information and activities in that unit.

The DVD and workbook focus on essential money management skills, including:

- setting goals
- tracking spending
- budgeting
- making savings
- managing paperwork
- managing debt, and
- being aware of risk.

The workbook activities include

- discussion activities
- language, literacy and numeracy activities
- internet or other research tasks.

In each unit, there are also Home tasks. These allow the learner to apply what they have learned in the class sessions to their own financial situation. Some, but not all, involve using the internet.
Target market

The main target market is learners in a range of access and general education courses within both formal and informal education contexts. Learners may, for example, be studying at TAFE, at a community college, with a community support group or in the workplace. The resource is most suitable to learners working at National Reporting System (NRS) Level 3.

How to use materials

It is advisable to view the whole DVD (about 20 minutes) before beginning to use the materials with learners. At the same time, it would be wise to look through the workbook to get an overview of the way the two components work together.

Before each session, view the DVD scene you will focus on with your class, and familiarise yourself with the workbook activities for that unit. The activities do provide a cohesive lesson sequence but it may be that you will choose to leave out some activities because of class needs or interests. You will also need to be alert to any activities involving computer use in order to organise access to computers.

With most groups, it would be best to view the DVD twice - the first time for learners to get an overview of the characters and issues, and the second time to allow them to focus more closely on the words - the questions and the advice.

You may want to watch it more than this, but remember that the workbook covers all the content of the DVD and in much more depth. The DVD is the lesson warm-up if you like and the workbook the real learning material.

Many of the activities involve discussion. It will be important in these to be sensitive to learners’ feelings about discussing money matters. The discussion topics have been framed in such a way as to avoid the need for learners to talk about personal situations and feelings unless they want to, but it is still important to be aware of sensitivities.

The discussion activities also provide an opportunity for you to share your own experiences or ideas. These will encourage discussion and show that money is something that we all need help and advice about from time to time.

The resource could be extended with authentic materials such as advertisements, store catalogues, letters from banks or utility companies and so on. Be on the lookout too for newspaper articles, or radio and TV segments about money management. There is of course a wealth of useful material on the internet that you could use (see Useful Websites page 142).
Unit 1: Getting started

Making decisions

Anna and Vic have made a big life decision about their money management.

We all make decisions every day - big and not so big, and sometimes it can be very difficult.

Activity 1

Think about the decisions you have made throughout your life - for example, about study, relationships, health, hobbies, or finances.

Discuss:
- What is difficult about making decisions in life?
- How do you know when you have made a good decision?

Anna: …We’ve been wanting to tackle the problem for ages now, but sometimes it all seems just too hard, … we need to do something now, so we’ll be OK in the future.
Setting goals

Anna has wanted to save money for some time, but she now has two ‘concrete’ goals - Ricky’s school camp and to go to see her mum in Perth. Kay says that goals are important.

We all set ourselves goals now and then. Sometimes we achieve them, sometimes we don’t. Often this depends on the goals themselves - for example, how realistic they are.

Activity 2

Think about the goals you have set yourself in recent years. They could be from any area of life - for example, study, relationships, health, hobbies, or finances.

Discuss:
- Why do goals help when you want to change behaviour?
- What do you think Kay means by ‘good, concrete goals’?
- Can you think of some goals that have worked for you?
- How do you feel if you don’t achieve your goals or achieve them in time?
- What can happen as a result?
Activity 3

When thinking about goals, the following five questions can be helpful:

1. Is the goal **specific**? Is it a precise, ‘concrete’ statement of what is wanted?
2. Is the goal **measurable**? Can you measure how close or far away the goal is?
3. Is the goal **achievable**? Is it possible to achieve the goal?
4. Is the goal **realistic**? Do you have the skills and resources to achieve the goal?
5. Is the goal **timed**? Is there a definite time frame for the goal to be reached?

These five questions make up the SMART approach to goal-setting.

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<th>M</th>
<th>A</th>
<th>R</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific</td>
<td>Measurable</td>
<td>Achievable</td>
<td>Realistic</td>
<td>Timed</td>
</tr>
</tbody>
</table>

Anna and Vic have a goal to save $350 to send Ricky to camp by November.

Let’s assess this goal using the SMART model:

**Is the goal specific?**
Yes, paying for the camp is one very precise, concrete thing the family wants to achieve.

**Is it measurable?**
Yes, they could count how much they had saved towards the camp each week or month.

**Is it achievable?**
Perhaps, but we don’t know enough about Anna and Vic’s financial situation yet.

**Is it realistic?**
Again, we can’t tell. We don’t know enough about Anna and Vic.

**Is it timed?**
Yes, the camp occurs on a certain date.

TIP:
If you remember the word SMART, it will be easier to remember the five important questions when setting your goals.
Discuss how well Anna’s goal of going to see her mum fits the SMART model:

- Is the goal specific?
- Is it measurable?
- Is it achievable?
- Is it realistic?
- Is it timed?

Activity 4

Look now at these people’s goals. Suggest ways to make them SMART goals.

Carla: I want to take off weight.
Jay: I want to buy a car.
Maria: I want to pay off my credit cards.
Harry: I want to give up cigarettes.
Jacinta: I want to have money for my retirement.
Short and long term goals

Anna shows that Ricky’s school camp and her trip to Perth are not the only reasons they want to change their financial behaviour.

We could say that Anna and Vic have three kinds of goals:

1. A short-term goal (next few months)... Ricky’s school camp
2. A medium-term goal (one year or more)... Anna visiting her mum in Perth
3. A long-term goal (a few years away)... Savings for retirement

Having small, concrete short-term financial goals is very important. However it is also important to think about money in the long-term.

If we can achieve our short and medium-term goals, the long-term goal will often follow without much difficulty. This is because we learn to set up good money habits and practise good skills while achieving the smaller, more immediate goals.

We can then use these habits and skills to achieve bigger, more important goals.
Activity 5

**Think about** your own financial goals.
What would you like to achieve in the next few months? In the next year or two? Sometime in the future? Are they SMART goals?

**Write them down.** If you like, **discuss** your goals with someone else in the group.

---

**My financial goals**

A short-term goal:

---

A medium-term goal:

---

A long-term goal:

---
Strengths and weaknesses

Anna knows she needs to make some changes but she is not sure what she needs to do. However she also feels she is doing some things right.

We all have our strengths and weaknesses in money management. It is good to know what these are, so that we can build on our strengths and improve our weak areas.

Activity 6

Read each statement below about money management. Then circle a number (1-4) to show how you rate yourself on each area.

1 = never  2 = occasionally  3 = usually  4 = always

I know where all my important papers are. 1 2 3 4
I work to a money plan or budget. 1 2 3 4
I know how much money is in my bank account. 1 2 3 4
I know how much money I owe on loans. 1 2 3 4
I know what I spend each month. 1 2 3 4
I don’t pay interest on credit cards. 1 2 3 4
I don’t borrow money from family or friends. 1 2 3 4
I pay the bills on time. 1 2 3 4
I manage to save something each month. 1 2 3 4
I never spend money I’ve set aside for other things. 1 2 3 4
I shop around for the best deal. 1 2 3 4
I can resist advertising and special deals. 1 2 3 4
Write down three areas that you would like to improve.

1.

2.

3.
Understanding payment information

Anna mentions that she got a letter about Ricky’s school camp.

It is important to read letters about money and finances very carefully, to be sure about what to do and when to do it. It can help to mark the important points with highlighter or pen so you can find them quickly when you need them.

Activity 7

On the next page is the letter that Anna received. It contains important information about payment for the camp.

Read the letter, and then answer the questions below:

1. The letter has many purposes. Tick the boxes that tell you what these purposes are:
   - to tell parents how much the camp costs
   - to tell parents details how to get to the camp
   - to tell parents about camp activities
   - to tell parents how they can pay over a few months
   - to encourage parents to allow their children to attend
   - to get an idea of how many children will probably be attending
2. **Tick** the correct answer. What do parents need to do first after receiving this letter?

- Pay the deposit
- Pay the whole amount
- Contact the school
- Sign the attached form

3. **True or false? Write T or F in the space.**

   a) Parents get their deposits back if they change their minds.  
   b) Parents must pay the full sum by the end of October.  
   c) Parents can look up the Centre's website, if they want.  
   d) The school wants to know definite numbers by the end of August.

**Discuss:**

- Should Anna and Vic sign the form if they are unsure if they can pay for the camp?  
- How long do they have to come up with the deposit?  
- Should they pay the deposit if they are unsure about being able to pay the remainder on time?  
- What should they do if they are not sure if they can make the payments on time?
Dear Parents,

Re: Year 10 Camp

In February we wrote to you concerning the planned Year 10 Camp at Sassafras Recreation Centre, from the 15th to 18th November this year. When we wrote, the centre was about to adjust its rate, so we have been waiting for the new rate to come through before setting the payment schedule.

We understand that many of you have had major expenses already this year, so we are trying to spread the expenses out a little for you.

The total cost of the camp will be $350, based on the following breakdown of costs.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full board for 3.5 days</td>
<td>$210</td>
</tr>
<tr>
<td>5 activity sessions</td>
<td>$60</td>
</tr>
<tr>
<td>Bus transport</td>
<td>$35</td>
</tr>
<tr>
<td>Lifeguards for surfing sessions</td>
<td>$20</td>
</tr>
<tr>
<td>Staff board for 3.5 days</td>
<td>$25</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$350</strong></td>
</tr>
</tbody>
</table>

It would be greatly appreciated if the following payment schedule could be followed:

1. **Non-refundable deposit** $150 by end of August
2. **Second instalment** $100 by end of September
3. **Third instalment** $100 by end of October

Payment in full will, of course, be appreciated. If you have any problems with payment, please contact us. All matters will be treated confidentially.

We very much hope that your son or daughter will be able to participate in the camp. It is a celebration of the end of junior high school, and a great opportunity for all students to mix and have a good time together. For those students who are leaving the school, it will be a memorable final occasion, while for those continuing it will be an excellent way for them to start off the next two years of senior high school. We can assure you that the Sassafras Centre is a very well run facility. If you wish, you can check out the Centre’s website at [www.sassafrascentre.org.au](http://www.sassafrascentre.org.au).

At this point, we would like to know who is interested in attending the camp, so that we can start planning. Please sign the attached form to indicate your son or daughter’s interest and return it by April 26. We will need a definite commitment by the end of June when we send the next letter.

Yours sincerely

Mr Barry Costas and Ms Julia Jamison (Year Advisers)
Keeping track of spending

Anna, Vic and Ricky want to have more control over their finances. The first step is to get a picture of where their money is going at present.

It helps to divide spending into two categories:

1. **Weekly spending** – everyday expenses that can change from week to week. We often have some control over the choices we make with this type of spending.

2. **Bills and periodical expenses** – expenses that have to be met monthly, quarterly or yearly, like bills and loan repayments. We have less control over these expenses than we have over our other spending.

Making up tables to record expenses can help you become more organised so that you can clearly see the picture of where your money is going at present.
Activity 8

Here’s a list of items that you may spend money on in a week. Tick the items you regularly spend money on and add any others.

- Rent
- Cigarettes
- Postage
- Groceries
- Alcohol
- Photo processing
- Fruit and vegetables
- Lotto, lottery, gambling
- Pocket money
- Meat
- Hiring a video or DVD
- Clothing
- Take away
- Newspapers
- Shoes
- Eating out
- Magazines
- Household goods
- Snacks and drinks
- Entertainment
- Petrol
- Sport
- Fares
- Hobbies
- Doctor
- Hairdresser
- Dentist
- Dry Cleaning
- Chemist
- Gifts
- Vet
- Donations

Think about your spending for a day. Make a list showing how you’ve spent your money in the past 24 hours. For example, you may have bought groceries, a coffee, a bus ticket or a piece of clothing. Include everything, even if you used EFTPOS, a cheque, direct debit or your credit card. Also include any bills you pay today. Then calculate your total spending.

<table>
<thead>
<tr>
<th>Today's spending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Total: $</td>
</tr>
</tbody>
</table>
Discuss:
- Are you surprised by what you spent?
- Was this an average day for you? If not, what made it different?

Activity 9
Here's a list of bills and periodical expenses that you may have to pay. (Periodical expenses are those we pay every now and then - perhaps every month, every two months, every quarter or every year). **Tick** the items that you pay and add any others.

<table>
<thead>
<tr>
<th>Rent/Mortgage</th>
<th>Gas</th>
<th>Pinkslip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strata plan levies</td>
<td>Telephone</td>
<td>Greenslip</td>
</tr>
<tr>
<td>Personal loan</td>
<td>Mobile phone</td>
<td>Union fees</td>
</tr>
<tr>
<td>Car loan</td>
<td>House insurance</td>
<td>School fees</td>
</tr>
<tr>
<td>Store account</td>
<td>Contents insurance</td>
<td>Internet</td>
</tr>
<tr>
<td>Rentals</td>
<td>Car insurance</td>
<td>Pay TV</td>
</tr>
<tr>
<td>Credit card</td>
<td>Health insurance</td>
<td></td>
</tr>
<tr>
<td>Land rates</td>
<td>Life insurance</td>
<td></td>
</tr>
<tr>
<td>Water rates</td>
<td>Car registration</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>Licence</td>
<td></td>
</tr>
</tbody>
</table>
Activity 10

Here’s the table that Stan made up to record his family’s weekly spending. **Look at** how he’s grouped expenses for food, transport, medical, recreation and other spending.

**Discuss:** Would this be a suitable way to record your weekly spending?

<table>
<thead>
<tr>
<th>Date</th>
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<td><strong>Food</strong></td>
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<td>Groceries</td>
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<td>Fruit and vegetables</td>
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<td>Take away</td>
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<td>Eating out</td>
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<td>Snacks, drinks, canteen</td>
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<td>Chemist</td>
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<td><strong>Recreation</strong></td>
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<td>Lotto, lottery, gambling</td>
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<td>Video, DVD</td>
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<td>Newspapers, magazines</td>
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</table>
Home task

There’s a blank weekly spending table below. You can use it to help get a clearer picture of where your money goes in a week.

In the first column write down the items that are part of your weekly spending. (Refer back to the list on page 13 if you need to.)

Each day, write the amounts you’ve spent into the table. At the end of the week, work out the totals.

### Weekly spending table

<table>
<thead>
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</table>

Total spent this week
Activity 11

Here’s the table that Stan made up to record his family’s bills and periodical expenses for a year. Look at the way he’s grouped expenses into housing, utilities, car, debts and other expenses.

Discuss:
Would this be a suitable way to record your bills and periodical expenses?

Bills and periodical expenses

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<th>Yearly Total</th>
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</table>
Home task

On the next page there’s a blank table. You can use it to see the overall picture of your bills and periodical expenses for the year.

Write the items that are bills and periodical payments in your household into the first column. (Refer back to the list on page 14 if you need to.)

Fill in amounts in the appropriate boxes. You may need to go through old bills, statements, invoices and receipts to find the information you need.

Work out the yearly totals for each item. (Don’t write anything in the ‘Weekly averages’ column yet.)
<table>
<thead>
<tr>
<th>Bills and periodical expenses</th>
<th>Jan</th>
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Unit 2: Tracking spending

Anna and Vic say they have learnt a lot from recording their spending.

Knowing what we spend is the first step in managing our finances well. It might take a bit of effort at the start, but it will become easier with practice.

**Activity 1**

This is how Anna’s family spent their money over a week. Use this information to complete the family’s weekly spending table on the next page. Then calculate the totals for each kind of expense.

<table>
<thead>
<tr>
<th>Monday - 4 April</th>
<th>Thursday - 7 April</th>
<th>Sunday -10 April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Drinks (Ricky) - $5</td>
<td>Lotto - $7.60</td>
<td>Bus fare - $3.50</td>
</tr>
<tr>
<td>Fruit and Veg - $20.55</td>
<td>Magazine - $4.20</td>
<td>Newspaper - $1.60</td>
</tr>
<tr>
<td>Magazine (Anna) - $6.20</td>
<td>Lunch (Anna) - $7</td>
<td>Lunch (Vic) $15.90</td>
</tr>
<tr>
<td>Newspaper - $1</td>
<td>Newspaper - $1.60</td>
<td>Late fine for DVD - $15</td>
</tr>
<tr>
<td>Monday - 4 April</td>
<td>Thursday - 7 April</td>
<td>Sunday -10 April</td>
</tr>
<tr>
<td>Supermarket - $66.45</td>
<td>Lunch (Anna) - $7</td>
<td>Rent - $210</td>
</tr>
<tr>
<td>Butcher - $24.60</td>
<td>Newspaper - $1.60</td>
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<tr>
<td>Canteen lunch (Ricky) - $5</td>
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<tr>
<td>Coffee and cake (Anna) - $5.50</td>
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<tr>
<td>School sport - $12.00</td>
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<tr>
<td>Tuesday - 5 April</td>
<td>Friday - 8 April</td>
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<tr>
<td>Supermarket - $39.95</td>
<td>Supermarket- $15.80</td>
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<tr>
<td>Shoes (Ricky) - $39.95</td>
<td>Shoes (Ricky) - $39.95</td>
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<tr>
<td>Hire DVD (Ricky) - $7</td>
<td>Hire DVD (Ricky) - $7</td>
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<td>Take away - $15.40</td>
<td>Take away - $15.40</td>
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<tr>
<td>Photos - $3</td>
<td>Photos - $3</td>
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<td>Wednesday - 6 April</td>
<td>Saturday - 9 April</td>
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<tr>
<td>Petrol - $45.65</td>
<td>Chemist - $4.60</td>
<td></td>
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<tr>
<td>Ice cream (Vic, Anna) - $5</td>
<td>Alcohol - $9</td>
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<tr>
<td>Drink (Vic) - $2.50</td>
<td>Fruit and veg - $12.65</td>
<td></td>
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<tr>
<td>Drink (Ricky) - $2.50</td>
<td>Gift - $14.25</td>
<td></td>
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<tr>
<td>Snacks (Ricky) - $3.50</td>
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<tr>
<td>Newspaper - $1.60</td>
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</table>
Anna & Vic’s weekly spending table

<table>
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<th>Date 5 April</th>
<th>Date 6 April</th>
<th>Date 7 April</th>
<th>Date 8 April</th>
<th>Date 9 April</th>
<th>Date 10 April</th>
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<td>Lotto, lottery, gambling</td>
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<td>Video, DVD</td>
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<tr>
<td>Newspapers, magazines</td>
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<tr>
<td>Entertainment</td>
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<td>Alcohol</td>
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<tr>
<td>Sport, hobby</td>
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<td>Other</td>
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<tr>
<td>Other spending</td>
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<tr>
<td>Clothing, shoes etc</td>
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<td></td>
</tr>
<tr>
<td>Hairdresser</td>
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<td></td>
<td></td>
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<tr>
<td>Gifts</td>
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<td></td>
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<tr>
<td>Donations</td>
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<td></td>
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<tr>
<td>School activities</td>
<td></td>
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<td></td>
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<tr>
<td>Lay-bys</td>
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<td></td>
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<tr>
<td>Pocket money</td>
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<td></td>
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<tr>
<td>Other</td>
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</tr>
</tbody>
</table>

**Total spent this week**
At the end of Unit 1 you were asked to record your weekly spending.

**Discuss** the questions below about your experience.

• Did you confirm your ideas about how much you spent in a particular area? For example, you might have had a good idea of what you spent on food. You might have found out you were roughly correct.

• Did you get some surprises about what you spent money on or about how much?

• What was your biggest or most important discovery?
The invisibility of money

Anna and Vic found it difficult sometimes to see how exactly they spent all their money.

One of the difficult parts of tracking our spending is that money has become ‘invisible’ in today’s world. We don’t see cash as much as we used to. Our pay or allowances might go directly into a bank account. We might use a credit card or cheque.

We grew up in a simpler world. Money was visible, tangible. Many families sat around the kitchen table on pay day, and divided up the cash into bundles to put into jars - one for electricity, one for rent, one for water and so on. Few today get paid in a brown paper envelope - most of us don’t get to see the money.

The whole system today is more complex - and invisible. Children often don’t know where money comes from. I had a conversation with my 10 year old daughter about this. She said that money came from an Automatic Teller Machine. When I asked how it got into the machine, she told me that those big trucks with security guards put it there.

Paul Clitheroe, Chairperson of the Financial Literacy Foundation
In interview, ABC 702, 20 September, 2005
Activity 3

Discuss:

• Do you agree with Paul Clitheroe that money is less visible or tangible than it was in the past?

• Did the ‘invisibility’ of your money make it more difficult for you to record what you spent money on?

• Does the ‘invisibility’ of money make it easier to spend more?

• If you’re a parent, do you talk about money matters with your children?

• If yes, how often do you talk about money?

• What sort of things do you talk about?

• How easy or difficult is it for you to talk about money with your children?
Getting organised with bills

Anna and Vic found it quite difficult to work out what they paid out in bills.

Kay: We had no system at all for keeping track of bills. It was pure luck if we paid the bills on time.

Anna: Actually we’re more organised even after just one week. We’re keeping all our bills - even the ones we’ve paid.

Being organised with bills is an essential part of money management. Some of us are naturally better than others at these things - just as some of us are better than others at keeping a house tidy.

It is very easy to forget or lose track of bills - how much they are and when they are due. It is also easy to ignore them - the ‘I don’t want to know’ approach. Of course it’s not easy for long - because the bills don’t go away, and might even get larger because of late fees and interest.

Activity 4

Think about your experiences paying bills. Answer the questions by ticking the boxes on the next page. If you wish, share your answers with others in the group.
How would you rate your organisational skills in relation to your bills at the moment? Rate on a scale of 1 to 10 (with 10 the highest).  

Discuss the following questions with your group. Record your ideas as well.

• Did you do anything which would improve your rating over the past week or fortnight? For example, did you put together a file, or put your bills into one drawer?

• Do you think you need to change the way you organise your paperwork (bills etc.)?

(In Unit 4, we will look at some strategies to help with organising paperwork.)

<table>
<thead>
<tr>
<th></th>
<th>always</th>
<th>usually</th>
<th>sometimes</th>
<th>rarely</th>
<th>never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you open bills that arrive in the mail immediately?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you keep bills that need paying until they are paid?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you keep bills once they have been paid?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you keep all bills to be paid in one area in your home (eg one desk)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you use a particular system to sort and keep track of paid and unpaid bills? (eg a folder separated into paid and unpaid sections)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you keep other records of payment eg receipts, shopping dockets?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Do you have a system for knowing when bills are due (eg a calendar)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
Activity 5

Anna and Vic made this detailed list of their bills and periodical expenses over the past year. Use their list to complete the tasks below.

**Anna & Vic’s bills and periodical expenses**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water usage paying quarterly in</td>
<td></td>
</tr>
<tr>
<td>March - $65.25</td>
<td></td>
</tr>
<tr>
<td>June - $56.50</td>
<td></td>
</tr>
<tr>
<td>Sept - $39.45</td>
<td></td>
</tr>
<tr>
<td>Dec - $48.60</td>
<td></td>
</tr>
<tr>
<td>House contents insurance paid yearly in</td>
<td></td>
</tr>
<tr>
<td>May - $259.00</td>
<td></td>
</tr>
<tr>
<td>Electricity bill paying quarterly in</td>
<td></td>
</tr>
<tr>
<td>Mar - $220.65</td>
<td></td>
</tr>
<tr>
<td>June - $246.10</td>
<td></td>
</tr>
<tr>
<td>Sept - $295.00</td>
<td></td>
</tr>
<tr>
<td>Dec - $243.50</td>
<td></td>
</tr>
<tr>
<td>Gas bill paying quarterly in</td>
<td></td>
</tr>
<tr>
<td>Jan - $37.20</td>
<td></td>
</tr>
<tr>
<td>April - $37.20</td>
<td></td>
</tr>
<tr>
<td>July - $76.40</td>
<td></td>
</tr>
<tr>
<td>Oct - $109.55</td>
<td></td>
</tr>
<tr>
<td>Home phone bill paying monthly</td>
<td></td>
</tr>
<tr>
<td>Jan - $56.20</td>
<td></td>
</tr>
<tr>
<td>Feb - $95.40</td>
<td></td>
</tr>
<tr>
<td>March - $49.50</td>
<td></td>
</tr>
<tr>
<td>April - $64.40</td>
<td></td>
</tr>
<tr>
<td>May - $45.80</td>
<td></td>
</tr>
<tr>
<td>June - $63.95</td>
<td></td>
</tr>
<tr>
<td>July - $58.90</td>
<td></td>
</tr>
<tr>
<td>Aug - $52.45</td>
<td></td>
</tr>
<tr>
<td>Sept - $67.50</td>
<td></td>
</tr>
<tr>
<td>Oct - $75.65</td>
<td></td>
</tr>
<tr>
<td>Nov - $64.30</td>
<td></td>
</tr>
<tr>
<td>Dec - $55.80</td>
<td></td>
</tr>
<tr>
<td>Ricky’s mobile phone</td>
<td></td>
</tr>
<tr>
<td>$20 prepaid per month</td>
<td></td>
</tr>
<tr>
<td>Pay TV</td>
<td>$29.95 per month</td>
</tr>
<tr>
<td>Car registration (including compulsory third party insurance)</td>
<td>paid in</td>
</tr>
<tr>
<td>Jan - $715</td>
<td></td>
</tr>
<tr>
<td>Sept - $277.40</td>
<td></td>
</tr>
<tr>
<td>Car repair and services over the year</td>
<td></td>
</tr>
<tr>
<td>March - $172.55</td>
<td></td>
</tr>
<tr>
<td>June - $154.85</td>
<td></td>
</tr>
<tr>
<td>Nov - $478.00</td>
<td></td>
</tr>
<tr>
<td>$150 paid off their credit card each month</td>
<td></td>
</tr>
<tr>
<td>$50 paid off their store card each month</td>
<td></td>
</tr>
<tr>
<td>$100 for school expenses paid in Feb</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jan</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
</tr>
<tr>
<td>Water usage</td>
<td></td>
</tr>
<tr>
<td>Contents insurance</td>
<td></td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
</tr>
<tr>
<td>Anna’s mobile</td>
<td></td>
</tr>
<tr>
<td>Ricky’s mobile</td>
<td></td>
</tr>
<tr>
<td>PAY TV</td>
<td></td>
</tr>
<tr>
<td><strong>Car</strong></td>
<td></td>
</tr>
<tr>
<td>Registration</td>
<td></td>
</tr>
<tr>
<td>Insurances</td>
<td></td>
</tr>
<tr>
<td>Service/repairs</td>
<td></td>
</tr>
<tr>
<td><strong>Loans/debts</strong></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td></td>
</tr>
<tr>
<td>Store card</td>
<td></td>
</tr>
<tr>
<td><strong>Other expenses</strong></td>
<td></td>
</tr>
<tr>
<td>School expenses</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td></td>
</tr>
</tbody>
</table>
Averaging expenses

Anna, Vic and Ricky realise that their spending on items like food and clothing changes from week to week, so they need to use averages.

Here is the method we use in working out average spending:

**Working out the average – without a calculator**

Average weekly spending is calculated by adding up the amounts spent each week then dividing by the number of weeks.

**Example**

Over the period of 4 weeks, Anna, Vic and Ricky spent $15, $10, $18 and $9 on newspapers and magazines. To work out the average weekly amount spent over the 4 weeks they added the amounts and then divided by 4 (the number of weeks).

Average spent = \( \frac{($15 + $10 + $18 + $9)}{4} \)

= $52 ÷ 4

= $13

Kay: Do you think this past week was an average week? You see we’ll base our summary on averages because you’ll spend much more some weeks on one kind of thing.
Most of us would use a calculator when the calculation is too hard to do quickly in our heads or on paper. Have a look at how to work out an average using a calculator:

**Working out the average – with a calculator**

**Example**

Over the period of 4 weeks $140.05, $148.85, $112.65 and $156.90 was spent on food in Anna’s household. To work out the average weekly food spending:

Put into the calculator: \[140.05 + 148.85 + 112.95 + 156.90 =\]

The answer displayed on the calculator screen is 558.75

Put into the calculator \[558.75 \div 4.\] The answer is 139.6875

On the next page we’ll do what’s called **rounding** to get the answer to the nearest dollar.
Rounding calculations

When rounding, we think about how exact the numbers need to be for the task we are doing. For money, we may want to round to the nearest cent, the nearest 5 cents or the nearest dollar.

Example

The average for Anna’s family’s food spending was $139.6875

How do we round 139.6875 to the nearest cent (two decimal places)?

Step 1: Draw a line to show where you are rounding to
(In this example, draw the line after the 8).

139.68 75

Step 2: Decide whether to round up or down.

Look at the number to the right of the 8. (In this example it’s a 7.)
The rule says if the number’s more than 5, round up.
If the number’s less than 5, round down.
In this example 7 is more than 5, so the number 8 is rounded up to 9.

Answer

139.6875 therefore becomes 139.69 (rounded up to two decimal places or $139 and 69 cents).

So a calculator display of 139.6875 would be read as $139.69 (to the nearest cent)

Using the same method, a calculator display of 139.6875 would be read as $140 to the nearest dollar.
Activity 6

Use your calculator to work out these averages for Anna’s family. If necessary, round your answer to the nearest cent.

1. Anna’s family has their hair cut every 6 weeks. The total cost is $48. What is the average weekly amount they spend on haircuts?

2. Vic wants to work out the weekly average amount the family spends on newspapers and magazines. Over a 4 week period they spend $15.60, $13.95, $12.40 and $9.55. What is their average weekly spending for newspapers and magazines?

3. Ricky often buys a soft drink when he’s out. Over a period of 2 weeks this is what he spends: $2.50, $3.00, $3.00, $2.50, $2.00, $2.50, $3.00, $2.75, $2.80, $2.25. What’s Ricky’s average weekly spending on soft drinks?

Home task

In Unit 1 you were asked to fill in a table of your weekly spending. This may or may not have been a typical week and on some items you may have spent more or less than you usually do. Work out an average weekly amount for these expenses.

Tip – you may need to estimate if you don’t have exact figures.
Activity 7

Bills can cover different periods of time. They can be monthly, quarterly or yearly.

To work out how much you pay weekly for these bills:

• Divide a yearly bill by 52 (there are 52 weeks in a year)
• Divide a quarterly bill by 13 (there are 13 weeks in a quarter)
• Multiply a monthly bill by 12 (to find out the yearly cost) then divide by 52
  (to bring it back to a weekly amount)*

* We can’t just change monthly figures to weekly figures by dividing by 4. Apart from the
  month of February, every other month is more than 4 weeks. If a month was exactly 4
  weeks, there would only be 48 weeks in a year.

That’s why we change monthly to yearly (x 12) then back to weekly (÷ 52).

1. Change these yearly bills into weekly amounts:

<table>
<thead>
<tr>
<th>Bill</th>
<th>Yearly Cost</th>
<th>Weekly amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car registration</td>
<td>$675</td>
<td></td>
</tr>
<tr>
<td>Home contents insurance</td>
<td>$327</td>
<td></td>
</tr>
<tr>
<td>School fees</td>
<td>$145</td>
<td></td>
</tr>
</tbody>
</table>

2. Change these quarterly bills into weekly amounts:

<table>
<thead>
<tr>
<th>Bill</th>
<th>Quarterly cost</th>
<th>Weekly amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water usage</td>
<td>$65</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>$185</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>$97</td>
<td></td>
</tr>
</tbody>
</table>

3. Change these monthly bills into weekly amounts: (Remember: we make the monthly amount into a yearly amount then change the yearly amount to a weekly amount):

<table>
<thead>
<tr>
<th>Bill</th>
<th>Monthly cost</th>
<th>Yearly Cost</th>
<th>Weekly amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone</td>
<td>$30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAY TV</td>
<td>$49.95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store card</td>
<td>$100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Activity 8

Go back to Anna’s bills and periodical expenses table on page 29. Complete the weekly average column of this table.

Home task

In Unit 1 you were asked to fill in a table of your bills and periodical expenses. Complete the weekly average column on your table.
Making an income and expenses summary

With Kay’s help, Anna and Vic make up an income and expenses summary to get the full picture of their present financial situation. They round these figures to make it easier to do quick calculations.

The usual way of rounding money to the nearest dollar is:

Round up if the cents are 50 cents or more ($6.75 becomes $7)
Round down if the cents are less than 50 cents ($2.40 becomes $2)

However, when doing an income and expenses summary, it’s best to **round up all expenses** to the next dollar and **round down all income**. If you slightly overestimate expenses and underestimate income you should end up with a little money left over.

**Rounding figures for the income and expenses summary**

For **expenditure**, **round up** to the next dollar.

For example, average spending on electricity was $19.33 but rounded up to $20.

For **income**, **round down** by dropping the cents and leaving the dollars.

For example, Vic’s net income was $347.79 but rounded down to $347

**Activity 9**

<table>
<thead>
<tr>
<th>1. <strong>Round up</strong> these expenses to the next dollar:</th>
<th>2. <strong>Round down</strong> these incomes by dropping off the cents:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Mobile phone $4.62</td>
<td>a) $154.33</td>
</tr>
<tr>
<td>b) Insurance $5.33</td>
<td>b) $169.75</td>
</tr>
<tr>
<td>c) Store card $11.54</td>
<td>c) $671.87</td>
</tr>
</tbody>
</table>
Activity 10

Here’s Anna and Vic’s income and expenses summary. Use this to do the tasks on the next page.

### Income and expenses summary

<table>
<thead>
<tr>
<th>Average weekly expenses</th>
<th>Weekly income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weekly spending</strong></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$210</td>
</tr>
<tr>
<td>Food - groceries, meat, veges</td>
<td>$140</td>
</tr>
<tr>
<td>Take away, eating out, snacks</td>
<td>$65</td>
</tr>
<tr>
<td>Petrol</td>
<td>$50</td>
</tr>
<tr>
<td>Bus</td>
<td>$4</td>
</tr>
<tr>
<td>Chemist</td>
<td>$3</td>
</tr>
<tr>
<td>Lotto</td>
<td>$7</td>
</tr>
<tr>
<td>DVD Hire</td>
<td>$7</td>
</tr>
<tr>
<td>Newspapers and magazines</td>
<td>$13</td>
</tr>
<tr>
<td>Alcohol</td>
<td>$9</td>
</tr>
<tr>
<td>Clothing, shoes, cosmetics etc</td>
<td>$15</td>
</tr>
<tr>
<td>Hair cuts</td>
<td>$8</td>
</tr>
<tr>
<td>Gifts</td>
<td>$15</td>
</tr>
<tr>
<td>School sport and excursions</td>
<td>$10</td>
</tr>
<tr>
<td><strong>Bills and periodical expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Water usage</td>
<td>$4</td>
</tr>
<tr>
<td>Home contents insurance</td>
<td>$5</td>
</tr>
<tr>
<td>Electricity</td>
<td>$20</td>
</tr>
<tr>
<td>Gas</td>
<td>$5</td>
</tr>
<tr>
<td>Telephone</td>
<td>$15</td>
</tr>
<tr>
<td>Anna’s mobile</td>
<td>$10</td>
</tr>
<tr>
<td>Ricky’s mobile</td>
<td>$5</td>
</tr>
<tr>
<td>Pay TV</td>
<td>$7</td>
</tr>
<tr>
<td>Car registration</td>
<td>$14</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$6</td>
</tr>
<tr>
<td>Credit card</td>
<td>$35</td>
</tr>
<tr>
<td>Store card</td>
<td>$12</td>
</tr>
<tr>
<td>School fees</td>
<td>$2</td>
</tr>
<tr>
<td><strong>Total weekly expenses</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total weekly income</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total income minus total expenses</strong></td>
<td>$</td>
</tr>
</tbody>
</table>
1. **Add** the total weekly expenses and total weekly income and write the answer in the correct boxes on the summary.

2. **Now, calculate** total income minus total expenses. Is the answer positive (plus) or negative (minus)?
   
   In other words, is Anna and Vic’s income more or less than their expenses?

---

**Home task**

**Make** your own income and expenses summary like the one for Anna’s family. **Look back** at your weekly averages from your weekly spending table and bills and periodical expenses table to get the figures.

Is your income more or less than your expenses?

**Start thinking** about ways you could cut down on spending.
Unit 3: Budgeting and saving

Thinking about needs and wants

Vic and Anna have thought carefully about what they can live without. They have started to think in terms of their needs and their wants.

Vic: I’m going to give up the PAY TV. … I can live without it.

Anna: We’ve had a big talk about our mobiles … we’re both going to cut back.

We buy two kinds of things - the things we need and the things we want. Most of us have to focus on the things we need, and only occasionally spend on things we want.

Activity 1

Read this quote from the novel, David Copperfield, by Charles Dickens written in 1850. It is sometimes quoted in financial advice books and articles, even though the advice is from a different time and place.

Annual income twenty pounds, annual expenditure nineteen nineteen and six1, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six2, result misery.

1: Nineteen pounds, nineteen shillings and sixpence
2: Twenty pounds, no shillings and sixpence
Discuss:
• What does the quote mean?
• What do you think of the advice? Is it still relevant in today’s world? Is it realistic?
• Is it more difficult in some ways for people today to follow the advice (compared to people in Dickens’ time)? How?
• Is it easier in some ways for people today to keep to the advice? How?

Activity 2
Here is some useful advice to keep in mind about needs and wants. Read it and then do the tasks below.

Needs and wants
• Always ask yourself Is this a need or a want?
• Get into the habit of asking Is it worth it?
• Recognise when you have enough - be moderate.
• Make things last for longer. You don’t always need to ‘buy a new one’. You might be able to use some sticky tape to fix that cupboard door - at least for a while. You might be able to use less hair conditioner - you won’t even notice the difference.
• Live simply. Don’t clutter up your life with things you don’t use.
• Don’t cut out all wants. If you do, you’ll break out.
• Think about the small stuff - the tiny things you buy without even thinking - the chewing gum, the magazine, the scratchy. They do add up.
• Go shopping without cards and cheque books which give you easy access to your bank account. If you have not got the money in your hands to spend on the thing you so desperately need, it will give you time to realise it might actually be an unnecessary want.
Look at the first two points on the ‘needs and wants’ list. Discuss what other questions might help you to ‘think twice’ about spending money on a new item, for example - a dress, an appliance, a CD, or a child’s toy.

Write the questions down.
Making savings on food and household goods

Anna and Kay talk about their food and household shopping habits.

Anna: I’m a terrible shopper. I don’t make lists and then I just go off and pile up the trolley without even knowing what I’ve got.

Kay: I still get carried away sometimes - especially if I’m feeling worried or upset.

Food is a major expense for most households - about 20% of their total expenditure. So it is worth looking closely at our food shopping habits.

Storekeepers make it very difficult for shoppers to NOT spend money. They set out their stores and products to make us spend more time and money in their store.

For example, they put the most expensive items at eye-level, and the cheaper items higher or lower. They put tempting products within our reach as we wait in the check-out queue. It is very easy to spend $30 or $40 after we join the queue - without moving at all!

If we are aware of these selling traps, it is easier to avoid them.

Activity 3

The statements on the next page are taken from websites that give good advice about reducing your spending on food and household goods. Tick the word that indicates how frequently you follow each good practice. When you have finished, compare your responses and the advice with other students.
<table>
<thead>
<tr>
<th></th>
<th>always</th>
<th>usually</th>
<th>sometimes</th>
<th>rarely</th>
<th>never</th>
</tr>
</thead>
<tbody>
<tr>
<td>I write shopping lists and stick to them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I make at least one or two meatless meals a week to keep costs down.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>I don’t shop for food when I’m hungry.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>I buy natural food. I avoid foods that are over-packaged, over-processed and highly advertised.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I avoid recipes which need exotic or unusual ingredients that I won’t use again.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy fruits and vegetables in season.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy foods in large containers rather than small - but only if I’ll use it before it goes off.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I look in my fridge each day to use items before they go bad.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I plan meals for a week or fortnight and then buy what I need for them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I use advertisements from the supermarket to plan meals.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I compare prices.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I avoid specials unless they are on my list.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy home brands.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy generic medicines.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do supermarket shopping once or twice a week only.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Activity 4

Have you ever thought about how much it costs per year to buy a particular item that is part of your regular shopping and is perhaps a ‘non-essential’ (not really necessary) - like chocolate, bottles of soft drink or alcohol, cigarettes, or lotto tickets?

Choose a 'non-essential' item and write down a rough costing for it:

<table>
<thead>
<tr>
<th>Item:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per week:</td>
</tr>
<tr>
<td>Cost per year:</td>
</tr>
<tr>
<td>Could I cut down or use other alternatives? If yes, how?</td>
</tr>
<tr>
<td>If I cut down or use other alternatives what could I save in a year?</td>
</tr>
<tr>
<td>What could I do with the money I save?</td>
</tr>
</tbody>
</table>

Activity 5

Harry’s family enjoy an easy Friday night dinner. Harry always buys 4 hamburgers at $3.50 each, $3.00 worth of chips and a large bottle of soft drink for $3.90. It takes him about half an hour to drive to the shop, wait for his order and drive home again. It costs about 60 cents in petrol. The family is keen to save money so decide to compare the cost of buying take-away with the cost of cooking themselves. Write the answers in the spaces below to help them out:

1. How much does it cost the family to buy Friday night dinner from the shop?

2. How much would it cost to make the same dinner using food from the supermarket? Add the estimated costs: mince - $4, buns - $1.60, tomatoes - $0.80, lettuce - $0.40, sauce - $0.20, electricity - $0.20, potatoes - $1.00, soft drink - $1.30.
3. How much could the family save each week by cooking instead of buying take-away?

4. How much could the family save in a year by cooking instead of buying take-away?

Activity 6

Violette’s family of five love potato wedges. They usually buy a 1 kg packet each week at a cost of $3.59. Her friend gives her a recipe for making wedges. Write the answers in the spaces below to see how much Violette could save by doing some home cooking:

1. How much does Violette spend each year on buying frozen wedges?

2. Approximately how much would it cost to make 1 kg of wedges?
Here are the estimated costs of the ingredients for making wedges:
Potatoes – almost $8 for a 10 kg bag; Oil – around 10 cents for 1 kg of wedges
Seasoning – around 10 cents for 1 kg of wedges.

3. How much could Violette’s family save each week by making their own wedges instead of buying frozen?

4. How much could the family save in a year by making their own wedges instead of buying frozen?
Activity 7

Discuss: Do you compare prices when supermarket shopping?

It is useful to know about metric measurements when comparing prices:

• The weight of grocery and food items is measured in grams (g) and kilograms (kg).

\[ 1000 \text{ g} = 1 \text{ kg} \]

To change kilograms into grams multiply the kilograms by 1000

For example, change 1.5 kg to g:

\[ 1.5 \text{ kg} = 1.5 \times 1000 \text{ g} = 1500 \text{ g} \]

• For liquid grocery and food items, volume is measured in millilitres (mL) or litres (L).

\[ 1000 \text{ mL} = 1 \text{ L} \]

To change litres into millilitres multiply the litres by 1000

For example, change 1.25 L into millilitres:

\[ 1.25 \text{ L} = 1.25 \times 1000 \text{ mL} = 1250 \text{ mL} \]

Think about comparing the cost of a 1 litre bottle of juice for $1.99 and a 2 litre bottle for $2.59. The larger bottle is double the size of the smaller, but less than double the cost. So it is better value for money.

Compare the prices and do a rough estimate of which is the ‘best buy’:

1. 2 kg bag of rice for $2.34 or 10 kg for $9.98?

2. 1 litre carton of milk for $1.14 or a 2 litre container for $2.48?

3. 400 g tin of tomatoes for 49 cents or 800 g for $1.47?

4. 1.5 kg of dry dog food for $4.99 or 750 g for $2.98?
Activity 8

Sometimes it’s more difficult to compare prices. For instance, to compare the price of a 2 litre bottle of soft drink with a 1.25 litre bottle, it’s hard to do a ‘quick calculation’ because one size is not a multiple of the other. In this case we’d use a method called the ‘unit pricing’ method. Read the explanation below.

Comparing prices using the ‘unit pricing’ method

The unit price is the price you would pay for one unit of the item - for example, 1 L, 1 mL, 1 kg or 1 g. To calculate the price of one unit, divide the item price by the number of units:

\[
\text{Unit price} = \frac{\text{price of item}}{\text{number of units}}
\]

Example 1

Compare the price of 2 litres of soft drink for $2.00 and 1.25 litres for $1.40.
Let’s make the unit price the price of 1 litre.

For the 2 litre bottle of soft drink,

\[
\text{Cost per litre} = \frac{\text{price}}{\text{number of litres}} = \frac{$2.00}{2} = $1.00
\]

For the 1.25 litre bottle of soft drink,

\[
= \frac{$1.40}{1.25} = $1.12
\]

So, the 2 litre bottle is better value for money because it has a lower cost per litre.
Example 2

Compare the price of a 500 g packet of cereal costing $3.49 and an 880 g box costing $4.99.

Let’s make the unit price the price of 1 gram and also change the price into cents.

For the 500 g box of cereal,
\[
\text{Cost per gram} = \frac{\text{price (in cents)}}{\text{number of grams}} = \frac{349}{500}
\]
\[
= 0.698 \text{ cents}
\]

For the 880 g box of cereal,
\[
= \frac{499}{880}
\]
\[
= 0.567 \text{ cents}
\]

So, the 880 g box is the better buy because it has a lower cost per gram.

NOTE: These costs per gram are very small, and so the difference might seem insignificant (not worth worrying about). But remember, you are buying big quantities - and this will make the difference very significant.

Use the ‘unit pricing’ method to work out which is the ‘best buy’:

1. 1.5 L bleach for $1.80 or 4 L for $5.20?

2. 345 g cereal for $3.89 or 805 g for $7.99?

3. 700 g dog food for $1.17 or 1.2 kg for $1.97?

4. 820 g tin baked beans for $1.99 or 3 x 420 g tins for $3.66?

5. 750 g frozen chips for $2.49 or 1 kg for $2.79?
Activity 9

When shopping around for the best buy, we may find items which have been discounted. Discounts are usually written as percentages. For example, a sign might say ‘50% off marked prices’.

Here is a method to work out the discounted price using a calculator.

**Working out the discounted price**

**Example**

An electrical store is having a 25% off sale.

a) What is the discount on a heater if the usual price is $90.00?

The discount is 25% of $90.00.

Put into the calculator $90 \times 25\%$

The answer displayed on the calculator screen is 22.5

So, the discount would be $22.50.

b) What is the discounted price on the heater?

The discounted price is the original price take away the discount

Put into the calculator $90 - 22.50 =$

Read the answer displayed on the calculator screen 67.5

So, the discounted price would be $67.50

1. Justin wants to buy a DVD player. He shops around for the ‘best deal’.

Work out the discount and the discounted price in the following stores:

<table>
<thead>
<tr>
<th>Store</th>
<th>Regular Price</th>
<th>Discount %</th>
<th>Discount $</th>
<th>Discounted Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Store A</td>
<td>$160</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Store B</td>
<td>$135</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Store C</td>
<td>$245</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Store D</td>
<td>$145</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Which store offers the cheapest DVD player?
Home task

It’s helpful to be informed about which products are good value for money. Choice magazine, published by the Australian Consumers Association, provides this kind of information. You can borrow Choice from the library or access some of the information for free from the internet.

**Use Choice to research** a product and brand you regularly buy. See what it says about the product’s performance.

<table>
<thead>
<tr>
<th>What is the name of the product?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is the brand you use ‘good value for money’?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Are you going to change brands after reading this article?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If yes, why?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If yes, which brand will you change to?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>
General tips to avoid spending and save money

Anna and Vic are becoming quite competitive about finding ways to save money.

Most of us have experienced the feeling that our money has just disappeared during the day - even when we are sure we have not spent anything.

Often it turns out we have spent money on things that were necessary - $10 for a child's school excursion, $6 for milk and bread on the way home, and so on.

At other times, we realise we have spent the money on things we could easily do without - $3 to catch a bus when we could have walked the distance in ten minutes, $20 to buy some clothing just because it was on special.

There are many steps we can take every day to avoid unnecessary spending and save money. As Kay says, she and Stan now look at spending differently. They have different habits and routines to avoid spending and to save money instead.

Activity 10

Read the savings tips on the next page and then tick the boxes to show if you think they are useful or not for you.

If there are some that seem useful, choose one or two to try out over the next few weeks.
### Savings Tips

<table>
<thead>
<tr>
<th>Tips</th>
<th>Useful for me</th>
<th>Not useful for me</th>
</tr>
</thead>
<tbody>
<tr>
<td>Get into the habit of thinking about ‘equivalences’. For example, a take-away might cost about the same as two home-cooked meals. A shirt might equal your transport costs for two weeks.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wrap your credit card in paper with a message on it saying <em>Do I really need to buy this?</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t always accept the price you asked for. You’d be surprised how often shopkeepers will drop their prices.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t spend money unnecessarily - the video fines, the library fines, the extra cost of using another bank’s ATM.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whenever you can, buy second-hand or discount – from op-shops, discount web sites, garage sales.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Throw out the catalogues. We all find these hard to resist, but if you don’t know about the bargains, you can’t spend money on them.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoid sales and bargain hunting. You may miss out on some good prices, but you’ll spend less and avoid ending up with things you may not need.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoid the temptation. Don’t go near the shopping mall (or garage sale) if you can’t afford to spend any money this week or month.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean out your purse or wallet each night and put the small change in a jar. Bank it every month or so.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Next time you want to buy something you don’t need, take the $2, $10, or $20 out of your wallet and put it away somewhere.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Play money tricks. For example, each time you get a $1 coin (or less), put it away somewhere and don’t touch it. You’ll soon find you have enough to deposit in your bank or use for something important.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If you get a pay rise, bank it or use it to pay off debts. Do the same thing if you get money unexpectedly, for example from the tax department.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realise that other people are in the same boat as you. This makes it easier to say <em>Let’s not eat there - it’s too expensive.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Be proud of how frugal you can be. When you find a new way to save money, tell someone else.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Look up the internet to find more tips about saving money.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Activity 11

Kay mentions that she gets ‘carried away’ with shopping when she is feeling worried or upset.

Discuss these people’s comments about their shopping habits:

• Do any of them sound a little like you? If so, which ones?
• Do you have any strategies or tips to deal with the experiences described?

Josie: I spend more money if I’ve had a bad day. Yesterday I had a terrible day at work and then went out and spent $100 on a dress. It was like a reward for getting through the day.

Linda: I like to go shopping when I’m in a bad mood - usually when I’ve had an argument with my mum. It really perks me up to buy something new or to find a great bargain.

Jack: They say women love to shop but let me loose in one of those giant hardware shops and I get very excited. I go crazy buying everything in sight - and some of them I never even use!

Tom: I shop when I’m really bored - sometimes on the internet. It fills in the time but costs me a lot.

Winnie: I know I spend more when I am feeling bad about the way I look.

Helena: I buy things to reward myself for being good - maybe doing something well at work or getting good marks in my course.

Jonie: I spend more when I feel stressed - even when I feel stressed about my finances!

Alex: I always find it hard to resist a sale, but especially if I’m feeling a bit low. And of course having a plastic card makes it far too easy for me to give in.
Making savings on the big bills

Vic and Anna have examined all their big expenses that come in every now and then, and feel there is not much they can do about them.

There are always certain expenses that we just have to cover - such as gas and electricity, rent or mortgage, car and transport costs.

However it’s important to examine these costs to see if some savings can be made. Every cent helps. In fact the biggest savings can often be made in these areas because these are where we spend the most money.

Activity 12

Read the advice about saving on energy costs in the brochure on the next page. Then discuss the advice with other students.

Which tips do you follow now? Which do you think you could adopt quite easily? Which do you need to adopt?

What other tips do you have about saving energy around the house? For example you might have some tips about using other appliances - the computer, the television, or the dishwasher. Share your ideas with others in the class, and then write down the most useful ideas for you.
Think about other big expenses - petrol, water and phone. **Share any savings tips** you know in these areas, and write down the most useful for you.

---

**Energy Tips**

Save energy, save money and save the planet

We use a lot of energy in our homes - sometimes more than we need. There are some very simple ways you can cut down on your energy use without sacrificing any home comforts. Not only will you save money, but you'll help to protect our planet.

**Water heating**
- use cold water instead of hot water whenever you can.
- fix dripping hot water taps as soon as possible.
- switch to off-peak.
- have shorter showers or think about installing water-saving shower heads.

**Home heating and cooling**
- use blinds and curtains to regulate home temperature.
- use fans instead of air conditioners.
- install a thermostat so you are only using heating/cooling when at home.
- wear extra clothes inside for warmth instead of switching on heater.
- only heat or cool rooms that you are actually using.

**Lighting**
- turn off lights when you don’t need them.
- choose low wattage lights for where bright lights are not needed. Less light = less energy.
- think about installing compact fluorescent globes - they last longer.

**Refrigeration**
- keep your fridge defrosted
- check seals to stop cold air leaking out
- put the temperature a little lower in winter
- turn your fridge off when away for long periods if possible
- if you have a second fridge for busy social times, turn it off when not in use. Fridges use up lots of electricity.

**Washing and drying clothes**
- wash only full loads of clothes
- switch to low water level for smaller loads
- use a clothesline instead of dryer whenever you can. Dryers use a great deal of energy.

**Cooking**
- use the right size saucepans
- check the seal on your oven door
- Keep the oven door closed when cooking. The temperature can drop by 14-20 degrees when the door is opened.
- make full use of your microwave.
Activity 13

If we understand how much electricity our appliances use we may be able to see where we can save money. Read the information about how to work out your electricity consumption, and then do the calculations on the next page.

Working out electricity consumption

Electricity is measured in watts (W).
The number of watts an electrical product uses is written on its label or product plate.
The more watts, the more electricity the product uses.

Electricity is sold in units of kilowatt hours (kWh).

1 kilowatt hour = 1 000 watts of electricity used in one hour
Your electricity company will determine the rate you are charged for every kilowatt hour of electricity you use.

Example 1

How much electricity would a 2 400 watt radiator use if left on for 4 hours?

First, work out how many watts are used in 4 hours:

\[ 2400 \times 4 = 9600 \]

Next, change to kilowatt hours:

\[ 9600 \div 1000 = 9.6 \]

So, a 2400 watt radiator left running for 4 hours would use 9.6 kWh of electricity.

Example 2

How much would the radiator cost to run for the 4 hours if electricity costs approximately $0.12 per kWh?

Multiply the 9.6 kWh by $0.12.

Cost of electricity = 9.6 x $0.12

= $1.152*

So, it would cost $1.15 (to the nearest cent) to run the radiator for 4 hours.

* Information on how to round money can be found in Unit 2, page 32

Tip – New electrical goods have an energy rating sticker. A 6-star energy rating is the most efficient and a 1-star is least efficient.
1. Irana has 8 light globes in her home and each globe uses 100 W of electricity. They are used for approximately 4 hours each night. Her electricity costs approximately $0.14 per kWh to run.

a) How many watts of electricity are used each night?
Multiply the number of light globes by watts by hours.

b) How many kilowatt hours of electricity are used each night?
Divide the amount above by 1000

c) How much does it cost to use the 100 W lights each night?
Multiply the amount above by $0.14, and round to the nearest cent.

d) How much does it cost to use the 100 W lights for a year?
Multiply the amount above by the days in a year.

e) If she changes her light globes to 60 W, how many watts of electricity are used each night?

f) If she changes her light globes to 60 W, how many kilowatt hours of electricity are used each night?
Divide the amount above by 1000.

g) How much does it cost to use the 60 W lights each night?
Multiply the amount above by $0.14, and round your answer to the nearest cent.

h) How much does it cost to use the 60 W lights for a year?
Multiply the amount above by the days in a year.

i) By changing light globes, how much could Irana save in a year?
2. Carlos has a brochure which shows the approximate cost for running electrical appliances. He finds out that his clothes dryer costs around 67 cents per load in electricity. He puts 3 loads into the dryer each week.

a) How much does it cost to dry his clothes for a week? (Answer in dollars and cents.)

b) How much does it cost to dry his clothes for a year?

3. John has a spare fridge in the garage. He leaves it switched on even though he only uses it for 2 weeks at Christmas. The fridge costs around 2.23 cents an hour to run.

a) How much would it cost to run for one day? (Round your answer to the nearest cent.)

b) How much would it cost to run for one week? (Answer in dollars and cents.)

c) What would it cost to run for 2 weeks?

d) What would it cost to run for a year?

e) If John turns the fridge off for the 50 weeks he does not use it, what would he save in a year?
Home task

The rate you are charged for electricity appears on your electricity bill. You may find different rates for ‘Domestic’ and ‘Off peak’. An example of a ‘Domestic’ rate is $0.119397 per kWh or $0.12 per kWh to the nearest cent.

Look at your last electricity bill. What rate were you charged for electricity?

To find out how much it costs to run electrical appliances, ask for a brochure from your local electricity company or check their website.

Use the information to estimate how much it costs to run your appliances each week and fill in the table below:

<table>
<thead>
<tr>
<th>Appliance</th>
<th>Hours used each week</th>
<th>Cost to run per hour</th>
<th>Cost to run per week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Write down any ways you can think of to save on your electricity costs.
Working out a budget

Anna and Vic now have a clear picture of their income and expenses, so Kay thinks they are ready for the next big step - a budget.

Kay: It sounds as though you’re ready for the next part, putting pen to paper and making a budget.

Budgeting means taking control of our finances and planning ahead, so that overall our expenses are not more than our incomes.

Anna’s income and expenses summary clearly showed that the family did not have enough income to pay for their expenses. They also had financial goals they wanted to achieve.

The family had two options:

1. increase income, or
2. spend less.

The first option was not possible in the short term. However, Vic was looking for full-time work and Anna was hoping to increase her hours. Also, Ricky was old enough to apply for some casual week-end work.

For now, they had to take the second option - spend less. They took a good look at their income and expenses summary and found there were some areas where they could reduce their spending.
Activity 14

On the next page is the budget that Anna’s family prepared. Look at the budget and answer the questions below.

1. Their most urgent financial goal is to send Ricky on his camp. How much money have they put aside for Ricky’s camp in their budget?

2. With the amount of money they’ve budgeted, calculate how many weeks will it take for them to have the $350 needed for the camp?

3. Before doing the budget they were spending $26 more than their income and getting into debt. With the budget they will be able to save around $34 a week and also put aside money towards Ricky’s camp. How much ‘better off’ are they with the budget?
Anna’s family budget

<table>
<thead>
<tr>
<th>Weekly spending</th>
<th>Weekly income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>School camp</strong></td>
<td>Vic’s net wage</td>
</tr>
<tr>
<td><strong>Rent</strong></td>
<td>$347</td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td>Anna’s net wage</td>
</tr>
<tr>
<td>$12</td>
<td>$154</td>
</tr>
<tr>
<td><strong>Take away/eating out</strong></td>
<td>Family Assistance Benefit</td>
</tr>
<tr>
<td>$25</td>
<td>$169</td>
</tr>
<tr>
<td><strong>Petrol</strong></td>
<td></td>
</tr>
<tr>
<td>$50</td>
<td></td>
</tr>
<tr>
<td><strong>Chemist</strong></td>
<td></td>
</tr>
<tr>
<td>$3</td>
<td></td>
</tr>
<tr>
<td><strong>Clothing, shoes</strong></td>
<td></td>
</tr>
<tr>
<td>$10</td>
<td></td>
</tr>
<tr>
<td><strong>Hair cuts</strong></td>
<td></td>
</tr>
<tr>
<td>$8</td>
<td></td>
</tr>
<tr>
<td><strong>Gifts</strong></td>
<td></td>
</tr>
<tr>
<td>$8</td>
<td></td>
</tr>
<tr>
<td><strong>School sport and excursions</strong></td>
<td></td>
</tr>
<tr>
<td>$10</td>
<td></td>
</tr>
<tr>
<td><strong>Vic’s pocket money</strong></td>
<td></td>
</tr>
<tr>
<td>$20</td>
<td></td>
</tr>
<tr>
<td><strong>Anna’s pocket money</strong></td>
<td></td>
</tr>
<tr>
<td>$20</td>
<td></td>
</tr>
<tr>
<td><strong>Ricky’s pocket money</strong></td>
<td></td>
</tr>
<tr>
<td>$10</td>
<td></td>
</tr>
<tr>
<td><strong>Bills and periodical expenses</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Water usage</strong></td>
<td></td>
</tr>
<tr>
<td>$4</td>
<td></td>
</tr>
<tr>
<td><strong>Home contents insurance</strong></td>
<td></td>
</tr>
<tr>
<td>$5</td>
<td></td>
</tr>
<tr>
<td><strong>Electricity</strong></td>
<td></td>
</tr>
<tr>
<td>$20</td>
<td></td>
</tr>
<tr>
<td><strong>Gas</strong></td>
<td></td>
</tr>
<tr>
<td>$5</td>
<td></td>
</tr>
<tr>
<td><strong>Telephone</strong></td>
<td></td>
</tr>
<tr>
<td>$15</td>
<td></td>
</tr>
<tr>
<td><strong>Anna’s mobile</strong></td>
<td></td>
</tr>
<tr>
<td>$5</td>
<td></td>
</tr>
<tr>
<td><strong>Ricky’s mobile</strong></td>
<td></td>
</tr>
<tr>
<td>$2</td>
<td></td>
</tr>
<tr>
<td><strong>Car registration</strong></td>
<td></td>
</tr>
<tr>
<td>$14</td>
<td></td>
</tr>
<tr>
<td><strong>Car insurance</strong></td>
<td></td>
</tr>
<tr>
<td>$6</td>
<td></td>
</tr>
<tr>
<td><strong>Credit card</strong></td>
<td></td>
</tr>
<tr>
<td>$35</td>
<td></td>
</tr>
<tr>
<td><strong>Store card</strong></td>
<td></td>
</tr>
<tr>
<td>$12</td>
<td></td>
</tr>
<tr>
<td><strong>School fees</strong></td>
<td></td>
</tr>
<tr>
<td>$2</td>
<td></td>
</tr>
<tr>
<td><strong>Total weekly expenses</strong></td>
<td></td>
</tr>
<tr>
<td>$636</td>
<td></td>
</tr>
<tr>
<td><strong>Total weekly income</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total income – total expenses</strong></td>
<td></td>
</tr>
<tr>
<td>$34</td>
<td></td>
</tr>
<tr>
<td><strong>$670</strong></td>
<td></td>
</tr>
</tbody>
</table>
Activity 15

Look back at Anna’s family’s income and expenses summary in Unit 2 on page 37. Compare it with their budget on the previous page, and discuss the changes the family has made. For example, can you see that they have cut down on groceries, meat and vegetables?

Some items have been completely cut from the budget, but they have added in pocket money.

Discuss how they might use their pocket money.

Home task

Look closely at income and expenses summary. Tick any expenses which may have some possibility for savings.

Also look back at your financial goals in Unit 1 on page 6.

Make notes about the changes you could make to your spending to help you to achieve one or more of your financials goals.
You may want to work out a budget for yourself or your family - or adapt a budget you use already. If so, you might find the following tips helpful. Try to make some savings so you can achieve your financial goals.

**Tips in making your own budget**

• Base your budget on your pay period – if you are paid weekly, work it out on a weekly basis. If paid fortnightly, work it out on a fortnightly basis. If paid monthly, work it out on a monthly basis.

• You may need to change figures quite a few times before you come up with something you feel is realistic.

• Don’t make the budget so tight and demanding that it is impossible to stick to. Try to be as realistic as you can.

• Don’t think of your budget as being set in concrete. Revise whenever your circumstances change, but never lose sight of your savings goals.

• If you have loans or debts that need to be paid off, make sure you put these into the budget. *(More on this in Unit 5.)*

• You could make the budget a family project with all members of the family involved.

• You could search for an interactive **budget calculator** on the internet. You just fill in your own figures and the calculations are done for you.

• You could try making a budget on the computer using a **spreadsheet** program. The advantage of a spreadsheet is that if your income or expenses change you just put the new figures in and all the new calculations happen automatically.
Unit 4: Dealing with paperwork

Having a system

Anna and Vic are finding it difficult to manage the paperwork involved in money management. Kay suggests they need a system or routine.

Kay: Doing the paperwork isn’t the most exciting job in the world but it’s absolutely essential if you want to stay on top of your finances. We established a routine for keeping and paying the bills. Firstly, we put up a wall calendar that showed the whole year, and marked off when the bills usually came in – gas, electricity, water, phone, insurance.

If we can be organised with bills and periodical payments, it is easier to avoid unnecessary late fees, paying some bills twice or forgetting to pay others.

We can see at a glance what bills have been paid and what are left to pay. It saves the worry of having a letter arrive from a debt collection agency.

Activity 1

In Unit 2 (page 27), you thought about your own habits and routines, and rated your organisational skills.

Discuss:
- What rating did you give yourself then (1 to 10, with 10 the highest)?
- Have you changed any habits and routines since then?
- If so, what/how have you changed?
- Would you give yourself a different rating now? If so, what would it be?
- In what areas do you think you could still improve?
Activity 2

Kay and Stan used:

- a wall calendar to track when bills were due
- a special place on the desk to put bills when they came in
- a weekly session together to pay the bills
- a concertina (expandable) file for paid bills and paperwork.

Discuss:

Have you used the methods below (or others) to track when bills are due?
How well do they work?
- a yearly wall calendar
- a notebook diary
- a calendar on the computer
- a computer spreadsheet
- a phone or computer reminder system
- reminder notes to yourself.

Have you used the methods below (or others) to store bills before they are paid?
How well do they work?
- a file tray or box on a desk
- a shoebox
- the kitchen table
- a drawer
- a manila folder
- a section of a file or folder eg the front of an expandable file.

Have you used the filing systems below to store bills after they are paid?
How well do they work?
- a ring binder folder with dividers
- an expandable file with dividers
- the drawer of a filing cabinet with dividers
- shoe boxes
- the bottom drawer.

Perhaps you don’t keep paid bills at all. We will discuss why this is a good idea later in this unit.
Activity 3

Read through these suggestions for keeping on top of bills - before and after payment.

Discuss with others whether or not they could help you.

Keeping on top of the bills

• To keep your bills organised you could use:
  - a ring binder folder with dividers or plastic sleeves
  - an expandable file with dividers, or
  - the drawer of a filing cabinet with dividers

• At the front of your folder, file or filing cabinet put a copy of your Budget and your Bills and Periodical Expenses Summary. Also put in a blank Bills and Periodical Expenses table.

• Label the first divider Bills to be Paid. Then label the rest of the dividers with the names of your bills, for example Rent, Electricity, Credit Card.

• As you receive a bill (usually in the mail) underline or highlight the ‘Date Due’ and place the bill in the divider labelled Bills to be Paid.

• Choose one day a week (or fortnight) when you will pay your bills. Pay via BPAY, cheque or whatever your preferred method of payment may be.

• Once paid, write the amount in the appropriate box of your blank Bills and Periodical Expenses table. Then you can see at a glance if you have paid a bill. Also, it will help you to up-date your budget the next year.

• File all bill statements in the divider that goes with (corresponds to) that bill.
Understanding bills

Vic and Anna realise the importance of reading bills carefully and paying them by the due date.

Utility bills include electricity, gas, water and phone bills. In taking control of our finances we need to read and understand these bills. The tips below may help you.

Tips for reading bills

• As soon as the bill comes in, identify the date it is due to be paid.
• Make sure the amount paid on the last bill appears correctly on your current bill.
• Compare current bills with previous ones. Look for changes such as the bill going up or down. Think about why this may have happened and consider whether you could change anything to save money in the future.
• If you are unsure about a bill, telephone the number given for Account Enquiries.

Anna: We’ve made quite a few mistakes with paying the bills – we missed the due date three or four times, and I mistook one bill for a statement.
### Activity 4

**Read** the extract of an *electricity bill* on the next page and answer these questions:

1. How much is this bill? ________________

2. How much was the last bill? ________________

3. How much was paid on the last bill? ________________

4. When should this bill be paid by? ________________

5. How much is the fee for late payment (including GST)? ________________

6. Was there a late payment fee on this bill? ________________

7. How many days does this bill cover? ________________

8. How many kilowatt hours (kWh) of electricity was used over this billing period? ________________

9. What is the rate charged for domestic electricity (to the nearest cent)? ________________

10. Look at the graph showing the average daily electricity usage. What’s the average daily usage for this billing period? ________________ kWh per day

11. Use the graph to compare this billing period with the previous billing period. Has electricity usage increased or decreased? ________________

   By how much? ________________ kWh per day

12. Use the graph to compare this billing period with the same billing period last year. Has electricity usage increased or decreased? ________________

   By how much? ________________ kWh per day

13. What number would you phone if you have a question about this bill?
Mr John Sample  
1 Sample St  
Sampleville  
2666  

Extension of time  
Please contact us on receipt of your account to discuss the possibility of an extension of time to pay.

Late payment fee*  
A fee of $5.45 (including GST) may be charged to an account when it is paid after the due date and where a reminder notice is issued.

Overdue Account  
The due date for payment does not apply to arrears. If there are arrears they are overdue and should be paid immediately.

Rebate  
Available to eligible pensioners and users of approved life support machines.

Summary of Your Account

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of last account</td>
<td>$186.55</td>
</tr>
<tr>
<td>Less payments</td>
<td>$186.55 CR</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Account Summary - 16/12/05 to 21/03/06

- Electricity charges (see reverse for details): $188.79
- Late payment fee*: $4.96
- Plus GST payable: $19.38

Total amount of this account (including GST): $213.13

Total amount Due (see reverse for detail): $213.13

*GST Applies to this term

Your Electricity Usage

<table>
<thead>
<tr>
<th>Month</th>
<th>kWh per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEP</td>
<td>12.7</td>
</tr>
<tr>
<td>DEC</td>
<td>11.2</td>
</tr>
<tr>
<td>MAR</td>
<td>10.8</td>
</tr>
<tr>
<td>JUN</td>
<td>14.9</td>
</tr>
<tr>
<td>SEP</td>
<td>15.7</td>
</tr>
<tr>
<td>DEC</td>
<td>12.6</td>
</tr>
<tr>
<td>MAR</td>
<td>14.3</td>
</tr>
</tbody>
</table>

DOMESTIC – Total Usage: 1361 kWh

Your Account Calculations

<table>
<thead>
<tr>
<th>Pricing Option</th>
<th>GST Applies</th>
<th>Usage</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOMESTIC</td>
<td>Yes</td>
<td>1361.00</td>
<td>$0.117770</td>
<td>$160.29</td>
</tr>
<tr>
<td>Domestic</td>
<td>Yes</td>
<td>95</td>
<td>$0.300000</td>
<td>$28.50</td>
</tr>
<tr>
<td>System Access Chg</td>
<td>Yes</td>
<td>95 days</td>
<td>$188.79</td>
<td></td>
</tr>
</tbody>
</table>
Home task

Find a recent electricity bill. Look at the graph showing your average daily electricity usage and answer these questions:

How many kWh of electricity did you use each day for this billing period? _____

 Compare this billing period with the previous billing period.
Has your average daily electricity usage increased or decreased? ____________
By how much? ________________
Why do you think this has happened? ____________________________________________

 Compare this billing period with the same billing period last year.
Has your average daily electricity usage increased or decreased? ____________
By how much? ________________
Why do you think this has happened? ____________________________________________

Activity 5

Phone bills can be several pages long because all calls other than local calls are itemised. Read the extract from a home phone bill on the next page and answer these questions:

1. How much is this bill? ________________________________________________
2. When should this bill be paid by? ______________________________________
3. How much is charged for line rental for the month? _______________________
4. Local calls are called ‘Local Package’ on this bill.
   a) How many local calls were made? _____________________________________
b) How much did local calls cost altogether (including GST)?

b) How much did local calls cost altogether (including GST)?

c) Work out the cost of each local call (to the nearest cent).

5. How many STD calls were made over this billing period?

6. How much was charged for STD calls (including GST)?

7. Look at the most expensive STD call. Find:
   a) the date
   b) the time of day
   c) the place
   d) the rate
   e) the length of the call min sec
   f) the cost of the call (including GST)

8. Apart from local and STD calls, what other call charges appear on this phone bill?

9. Look at the graph that compares bill totals. Compare this month with last month.
   a) Has the phone bill increased or decreased?
   b) By how much?

10. Use the graph to compare this month with the same month last year.
    a) Has the phone bill increased or decreased?
    b) By how much?
Phone bill (front of the bill)

RiNGLot
tax Invoice – issued 08 Feb’06

Mr John Sample
1 Sample St
Sampleville 2666

Account Activity

Previous balance $90.61
We received $90.61 cr
Balance $0.00

New charges pay by 27 Feb ’06 $69.33
Total $69.33

Phone bill (back of the bill)

Service Summary

Call charges
Local package to 03 Feb 52 calls 8.27 9.10
Calls to 13 Numbers to 03 Feb 17 calls 3.86 4.25
STD to 03 Feb 17 calls 15.33 16.86
Calls direct to Mobiles to 03 Feb 2 calls 1.35 1.49
Network Features to 02 Feb 4 uses 1.27 1.40

Services and equipment rental
1 Basic Call Control @ 3.30 per month 04 Feb to 03 Mar 3.00 3.30
1 Line Rental @ 29.94 per month 04 Feb to 03 Mar 27.22 29.94
1 Extra Handset Rental @ 2.99 per month 04 Feb to 03 Mar 2.72 2.99

Total for 02 6677 889X $63.02 $69.33

STD Calls - Itemised

Date Time Place Number Rate Min:Sec Excl GST $ Incl GST $ Excl GST $ Incl GST $  
04 Jan 10:26 am Cowpastures 0226 357X Regional 1:47 0.51 0.56
04 Jan 10:56 am Sydney 0275 385X Regional 24:56 0.90 0.99
06 Jan 7:18 pm Sydney 0257 247X Regional 6:35 0.90 0.99
10 Jan 8:42 pm Sydney 0257 247X Regional 3.55 0.74 0.82
10 Jan 8:48 pm Sydney 0257 247X Regional 3.47 0.73 0.80
13 Jan 8:28 pm Sydney 0275 385X Regional 27.06 0.90 0.99
14 Jan 9:20 am Sydney 0257 247X Regional 1.00 0.43 0.47
14 Jan 03:32 pm Sydney 0257 247X Regional 0.05 0.33 0.36
15 Jan 6:34 pm Sydney 0275 385X Regional 3.15 0.67 0.74
17 Jan 08:32 am Sydney 0257 247X Regional 17.15 0.90 0.99
17 Jan 08:04 pm Sydney 0257 247X Regional 8.10 0.90 0.99
28 Jan 09:22 pm Sydney 0275 385X Regional 2.46 0.62 0.68
29 Jan 08:14 pm Sydney 0275 385X Regional 10.02 0.90 0.99
29 Jan 08:26 pm Paradise Point 0746 564X Economy 34:14 5.00 5.50
02 Feb 08:51 pm Sydney 0275 385X Regional 13:47 0.90 0.99

Total for STD $15.33 $16.86
1. **Find a recent home phone bill** you have received and answer these questions:

   What period of time did this billing period cover? ________________________

   What’s the total amount you were charged for:

   - Calls to mobiles ________________________
   - STD calls ________________________
   - IDD (International) calls ________________________
   - Local calls ________________________
   - Network features (for example, Call Return) ________________________

   Were there any calls to mobiles, STD or IDD calls that you thought were higher than you would have expected? ________________________

   Why? ________________________

   Look at the graph which compares your total phone bills. Are there big variations (differences)? ________________________

   Why? ________________________

   At the end of the How to Pay section there is an asterisk (*) which says ‘A payment processing fee applies…’ Which methods of payment have a payment processing fee? ________________________

2. If you are on a mobile plan, **find a recent mobile phone bill** you have received and answer these questions:

   What period of time did this billing period cover? ________________________

   Look at your Call Charge Summary and see how much you were charged for each call type. For example, SMS, voicemail, calls to landlines, calls to other mobiles.
What type of call is the highest cost for you? ____________________________

Look at the list of individual calls. Were there any calls that you thought were higher than you would have expected? ____________________________

Why? ____________________________________________________________

Look at the graph which shows your account history. Are there big variations (differences)? ____________________________

Why? ____________________________________________________________
Methods of paying bills

Anna and Kay talk about how they pay their bills. They mention a number of methods - cash, direct debit, and Centrepay.

Anna: At the moment we pay most bills in cash at the Post Office, but maybe we could set up an account for bills and organise direct debit for some. … We found out today about a system called Centrepay. If you’re on Centrelink benefits you can arrange to have regular amounts to go straight to pay your bills.

Each method of paying bills has its advantages and disadvantages. Making decisions about the best way to pay will involve doing some research - making a phone call, reading a brochure or talking to people at the billing company or your bank (or credit union or building society). It might also involve talking to Centrelink or a financial counsellor.

Activity 6

Read through the methods of payment on the next page. Discuss with others in the group the advantages or disadvantages of each, and note down any useful points.

Discuss any positive or negative experiences you have had with the methods.
<table>
<thead>
<tr>
<th>Method of payment</th>
<th>Explanation</th>
<th>Advantages &amp; disadvantages</th>
</tr>
</thead>
</table>
| Direct debit      | You arrange for the billing company to automatically take money from your cheque, savings or credit card account to pay your bills.  
NOTE: Some organisations allow you to pay a regular fixed payment from your account to cover your bills over a period (e.g. $30 a month). | |
| BPAY              | When you receive a bill, you contact your bank to pay it directly to the billing company from your cheque or savings account. You need a biller code and a reference number (found on your bill). | |
| POSTbillpay       | You pay in person at any Post Office, by phone or POSTbillpay internet address - in cash or from your cheque or savings account.  
NOTE: You need a biller code and a reference number (found on your bill). | |
| Payment in person | You pay by cash, or from your cheque or savings account at the Post Office or at the company’s offices. | |
| Payment by post   | You send a cheque or Postal Order to the company. | |
| Payment by phone  | You pay over the phone from your cheque, savings or credit card account. | |
| Credit card on the internet | You pay by credit card (only) on the company’s website. | |
| Centrepay         | You organise regular amounts to be deducted from your Centrelink payments to cover particular bills.  
NOTE: You can only use this if you receive Centrelink payments. | |
Activity 7

When making decisions about how to pay your bills, you need to take into account any banking charges and fees involved. You might need to do some research about your own bank (or credit union or building society), and compare it with other banks.

Look at this list of fees charged by the main savings accounts at 4 imaginary banks, and then answer the questions below:

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Rainy Day Bank</th>
<th>More Save Bank</th>
<th>Bright Future Bank</th>
<th>Nest Egg Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free transactions each month</td>
<td>6</td>
<td>7</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>ATM withdrawals at your bank</td>
<td>50c</td>
<td>—</td>
<td>60c</td>
<td>—</td>
</tr>
<tr>
<td>ATM withdrawals at another bank</td>
<td>$1.50</td>
<td>$1.50</td>
<td>$2.50</td>
<td>$4</td>
</tr>
<tr>
<td>Branch cash withdrawals</td>
<td>$2.50</td>
<td>$2</td>
<td>$2.50</td>
<td>$4</td>
</tr>
<tr>
<td>Phone bank transaction</td>
<td>50c</td>
<td>30c</td>
<td>—</td>
<td>$4</td>
</tr>
<tr>
<td>Internet banking</td>
<td>—</td>
<td>30c</td>
<td>—</td>
<td>$4</td>
</tr>
<tr>
<td>Cheque withdrawal</td>
<td>50c</td>
<td>$1</td>
<td>$1.25</td>
<td>$4</td>
</tr>
<tr>
<td>Direct debit</td>
<td>—</td>
<td>30c</td>
<td>$1</td>
<td>$4</td>
</tr>
<tr>
<td>EFTPOS</td>
<td>50c</td>
<td>50c</td>
<td>$1.25</td>
<td>$4</td>
</tr>
</tbody>
</table>

1. a) Which two banks charge the highest transaction fees overall?

   ________________________________________________________________

   b) What positive features offset (make up for) these high fees?

   ________________________________________________________________

2. a) Which two banks charge the lowest transaction fees overall?

   ________________________________________________________________

   b) What are the negative features of these banks?

   ________________________________________________________________
3. Which method of transaction has the lowest fees overall (eg phone, ATM)?

4. Why do you think this is?

5. If you were making a decision about how to pay your bills based on the information in the chart, which bank would you choose?
Activity 8

Read and discuss the information below:

Using direct debit

Direct debit can be a very efficient way to pay your bills. However it does mean you are handing over control to somebody else - the phone company, the electricity company etc. You therefore need to think very carefully before arranging to use it.

Here are some useful questions to think about:

• Do I trust the company?

• Have they offered me other methods of payment?
  Have they pressured me into paying by direct debit?

• Have I read the direct debit agreement before signing?

• Do I understand what I am allowing the company to do?

• Is it a fixed or variable amount I am paying? (Direct debit is generally better for paying small to medium fixed amounts - for example, insurance installments. It can be difficult to budget around unpredictable amounts that vary from period to period.)

• Will there always be enough in my account to cover the direct debit? (If not, both the bank and the billing organisation may charge a fee. Or, the bank may cover your payment and then charge you a fee for doing so.)

• If using direct debit for a variable amount, can I get the bill first so I can see how much is to be debited?

• Can I arrange for a variable amount to be ‘capped’ (stopped at a certain maximum amount)?

• Can I choose the payment dates to suit my pay periods?

If you do decide to use direct debit, don’t just forget about it. Check your bank statements to make sure the organisation is debiting your account as they should be.
Home tasks

Do the tasks that look useful for you personally.

1. If you receive Centrelink payments and do not know about Centrepay:
   • look up information about Centrepay on the Centrelink website, or
   • go into a Centrelink office to find out details
   • think about whether Centrepay would be useful for you.

2. Look at the payment information on your bills (gas, electricity, phone etc):
   • find out if they have a payment method which lets you pay a direct debit
     regular fixed payment. For example, Telstra has a program called BudgetPay.
   • think about whether these methods would be useful for you.

3. Many websites provide information to help people manage their finances. One
   is the FIDO website, established by the Australian Securities & Investments
   Commission. The FIDO website includes two sections which are useful to read when
   thinking about how to pay your bills. Look up the FIDO website:
   • click on ‘deposit accounts’, or type ‘deposit accounts’ into the FIDO
     search engine
   • click on ‘Transaction fees on your accounts’ and ‘Direct debits - how to
     make them work for you’
   • read the information in both sections.

4. The Australian Consumer Association has a website which can help you with many
   money matters. One useful section allows you to compare all the charges and fees of
   Australian financial institutions. To find this section:
   • go to www.choice.com.au and then type in ‘flick your bank’, or
   • click on ‘compare transaction accounts … more’.

5. Pick up brochures about fees at your financial institution, or find them on its web-
   site. Bring the information into class. Work with others to compare the fees and
   charges for the transactions listed in Activity 6 on page 77.

Please note, this information was correct at the time of writing, but may have changed since then.
Checking statements

Kay regularly checks her bank statement to make sure there are no mistakes.

A statement is a record summarising all the transactions of an account. It includes fees paid and interest. Statements might be sent monthly, quarterly or yearly.

Checking bank statements is important. Most people check their change when shopping with small amounts of cash but may not think about checking statements which show the ‘invisible spending’ of much larger amounts.

NOTE: The Australian Tax Office requires you to store your personal bank statements for 7 years for tax purposes.

Activity 9

Discuss:

• What sorts of statements do you receive now or have you received in the past?
• What would you expect to find in a statement?
• Do you check your statements? If yes, what do you check?
• Have you or anyone you know ever found an error on a statement?
• If yes, what was the error?
• What was done to rectify the error?
Read the statement below and discuss: Is it likely to change your usual practice with bank statements?

There are claims that more than 50 percent of home loan statements contain calculation errors. Simple mistakes, like the entry of the incorrect balance … can be costly and mostly favour the lender.

We all make mistakes, even bank computers make them, and that’s why borrowers should keep a close eye on loan statements. Various software for your home PC is available that can run a check on your statements.

From the Business section of the Sydney Morning Herald website.

Activity 10

Read and discuss these tips for checking statements.

Tips for checking statements

• Make sure all transactions over the statement period have been accounted for.
• If you have carefully stored all receipts and bills, you can quickly check them against the statement.
• Check that the correct amounts have been debited or credited to your account - and make sure the decimal point is in the correct place. For example, check that a $300.00 deposit is not showing as $30.00.
• Check the additions and subtractions have been done correctly.
• Check there are no unexpected fees. If there are, check out why. See what you can do to avoid them in the future.
• Check that interest has been calculated correctly and on the correct day.
Activity 11

Mary has a savings account. She uses her account to purchase goods using EFTPOS and pay bills using Direct Debit and BPAY. Sometimes she withdraws cash from an ATM machine. Her pay goes directly into her account each week. She keeps all receipts, dockets and pay slips so that she can check her statement each month.

Use Mary’s notes on the next page and answer the following questions:

1. How much in total should have been credited (deposited) to Mary’s account?

2. How much in total should have been debited (withdrawn) from the account?

3. Mary’s opening balance is $587.55. How much would you expect to be in Mary’s account as the closing balance on the March statement?

4. Now look at an extract from Mary’s bank statement on the next page. Tick off the items in Mary’s notes against the items on the statement.

5. What transactions on the statement haven’t been ticked?

6. Use your calculator to check that the additions and subtractions are correct.
Here is Mary's record of transactions on her account for the month starting 2 March:

<table>
<thead>
<tr>
<th>Direct Debits</th>
<th>Safety Insurance - $45 on 5 Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rent - $185 each week -</td>
</tr>
<tr>
<td></td>
<td>on 4 Mar, 11 Mar, 18 Mar, 25 Mar</td>
</tr>
<tr>
<td>ATM Withdrawals</td>
<td>$100 on 7 Mar</td>
</tr>
<tr>
<td></td>
<td>$50 on 12 Mar</td>
</tr>
<tr>
<td></td>
<td>$100 on 23 Mar</td>
</tr>
<tr>
<td>BPAY</td>
<td>Gas bill - $165.45 on 14 Mar</td>
</tr>
<tr>
<td></td>
<td>Mobile phone bill - $56.75 on 29 Mar</td>
</tr>
<tr>
<td>EFTPOS</td>
<td>Groceries - $72.45 on 6 Mar, $99.80 on 13 Mar, $84.65 on 20 Mar, $127.05 on 27 Mar</td>
</tr>
<tr>
<td></td>
<td>Petrol - $54.85 on 7 Mar, $46.72 on 21 Mar</td>
</tr>
<tr>
<td>Wages received</td>
<td>$482.35 each week, Pay days are 6 Mar, 13 Mar, 20 Mar, 27 Mar</td>
</tr>
</tbody>
</table>
### Australia Bank

Your financial statement from Australia Bank

**Ms John Sample**
1 Sample St
Sampleville
2666

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 Feb</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>$587.55</td>
</tr>
<tr>
<td>4 Mar</td>
<td>Direct Debit – Market Real Estate</td>
<td>$185.00</td>
<td>$402.55</td>
<td>$402.55</td>
</tr>
<tr>
<td>5 Mar</td>
<td>Direct Debit - Safety Insurance</td>
<td>$45.00</td>
<td>$357.55</td>
<td>$357.55</td>
</tr>
<tr>
<td>6 Mar</td>
<td>EFTPOS: Greens Groceries</td>
<td>$72.45</td>
<td>$285.10</td>
<td>$285.10</td>
</tr>
<tr>
<td>6 Mar</td>
<td>Direct Credit: From Mangrove Enterprises</td>
<td></td>
<td>$482.35</td>
<td>$767.45</td>
</tr>
<tr>
<td>7 Mar</td>
<td>ATM Withdrawal</td>
<td>$100.00</td>
<td>$667.45</td>
<td>$667.45</td>
</tr>
<tr>
<td>7 Mar</td>
<td>EFTPOS: Paul’s Petrol</td>
<td>$54.85</td>
<td>$612.60</td>
<td>$612.60</td>
</tr>
<tr>
<td>11 Mar</td>
<td>Direct Debit – Market Real Estate</td>
<td>$185.00</td>
<td>$427.60</td>
<td>$427.60</td>
</tr>
<tr>
<td>12 Mar</td>
<td>ATM Withdrawal</td>
<td>$50.00</td>
<td>$377.60</td>
<td>$377.60</td>
</tr>
<tr>
<td>13 Mar</td>
<td>EFTPOS: Greens Groceries</td>
<td>$99.80</td>
<td>$277.80</td>
<td>$277.80</td>
</tr>
<tr>
<td>13 Mar</td>
<td>Direct Credit: From Mangrove Enterprises</td>
<td></td>
<td>$482.35</td>
<td>$760.15</td>
</tr>
<tr>
<td>14 Mar</td>
<td>BPAY: MGC Gas</td>
<td>$165.45</td>
<td>$594.70</td>
<td>$594.70</td>
</tr>
<tr>
<td>18 Mar</td>
<td>Direct Debit – Market Real Estate</td>
<td>$185.00</td>
<td>$409.70</td>
<td>$409.70</td>
</tr>
<tr>
<td>20 Mar</td>
<td>EFTPOS: Greens Groceries</td>
<td>$84.65</td>
<td>$325.05</td>
<td>$325.05</td>
</tr>
<tr>
<td>20 Mar</td>
<td>Direct Credit: From Mangrove Enterprises</td>
<td></td>
<td>$482.35</td>
<td>$807.40</td>
</tr>
<tr>
<td>21 Mar</td>
<td>EFTPOS: Paul’s Petrol</td>
<td>$46.72</td>
<td>$760.68</td>
<td>$760.68</td>
</tr>
<tr>
<td>23 Mar</td>
<td>ATM Withdrawal</td>
<td>$100.00</td>
<td>$660.68</td>
<td>$660.68</td>
</tr>
<tr>
<td>25 Mar</td>
<td>Direct Debit – Market Real Estate</td>
<td>$185.00</td>
<td>$475.68</td>
<td>$475.68</td>
</tr>
<tr>
<td>27 Mar</td>
<td>EFTPOS: Greens Groceries</td>
<td>$127.05</td>
<td>$348.63</td>
<td>$348.63</td>
</tr>
<tr>
<td>27 Mar</td>
<td>Direct Credit: From Mangrove Enterprises</td>
<td></td>
<td>$482.35</td>
<td>$830.98</td>
</tr>
<tr>
<td>29 Mar</td>
<td>BPAY: Atlas Mobile</td>
<td>$56.75</td>
<td>$774.23</td>
<td>$774.23</td>
</tr>
<tr>
<td>31 Mar</td>
<td>Interest Credit</td>
<td>$1.14</td>
<td>$775.37</td>
<td>$775.37</td>
</tr>
<tr>
<td>31 Mar</td>
<td><strong>Closing Balance</strong></td>
<td></td>
<td></td>
<td><strong>$775.37</strong></td>
</tr>
</tbody>
</table>

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Keeping financial paperwork

Anna admits that she and Vic are still not good about keeping receipts and other paperwork. Kay helps her to make a list of the kinds of paperwork they should keep.

Not many of us like sorting out paperwork, but it is essential if we want to have control of our finances.

There are many different kinds of paperwork we should keep, and different reasons for keeping each kind. Here are some reasons we might keep a particular document:

- to keep track of what has been paid and what has not
- to provide proof of payment
- to provide proof of ownership
- to check your accounts are correct (correctly charged etc)
- to help with budgeting and planning
- to use for tax purposes
- to help find important information (contact details, dates etc)
- to provide a record of your rights and obligations
- to provide a record of someone else’s rights and obligations
- to use when problems arise (eg returning faulty products)

Whatever the purpose, we usually need to work out a filing system for organising the paperwork. Look back at the system for organising bills on page 67.
Activity 12

Kay and Anna created a long list of the types of paperwork that Anna might need to keep. **Brainstorm** with others what you think was on their list. **Record** your ideas below:

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
Now **look at** Anna and Kay’s list.

<table>
<thead>
<tr>
<th>Bills</th>
<th>Rental lease papers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td>Home ownership papers</td>
</tr>
<tr>
<td>Shopping dockets</td>
<td>Fines paid</td>
</tr>
<tr>
<td>Bank statements</td>
<td>Employment contracts</td>
</tr>
<tr>
<td>Cheque book butts</td>
<td>Contracts</td>
</tr>
<tr>
<td>Guarantees/warranties</td>
<td>Birth certificates</td>
</tr>
<tr>
<td>Product information, operating manuals</td>
<td>Passports</td>
</tr>
<tr>
<td>Tax returns</td>
<td>Marriage certificates</td>
</tr>
<tr>
<td>Letters</td>
<td>Divorce papers</td>
</tr>
<tr>
<td>Medical certificates</td>
<td>Legal documents</td>
</tr>
<tr>
<td>Doctor’s letters or reports</td>
<td>References</td>
</tr>
<tr>
<td>Wills</td>
<td></td>
</tr>
</tbody>
</table>

**Discuss** why you would keep these kinds of paperwork and for how long.
Understanding financial information

Anna admits she sometimes has trouble understanding both written and spoken information about finances

Anna: Sometimes I find it really hard to understand what these companies are telling me - or asking me to do.

Kay: You have a right to ask questions. I am always saying 'I'm sorry you'll have to explain that again' or 'I don't understand what that letter means.'

It is often difficult to stop sales and marketing people, as they rush through complicated information, rates and payment details.

We often think there is something wrong with us, but often the problem is with the other person. They don't give information in a way that can be understood by ordinary people. Most of us need information about phone plans or banking accounts or insurance schemes 'spelt out' to us - slowly and clearly.

It is the same with written information. Some company information is very complicated and technical. Again, most of us struggle to work our way through this kind of writing.

We all need tips and strategies to deal with these situations - especially if a contract is involved. *We will look more at contracts in Unit 6.*

Activity 13

On the next page are some tips to help you when dealing with complex financial information on the phone or face-to-face. **Read** through the tips, and then **share** any other tips with others in the group.
Tips for dealing with complex financial information

These questions and statements might help you to clarify and confirm your understanding:

Could you say that again please?
I'm sorry, could you explain that more slowly?
I'm sorry I did not understand. Can you explain it again?
Excuse me, but what exactly does this term/sentence/paragraph mean?
What exactly did you mean when you said …
Let me see if I understand that correctly. If I …
Do you mean that…?
If I understand you correctly, I need to …
Are you saying that…?

A very useful way to make sure you have something right is simply to repeat, or say in similar words, what the person says to you:

Company representative (rep): The maximum amount you will pay each month is $50.
You: So, the most I will pay each month is $50.
Company rep: That’s right.

Company rep: Just ring the company within 10 days if you decide not to proceed.
You: So, if I change my mind, I have to call you by …6th March?
Company rep: Let me see. No, you would have to ring by close of business on the 5th.

When repeating back information, it may be useful to add words like all, always and never to make things absolutely clear.

Company rep: The phone will cost you $45 dollars a month.
You: So I will never have to pay more than $45 in one month?
Company rep: Um, no, that is the plan you are on, but if you make lots of calls and go over that, you will have to pay for them - but at the same rate as the plan.
You: So, I might pay much more than $45?
Company rep: Yes.
Company rep: Long-distance calls under this plan will cost $1.50 maximum per call.
You: So you are saying that all long-distance calls will cost me $1.50?
Company rep: Well no, not all calls. That rate’s only if you call between 7 pm and midnight, Sunday to Friday, and 4 pm and midnight Saturday.
You: So, if I call between 7 pm and midnight, Sunday to Friday, and 4 pm and midnight Saturday, my calls will be capped at $1.50?
Company rep: That’s right.
Unit 5: Managing debt

‘Putting it on the plastic’

Anna and Kay talk about buying things on credit.

We know that we eventually have to pay for what we buy when we use ‘a bit of plastic’. However, we often spend more than we can afford. Credit cards can be a great benefit but they are dangerous. They are one of the easiest ways to get into debt.

Activity 1

Read and discuss these people’s comments about credit cards. Which do you think are the most common reasons for credit card debt?

Paula: I don’t understand how interest works but I’m sure it will work out OK in the end.

Katy: We need so many things for the house and I couldn’t buy them without credit.

Nelson: It doesn’t feel like I’m spending money when I use my credit card.
**Mick:** I fool myself that I’m not spending money. I have cash in my wallet, so it’s OK.

**Celia:** I just can’t resist the adverts for all those lovely things. I have to have them now.

**Brian:** I would have been OK, but I lost my job and couldn’t keep up with the payments.

**Vasyl:** It’s too easy to get credit cards. They should make it harder instead of encouraging you.

**Jana:** These big stores almost force you to sign up for a credit card. I didn’t want one but they talked me into it, and now I’m in big debt.
Understanding credit card statements

Anna and Vic do not pay much attention to the information on credit card statements.

Credit card statements are the main way we can keep track of what we have paid and what we still owe, so it is important that we pay attention to them.

Activity 2

Read the credit card statement on the next page and answer these questions:

1. When he receives this statement, how much does John owe on his credit card?

2. The Opening Balance is what was owed on the last credit card statement. How much was the Opening Balance?

3. How much was paid on his last credit card bill?

4. How much has he spent on purchases during this period?

5. What is the annual fee?

6. How much interest does John have to pay (on this card it is called ‘Credit Charge – Purchases)’?

7. Use your calculator to check that the amounts in the balance column are correct.
Home task

If you have a credit card or a store card, find a recent statement. Answer the questions in Activity 2 for your own statement.
Anna and Vic don’t completely understand debt and interest.

Usually when we borrow money, we are charged interest on the money we owe. This interest is what we pay the lender for the use of their money.

There are two kinds of interest - simple interest and compound interest:

1. **Simple interest** is interest paid only on the amount borrowed, and
2. **Compound interest** is interest paid on the amount borrowed and on the unpaid interest as well.

Most loans charge compound interest but it is important to understand simple interest first. The best way to understand interest is to look at some examples.

---

**Working out simple interest**

**Example**

Lin has borrowed $5 000 from her brother for one year. He charges her simple interest at the rate of 20% per annum (p.a.).

To work out how much Lin would pay:

Put into the calculator: $5000 \times 20\%$

The answer on the calculator screen is $1000$

So, the interest for 1 year is $1 000.$

*continued next page*
The amount owing at the end of the year is $6 000. (The $5 000 borrowed + $1 000 interest)

NOTE: When the amount is a round number like $5 000 and the % converts to a simple fraction (20% = 1/5), you might be able to work out simple interest in your head or on paper.

For example, 1/5 of $5 000 = $1 000

These percentages and fraction equivalents might help you:

5% = 1/20 10% = 1/10 20% = 1/5 12.5% = 1/8 25% = 1/4

Activity 3

1. Work out how much interest would be charged on a $1 000 loan for one year at different rates of interest in the table below.

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Interest charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 000</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>$1 000</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>$1 000</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

2. True or false? Write T or F in the space.
   a) The higher the interest rate, the more interest you pay. 
   b) The lower the interest rate, the less interest you pay.

3. Work out the simple interest for one year and the total amounts owing each year for the loans in the table below.

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Interest charged</th>
<th>Amount owing after one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2 000</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$12 500</td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$4 500</td>
<td>22.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1 750</td>
<td>18.75%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Working out compound interest

The interest we pay on most loans is compound interest. With compound interest, interest is added on to interest. So you generally pay a different amount each year.

Usually this interest is calculated on a daily basis (each day). However, in the following example, we will look at interest charged on a yearly basis (per annum).

**Example**

John borrowed $1 000 from a finance company at 20% interest per annum. If John paid nothing off the debt, and the interest was calculated at the end of each year, let's look at what would happen over three years:

- Interest charged in the first year = 20% of $1 000 = $200
  
  Amount owing at the end of the first year = $1 000 + $200 = $1 200

- Interest charged in the second year = 20% of $1 200 = $240
  
  Amount owing at the end of the second year = $1 200 + $240 = $1 440

- Interest charged in the third year = 20% of $1 440 = $288
  
  Amount owing at the end of the third year = $1 440 + $288 = $1 728

Do you see? The interest charged in the second year ($240) and in the third year ($288) was NOT calculated on the original money borrowed. It was calculated on the amount owing at the end of the year before. So the total in interest so far is $728 (not $600). This is what happens when interest compounds.
1. **Work out the calculations** for these borrowers. Their loans charge compound interest.

Myra has a $1 000 loan charging 10% interest per annum. She pays nothing off her debt for two years.

**Complete:**

| a) Interest charged in the first year | = 10% of $1 000 | = $ __________ |
| b) Amount owing at the end of the first year | = $1 000 + $ _______ | = $ _______ |
| c) Interest charged in the second year | = 10% of $ _______ | = $ _______ |
| d) Amount owing at the end of the second year | = $ _______ + $ _______ | = $ _______ |

2. **Answer** the questions

   a) How much interest would Myra pay over two years? ______________

   b) How much interest would be charged in the third year? ______________

   c) How much would Myra owe after three years? ______________

3. Alex has a $5 000 debt with an annual interest rate of 12.5%. He pays nothing off his debt for three years.

   a) How much interest would be charged in the first year? ______________

   b) How much would Alex owe at the end of the first year? ______________

   c) How much interest would be charged in the second year? ______________

   d) How much would Alex owe at the end of two years? ______________

   e) How much interest would be charged in the third year? ______________

   f) How much would Alex owe at the end of three years? ______________
Activity 5

REMINDER: Interest on most loans **compounds daily rather than annually**. The compounding effect is greater for daily interest than for annual interest.

There are 365 days in a year. The daily interest rate is calculated by dividing the annual rate by 365. For example, the annual interest rate of 10.95% converts to a daily interest rate of 0.03% ($10.95\% ÷ 365 = 0.03\%$).

Look again at the Credit Card Statement on page 96. The interest rate is shown in small print.

1. What is the annual interest rate? _______________________
2. What is the daily interest rate? _______________________

Home task

If you have a credit card or a store card, **find a recent statement** you have received.

What is the annual interest rate? _______________________
What is the daily interest rate? _______________________

How much interest will you be charged this month? (NOTE: it might be called Credit Charge or something similar.)
Paying off the credit card

Anna and Vic have a credit card debt. They are making the minimum monthly repayments but are not getting ahead.

Credit cards are only a good idea if we use them wisely. We can make credit work for us instead of the bank or store, if we follow the advice below. If the bank (or the store) is benefiting more than we are, we should stop using credit cards.

Activity 6

Read and discuss the advice below about credit card use:

**Take advantage of the interest-free period and pay NO INTEREST.**
- Credit cards offer an interest-free period for goods bought on credit. 55 days is typical.
- To pay NO interest, you must pay the full outstanding balance on your statement by the due date - not just the minimum payment. If you don’t pay the balance in full, you’ll be charged interest from the day you bought the item.

**Do not use your credit card to get cash advances.**
- Interest-free periods do NOT apply to cash advances. You will pay interest on cash immediately.
- Some financial institutions also charge a percentage fee of the cash withdrawal.
- Some institutions treat electronic bill payments (BPAY) as cash advances. Check to find out if any of your bill payments are treated as cash advances.

**Pay as much as you can off the debt each month.**
- If you can’t pay off the whole balance in the interest-free period, pay off as much as you can each month. If you only make the minimum monthly repayments, you will have your debt for a very long time and pay enormous amounts of interest.
Activity 7

Read the following example. It clearly shows that making the minimum monthly repayment isn’t enough if you want to clear a credit card debt.

Example

A person has a $1,000 debt on a credit card. The interest is 18.25% per annum, and the minimum monthly payment is 2% or $10, whichever is higher. If the minimum monthly amount only is paid each month, after 50 years there would still be $700 to pay, even although a total amount of $9,632 has been made in repayments.

Adapted from Choice – Money and Rights online version, Dec 2004.

Discuss:

• Does the example surprise you?
• Have you ever had a debt that never seemed to go away, even though you kept up your repayments?

Activity 8

Look again at the Credit Card Statement on page 96, and answer these questions:

1. When is the due date for payment? ____________________________

2. How much would John have to pay by this date to avoid paying any interest? ____________________________

3. How much is the minimum monthly payment on the statement? _________
Activity 9

1. **Read** about Anna and Vic’s credit card and **do the calculation** below. Anna and Vic have stopped using their credit card. They have a debt of $5 000 and pay interest at the rate of 18% p.a. The minimum monthly repayment is 3% of the outstanding balance.
   
a) Calculate the minimum monthly repayment for the first month (3% of $5 000) ________________________________

2. **Look** now at the table and **answer the questions** below. It shows what would happen over 3 months if Anna and Vic only make the minimum monthly payment.

<table>
<thead>
<tr>
<th>Month</th>
<th>Opening balance</th>
<th>Minimum payment</th>
<th>Interest paid</th>
<th>Amount paid off the debt</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$5 000.00</td>
<td>$150.00</td>
<td>$75.00</td>
<td>$75.00</td>
<td>$4 925.00</td>
</tr>
<tr>
<td>2</td>
<td>$4 925.00</td>
<td>$147.75</td>
<td>$73.88</td>
<td>$73.88</td>
<td>$4 851.13</td>
</tr>
<tr>
<td>3</td>
<td>$4 851.13</td>
<td>$145.53</td>
<td>$72.77</td>
<td>$72.77</td>
<td>$4 788.36</td>
</tr>
</tbody>
</table>

   a) How much is paid off the debt in the first month? ________________________________
   
b) How much is paid in interest in the first month? ________________________________
   
c) How much is owing at the end of the first month? ________________________________
   
d) Why does the minimum monthly payment decrease each month? ____________________
Activity 10

Read about Anna and Vic. They get some advice from a financial counsellor about paying a fixed amount off the credit card.

Look now at the table and answer the questions below. It shows what would happen if they pay a fixed amount of $150 each month (instead of just paying the minimum monthly repayments).

<table>
<thead>
<tr>
<th></th>
<th>Credit card debt</th>
<th>Minimum repayment</th>
<th>Time taken to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current situation</strong></td>
<td>$5 000.00</td>
<td>Minimum</td>
<td>226 months</td>
<td>$4 799</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(starting at $150)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed repayments</strong></td>
<td>$5 000.00</td>
<td>$150.00</td>
<td>47 months</td>
<td>$1 963</td>
</tr>
</tbody>
</table>

1. How much less interest would they pay if they pay $150 each month rather than the minimum monthly balance? _______________________________

2. How much faster (in years) will they pay the debt off? ________________
Activity 11

Many websites have loan calculators which give information about how long it will take to pay off a debt and how much interest will be paid.

Follow the instructions below to practise using a loan calculator with Anna and Vic’s details.

Using a loan calculator on the internet

Anna and Vic owe $5 000, the minimum monthly repayments are 3% and the interest rate is 18%. They want to find out how long it will take to pay off the debt and how much interest they’ll pay if they make monthly repayments of $250.

Method

• Go to the website www.bankrate.com
• Click on Credit Cards
• Click on Paying the Minimum.
• Fill in the boxes:
  
  What is your credit card balance:   $ 5000
  
  What is the interest rate on your credit card?  18 %
  
  How is your minimum payment calculated?  Choose 3 % from the drop-down list.
  
  What fixed payment could you make each month:   $ 250
  
• Where it says ‘Select a payment schedule based on’, click on Fixed payment
• Click on Calculate

Now use the loan calculator again. Work out:

1. How long would it take Anna and Vic to pay off the $5 000 credit card debt if $300 is paid each month? ____________________________________

2. How much interest would they pay? ____________________________________
Home task

If you have the internet at home, do a search for other loan calculators that may be helpful to you. The financial institution you use may even have a loan calculator. Write down any useful websites:

If you are paying off a credit card, see what would happen if you made higher repayments than you are currently making. Fill in the table:

<table>
<thead>
<tr>
<th>Outstanding balance</th>
<th>Fixed monthly repayment</th>
<th>How long to pay off the debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Have a look at your budget. Is it possible to make adjustments so that you can pay your credit card off more quickly? Write down your ideas:
Getting a picture of debt

Anna and Vic want to take control of their debt and pay it off as quickly as possible.

The first step in taking control of your debt is to get a picture of all the debts you have. You may need to go through your paperwork and write down exactly how much you owe at present.

The next step is to find out how long it will take to pay off your debts. You could use an internet loan calculator like the one in Activity 11. If you need help, you might want to talk to a financial counsellor (see page 115).

Activity 12

The table below gives a picture of Anna and Vic’s total debt situation. Read the information and answer the questions below:

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>Amount</th>
<th>Interest rate</th>
<th>Minimum repayment</th>
<th>Time taken to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store card</td>
<td>$2,500</td>
<td>21%</td>
<td>$50</td>
<td>10 years</td>
<td>$3,693.15</td>
</tr>
<tr>
<td>Credit card</td>
<td>$5,000</td>
<td>18%</td>
<td>$150</td>
<td>47 months</td>
<td>$1,983.60</td>
</tr>
</tbody>
</table>

Answer these questions:

1. How much is Anna and Vic’s total debt? ______

2. For the two debts, how much are they currently paying a month? ______
3. By the time both cards are paid off, how much will they have paid in interest?

4. The store card was only used once, to buy a lounge suite and bed. If they keep paying off at the same rate, what will the cost of these items really be?

---

**Home task**

If you would like to get a picture of your debts, follow the steps below.

**Look at your latest statements and fill in the first four columns** of the table below.

**Now fill in the last two columns.** You will need to use a loan calculator like the one in Activity 11 or contact your lender or get help from a financial counsellor.

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>Amount</th>
<th>Interest rate</th>
<th>Monthly repayment</th>
<th>Time to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exploring options to get rid of debt

Anna and Vic are thinking about ways they can get rid off their debts.

It may be possible to pay debt off more quickly by increasing repayments. You may be able to use extra income, for example overtime, to help pay more.

Sometimes we can pay off two or more debts more quickly and pay less interest, by rolling them into one debt - as Kay did. This is called debt consolidation. When consolidating debts, it is always a good idea to ‘shop around’ for the best deal. Debt consolidation works best if you continue to pay off the same amount each month on the new loan.

There are other options also. It can be a good idea to get help about these different options from a financial counsellor. (More on how to do this on page 115)

Activity 13

The table below shows what would happen if Anna and Vic keep their store and credit cards and increase their repayments (described in Activity 12) from $200 to $300 a month. Read the information and answer the questions below:

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>Total debt</th>
<th>Minimum repayment</th>
<th>Time taken to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current situation</td>
<td>Store card and credit card</td>
<td>$7,500</td>
<td>$200</td>
<td>10 years</td>
</tr>
<tr>
<td>Increase repayments</td>
<td>Store card and credit</td>
<td>$7,500</td>
<td>$300</td>
<td>32 months</td>
</tr>
</tbody>
</table>
1. How much will they save in interest if they pay an extra $100 each month?

2. How much faster will they pay off the debt if they pay an extra $100 each month?

Activity 14

The table below shows what would happen if Anna and Vic consolidate their debts (described in Activity 12) into a personal loan with an interest rate of 10% per annum (per year) and keep paying the same amount. Read the information and answer the questions below:

<table>
<thead>
<tr>
<th></th>
<th>Type of loan</th>
<th>Total debt</th>
<th>Minimum repayment</th>
<th>Time taken to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current situation</strong></td>
<td>Store card and credit card</td>
<td>$7 500</td>
<td>$200</td>
<td>10 years</td>
<td>$5 676.75</td>
</tr>
<tr>
<td><strong>Increase repayments</strong></td>
<td>Store card and credit</td>
<td>$7 500</td>
<td>$200</td>
<td>46 months</td>
<td>$1 530.09</td>
</tr>
</tbody>
</table>

1. They would need to pay a loan establishment fee of $195 to set up this loan. How much would this loan cost them? (establishment fee + interest)

2. How much will they save if they consolidate into a personal loan?

3. How much faster will they pay off the debt if they consolidate into a personal loan?
Activity 15

For extra practice, read about Tony and answer the questions.

1. Tony is feeling stressed about his finances. He has four debts. Most months he’s short of money and is late paying his credit cards. Every time this happens it costs him a $35 late fee. The table below shows Tony’s situation:

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>Amount</th>
<th>Interest rate</th>
<th>Minimum repayment</th>
<th>Time taken to pay off debt</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card 1</td>
<td>$3 000</td>
<td>18%</td>
<td>$75</td>
<td>263 months</td>
<td>$4 115.44</td>
</tr>
<tr>
<td>Credit card 2</td>
<td>$2 000</td>
<td>16%</td>
<td>$50</td>
<td>183 months</td>
<td>$2 003.97</td>
</tr>
<tr>
<td>Store card</td>
<td>$1 000</td>
<td>23%</td>
<td>$20</td>
<td>1 000 months</td>
<td>$12 681.18</td>
</tr>
<tr>
<td>Car loan</td>
<td>$4 000</td>
<td>15%</td>
<td>$200</td>
<td>24 months</td>
<td>$631.79</td>
</tr>
</tbody>
</table>

a) How much is Tony’s total debt?

b) For the four debts how much is Tony currently paying a month?

c) By the time the four debts are paid off, how much will Tony have paid in interest?

d) The store card was used to purchase a new bed costing $1 000. If Tony keeps paying it off at the same rate, what will the cost of the bed really be?

2. Tony finds he can consolidate his debts into a personal loan of $10 000 at a 12% pa interest rate. The loan will cost $149 to set up. His monthly repayments will depend on the period of the loan as shown in the table below:

<table>
<thead>
<tr>
<th>Loan term (years)</th>
<th>Monthly repayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$888.49</td>
</tr>
<tr>
<td>2</td>
<td>$332.14</td>
</tr>
<tr>
<td>5</td>
<td>$222.44</td>
</tr>
<tr>
<td>7</td>
<td>$176.53</td>
</tr>
<tr>
<td>10</td>
<td>$143.47</td>
</tr>
</tbody>
</table>
a) Tony knows he can’t afford to pay any more than $230 a month. Which loan term should Tony use?  
What is the monthly repayment?  
b) Tony’s monthly repayments were $345 for the four separate loans. How much less will his monthly repayments be now?  
c) Tony wants to work out the total cost of the loan. If he pays $222.44 per month for 5 years, what will his total repayments be? ($222.44 \times 12 \times 5)$  
How much interest would he pay? (Total repayments - $10,000)  
How much would the loan cost? (Interest + set-up fee)  
d) Look back at question 1 part c) and calculate how much interest Tony would save if he used the personal loan?  

3. The graph shows what happens to the loan taken over the different periods described in the table above. Discuss what happens.

<table>
<thead>
<tr>
<th>Loan term</th>
<th>Monthly payments</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>$8000</td>
<td>$3000</td>
</tr>
<tr>
<td>3 years</td>
<td>$7000</td>
<td>$2000</td>
</tr>
<tr>
<td>5 years</td>
<td>$6000</td>
<td>$1000</td>
</tr>
<tr>
<td>7 years</td>
<td>$5000</td>
<td>$500</td>
</tr>
<tr>
<td>10 years</td>
<td>$4000</td>
<td>$100</td>
</tr>
</tbody>
</table>
Home tasks

**Look at your budget** to see if you can make some adjustments to increase any debt repayments you have. Then **use a loan calculator** and do some calculations to see how increased payments could benefit you.

Sometimes we need to borrow money. To get the best deal it’s a good idea to shop for a loan the same way we would shop for any other major purchase. However, we need to know what to look for and what to ask.

Here is an internet site called InfoChoice which offers tips and advice.
http://www.infochoice.com.au

**Follow these steps:**

- Log on to the InfoChoice site.
- Look at the ‘Making Choices’ section.
- Click on the ‘Tips and Tricks’. You will see headings for different types of loans. For example, if you click on Personal Loans you will find information about what to look for and what to avoid.
- Explore the site further if you wish.

If you have more than one loan, **find out if debt consolidation would help** you and save you money. You may need to get help from a financial counsellor to work out your best option. (See page 115.)
Getting help and advice

Kay suggested that Anna and Vic talk to a financial counsellor.

Many of us get into money difficulties at some point in our lives, and need financial help and advice.

For some money problems, it is best to speak to a **financial counsellor**.

Financial counsellors are different from financial advisers and planners. Financial counsellors provide a free service. They can help with all kinds of money issues - for example, budgets, credit card debt, insurance, contracts and rental problems.

Financial advisers and planners give advice about making investments and superannuation. You pay for their services.

**Home task**

If you wish, look up the FIDO website to find a financial counsellor in your area.

Go to [www.fido.asic.gov.au](http://www.fido.asic.gov.au) and type ‘financial counselling’ into the Search box. Then choose ‘financial counselling’.

The FIDO ‘Financial Counselling’ page has contact details for organisations in each state and territory. These organisations can give you information about counsellors in your area.

If you live in NSW, you could go directly to The Financial Counsellors’ Association of NSW ([www.financialcounsellors.asn.au](http://www.financialcounsellors.asn.au)).

**NOTE:** You might also like to look at the useful tips about money management on these websites.
Unit 6: Looking ahead

If it’s too good to be true …

Anna tells Kay about her friend Josie, who was keen to sign up for a holiday club membership after being offered free accommodation at a holiday resort.

We are sometimes faced with financial opportunities that sound great - memberships, investment opportunities, loans or savings plans of some kind.

We need to be very careful about these. The more fantastic things sound, the more risky they are. They may even be ‘scams’ or ‘confidence tricks’ - dishonest, illegal plans to take your money.

As Anna says: **If it’s too good to be true - it probably isn’t true.**

We always need to take time to think about:

- Where and how is the person/company making their money? What does this mean for me?
- Is it possible that the deal is a ‘scam’ or ‘confidence trick’?
- How much will I be spending? For what?
- Will I really be saving money? How much?
- Do I really need/want this?
- Will I be spending money to save money? Do I have that money to spend?
- Is there a ‘catch’ - could I lose money instead of saving it?
- Can I make this deal work for me? If so, how?
Activity 1

Read about Van and answer the questions.

A new local gym started up in town and Van received a phone call inviting him to join. They were offering a ‘special deal’ to the first 100 people to sign up. 97 people had already taken the offer. Van would have to pay $99 upfront to become a member for one year and then sign a contract to pay $59 a month for a year. There was no limit on the number of visits. They stressed the need for a quick decision as there were only 3 special memberships left - after that the joining price would be $199.

1. If Van took the special deal, how much would he pay in the year? _______

2. Van knows he can only get to the gym twice a week. He also goes on holidays for four weeks each year. How many visits to the gym would he make in the year? _______

3. Use the answers above to work out how much each visit to the gym would cost Van. _______

Discuss:

• Does the club membership seem like a good deal?
• How could Van get the best from this deal?
• What are the risks in signing up for a year?
Activity 2

Read about Sandra:

Sandra knows how difficult it can be to afford the extra costs of Christmas. She hears of a deal in which you pay $10.20 a week for 50 weeks and just before Christmas you receive a hamper. The hamper consists of over 100 grocery items including perishables such as ham, frozen foods such as roast vegetables and ice cream, sweets, drinks such as lemon mineral water and champagne and items to stock the pantry including plastic plates, pickles, and tinned soups.

Discuss:

• Does this seem like a good deal?
• What are the advantages of this deal?
• What are the risks of this deal?
• Is there another way Sandra could budget for the expense of Christmas?
Signing contracts

Anna reports that Josie and her husband stopped before getting to the one-to-one talk with the consultant.

Josie and her husband left at this point. If they had stayed, they would have been faced with a contract. And, because of the pressure, they might have signed it, even though it was not a good idea for them.

We need to be very careful about signing contracts.

A contract is a legally binding agreement between two or more people. It can be written or spoken. A spoken contract is also called a verbal or oral contract.

If we don’t do what we have agreed to do, we are breaking the law, and the other person can take us to court.

Activity 4

Discuss:

• What kind of contracts have you signed over the last few years eg mobile phone?
• Did you completely understand the contract?
• Did you read the contract?
• Did you ask someone to help you understand the contract?
• Did you sign it on the spot or did you take it home for a while?

Now read and discuss the tips on the next page:
Signing contracts - some useful tips

• Always remember that you have a right to ask questions.

• Don’t feel pressured to sign anything on the spot. Ask the person to ring again later after you have thought about it, or take the writing away to read it carefully.

• If you are pressed, say something like “I always discuss big decisions with my partner/parents/other person. I’ll contact you later if I am still interested.”

• Ask someone else for advice and help if you need to.

• Read every word of contracts (the ‘fine print’). Ask questions if you don’t understand anything.

• Before you sign, be sure you really know what you are signing for.

• Before you sign, be sure you really need what you are signing for.

• Before you sign, ask about ‘cooling off periods’. This is a period where you can cancel the contract without any penalty.

• Don’t sign anything that has blank spaces in it.

• Make sure that you and the other person initial any changes you make to the contract.

• Get a copy of any contract you sign.

• Even though a contract can be spoken, it is better to have a written contract. You then have a permanent record of what you have agreed to.
How to say ‘no’

Anna mentions how difficult Josie found it to say ‘no’ to the holiday membership representatives.

Many of us feel uncomfortable saying ‘no’ to salespeople. But sometimes we have to be brave and just do it - for our financial survival.

Activity 5

Read the tips about ‘saying no’ and discuss with others in the group. Discuss any experiences you have had with persistent salespeople - good or bad - and any strategies you used to deal with the situation.

Saying ‘no’

Here are some ways to say ‘no’ to persistent salespeople or representatives and take control. Some ways are more polite than others, but all are completely OK to say.

No.
No. No. No.
Thank you but no.
I’m not interested.
I’m not at all interested.
I don’t have the money, so I’m not interested.
Please don’t persist. I’m not interested.
I’ve told you already. I’m not interested.
I’m sorry but I’m not interested.
Thank you for your time but I’m not interested.
The deal may be a good idea for some people, but it’s not for me.
Thank you but I have to leave now.
Remember:

- Whatever you say, say it **firmly** and **with confidence**. **Repeat** it, if necessary.
- If face to face, stand up and start to leave as you say it.
- If on the phone, hang up as soon as you say it.
- Get out of the conversation **early**. It will get more difficult, the longer you talk.
- Think about this: they can’t make you do what you don’t want to do.
- Don’t give excuses.
- Don’t feel guilty.
- Don’t feel you are being rude.

Activity 6

Read the statements below. You often hear salespeople say these kinds of things to make someone sign up to a deal.

Discuss:

- Have you heard these statements before?
- What would you say back to the salesperson?

This is the last one on offer.
I'm really sorry but I just can't keep the offer open any longer. I need a decision now.
Only 100 lucky people can get it at this ridiculous price.
There has been a lot of interest already. You'll have to be quick.
The offer is only available for today/this week/this month.
We can make you an even better offer if you pay in cash/pay a deposit today.
I can see you're an intelligent person. I'm sure you can see what a great deal it is.
This decision will change your life forever.
I just don’t understand. How could you say ‘no’ to this opportunity?

I’m sure your kids are the most important thing in your life. They will thank you forever for this decision.

I signed up myself last week - that’s how good I think this deal is.

I’ve been in this business for ten years and I’ve never seen a deal like this.

I know it might seem a lot of money now, but remember you’ll be getting the benefit for years to come.
Putting money aside

Ricky realises that saving money will help him achieve his financial goals.

Most financial experts agree that being able to save is the key to financial security and that it’s good for young people to get into the habit of saving. For example, if a young person starts saving at 16 and saves $20 a week for 10 years, then leaves the money earning 9% pa interest, it will be worth almost $160 000 at age 50.

When we save little but save often money can grow. This is because of the ‘power’ of compound interest.

Here are some examples of how regular savings can help us achieve our financial goals:

• Goal – a holiday
  Saving $30 a week at 6% pa interest would grow to over $3 300 in 2 years.

• Goal – a house
  Saving $100 a week at 7% pa interest would grow to over $31 000 in 5 years.

• Goal - child’s tertiary education
  Saving $1 a day at 8% pa interest would grow to almost $15 000 in 18 years.

• Goal – superannuation income for retirement
  Starting at age 18, $35 a week at 10% pa interest, would grow to around $2 million at 65.
  Starting at age 40, $35 a week at 10% pa interest, would grow to around $200 000 at 65.
Activity 7

Ricky’s part time job at the local pizza shop gives him an income of $52 a week. He has a long term goal of saving enough money to buy a car in 5 years time when he finishes his education and is able to work full-time.

The table on the next page shows Ricky the effect of saving different amounts of money at different interest rates for 5 years. Look at the table then discuss the questions.

<table>
<thead>
<tr>
<th>Amount saved each week</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2% pa</td>
</tr>
<tr>
<td>$10</td>
<td>$2 735</td>
</tr>
<tr>
<td>$20</td>
<td>$5 470</td>
</tr>
<tr>
<td>$30</td>
<td>$8 205</td>
</tr>
<tr>
<td>$40</td>
<td>$10 940</td>
</tr>
</tbody>
</table>

Discuss:

• How much do you think Ricky could save each week? How much money could he have in 5 years at the best interest rate?
• Why do you think it is best for Ricky to plan ahead and save for a car rather than just take out a loan when he’s ready to buy?
• As a parent, how can you encourage your children to save?

Activity 8

1. Just as we shop around for the best deal we can get in borrowing money, we can shop around for the best deal in saving money.

Discuss:

• How do you choose a savings account?
• How easy or difficult is it to find the right account for your needs?
• What is a term deposit?
• How is a term deposit different to a savings account?
There are many internet sites which can help us in making decisions about savings.

2. **Look** at the InfoChoice website [www.infochoice.com.au](http://www.infochoice.com.au) and **answer** the questions below.

To find the best deal on a savings account click on ‘Find the Best…’, then click on ‘Everyday transaction account’.

   a) **Write down** a savings account which would be suitable for you and pays a good rate of interest.

      Financial institution: __________
      Interest rate: ______________ % pa

   To find the best deal on a term deposit account click on ‘Find the Best…’, then click on ‘Term deposit’.

   b) **Write down** a term deposit account which would be suitable for you and pays a good rate of interest.

      Financial institution: __________
      Interest rate: ______________ % pa

3. The Savings Calculator on the InfoChoice website shows you how your money can grow with regular deposits.

   **Follow** the instructions below and type the figures in the boxes to learn how to use the Savings Calculator.

   - Click on ‘Tools and Calculators’
   - Click ‘Savings and Deposits’
   - Click ‘Savings Plan Simulator’ (near the bottom of the page)
   - Fill in the boxes:

      Initial amount: type in the amount of money in your account now eg. $10
      Deposit Amount: type in the amount you will deposit eg. $30
      Interest Rate: type in the interest rate per annum eg. 3 %
**Savings term**: type in how many years you will deposit for eg. 4

**Deposit frequency**: click on the drop-down arrow and choose how often you will deposit eg - **weekly**

The graph will show how your savings will grow and under the graph you will see how much will be in the account at the end of the term.

Using the figures you put in the boxes can you see the Total amount at the end of the term is $6,639.08

**Practise** using the Savings Calculator. There are 4 questions in the table below. For each question, put the figures into the savings calculator and complete the last row of the table.

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>a)</th>
<th>b)</th>
<th>c)</th>
<th>d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial amount</td>
<td>$0</td>
<td>$300</td>
<td>$1,000</td>
<td>$0</td>
</tr>
<tr>
<td>Deposit Amount</td>
<td>$50</td>
<td>$150</td>
<td>$250</td>
<td>$200</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>4%</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Savings term</td>
<td>4 years</td>
<td>10 years</td>
<td>1.5 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Deposit frequency</td>
<td>Weekly</td>
<td>Monthly</td>
<td>Fortnightly</td>
<td>Weekly</td>
</tr>
<tr>
<td><strong>Total amount at the end of the term?</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Study and work

Anna realises that she needs to increase her skills to make her more employable.

We can think of education as being a financial investment - an investment that will help us achieve our long term goals.

Adults might return to education to:

- brush up on their basic skills
- gain confidence
- increase their employment skills
- learn new technology skills
- increase their knowledge in a particular area of study.

If you are thinking about further education and a career, talk to a counsellor at your local college or educational institution.

Anna: I’m thinking about enrolling in a course at the local college - general work skills and computing and so on.

Kay: It’s a very good idea.

Activity 9

Read about Anna:

Apart from working a few hours a week in the club, Anna has spent the past 16 years caring for her family. She talks to a counsellor at her local college about what she should do. The counsellor suggests she first does a general course to brush up on (improve) her literacy and numeracy skills and to learn to use a computer.
Discuss:

- Why do you think the counsellor suggested a general course to Anna?
- What are your thoughts on how easy or difficult it is to study as an adult?
- Do you already have a career goal? If so, what is your goal?
- Do you know what steps you need to take to achieve your career goal?
- Where can people in your local area go to get help in planning a career?
- Do you know of any courses in your area which help people to improve their general work skills?

Activity 10

Look at the job advertisements in the newspaper, through Centrelink, or on the internet.

What types of work have good job opportunities in your community?

____________________________________________________________________
____________________________________________________________________

Make a list of any jobs you think you may be interested in.

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

The internet is a good source of career information. Have a look at www.myfuture.edu.au Here you can access facts about occupations, salaries, courses, industries and contacts. Make a list of any other internet job sites you find useful.

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
Thinking about long term goals

Anna and Vic are now feeling much more confident about their money management. They are now looking at their long term goals.

Anna and Vic have been very focused on their short and medium term goals - Ricky’s camp and Anna’s trip to Perth. They are sure they will achieve these goals now.

They also had a long-term goal but it was quite general. Now they are thinking about a more concrete long-term goal - to save enough money for the deposit on a house.

As we achieve our short-term and medium-term money goals, we will probably replace them with new goals.

We will also start to give more thought to long-term goals. Sometimes, goals that may have seemed impossible before, might start to look possible.
Activity 11

Look back at your financial goals in Unit 1, page 6.

• Have you achieved a short-term goal?
• Are you still working towards it?
• Do you have any new goals - short, medium or long term?
• How SMART are they?

If your goals have changed, write down the new ones below.

My financial goals

A short-term goal (next few months): 

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

A medium-term goal (one year or more)

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

A long-term goal (a few years away)

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Keep thinking about these goals over the next few months and years. They will help you to stick to your budget, to keep saving and to take control of your money. And we all need help to do that.

Remember to set SMART goals.

S - Specific
M - Measurable
A - Achievable
R - Realistic
T - Timed
Answers

Unit 1

Activity 7
1. to tell parents how much the camp costs
   to tell parents how they can pay over a few months
   to encourage parents to allow their children to attend
   to get an idea of how many children will attend

2. sign the attached form

3. a) F    b) T    c) T    d) F

Unit 2

Activity 1
See table on page 140

Activity 5
See table on page 141 (Average column - Activity 8)

Activity 6
1. $8    2. $12.88    3. $13.15
Activity 7

1. | Bill                   | Yearly Cost | Weekly amount |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Car registration</td>
<td>$675</td>
<td>$12.98</td>
</tr>
<tr>
<td>Home contents insurance</td>
<td>$327</td>
<td>$6.29</td>
</tr>
<tr>
<td>School fees</td>
<td>$145</td>
<td>$2.79</td>
</tr>
</tbody>
</table>

2. | Bill      | Quarterly cost | Weekly amount |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water usage</td>
<td>$65</td>
<td>$5</td>
</tr>
<tr>
<td>Electricity</td>
<td>$185</td>
<td>$14.23</td>
</tr>
<tr>
<td>Gas</td>
<td>$97</td>
<td>$7.46</td>
</tr>
</tbody>
</table>

3. | Bill            | Monthly cost | Yearly Cost | Weekly amount |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone</td>
<td>$30</td>
<td>$360</td>
<td>$6.92</td>
</tr>
<tr>
<td>PAY TV</td>
<td>$49.95</td>
<td>$599.40</td>
<td>$11.53</td>
</tr>
<tr>
<td>Store card</td>
<td>$100</td>
<td>$1 200</td>
<td>$23.08</td>
</tr>
</tbody>
</table>

Activity 8

See table on page 141 – Average column

Activity 9

1. a) $5    b) $6    c) $12
2. a) $154   b) $169  c) $671

Activity 10

1. Expenses $696, Income $670
2. -$26, negative, less
Unit 3

Activity 5
1. $21.50 2. $9.50 3. $12.00 4. $624

Activity 6
1. $186.68 2. $1 3. $2.59 4. $134.68

Activity 7
1. 10 kg 2. 1 litre 3. 400 g 4. 1.5 kg

Activity 8
1. 1.5 L 2. 805 g 3. 1.2 kg 4. $820 g 5. 1 kg

Activity 9

<table>
<thead>
<tr>
<th></th>
<th>Regular Price</th>
<th>Discount %</th>
<th>Discount $</th>
<th>Discounted Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Store A</td>
<td>$160</td>
<td>25%</td>
<td>$40</td>
<td>$120</td>
</tr>
<tr>
<td>b) Store B</td>
<td>$135</td>
<td>5%</td>
<td>$6.75</td>
<td>$128.25</td>
</tr>
<tr>
<td>b) Store C</td>
<td>$245</td>
<td>50%</td>
<td>$122.50</td>
<td>$122.50</td>
</tr>
<tr>
<td>b) Store D</td>
<td>$145</td>
<td>15%</td>
<td>$21.75</td>
<td>$123.25</td>
</tr>
</tbody>
</table>

2. Store A

Activity 13
1. a) 3200 W  b) 3.2 kWh  c) 45 cents  d) $164.25  e) 1920 W
   f) 1.92 kWh  g) 27 cents  h) $98.55  i) $65.70
2. a) $2.01  b) $104.52
3. a) 54 cents  b) $3.78  c) $7.56  d) $196.56  e) $189

Activity 14
1. $12 2. 30 weeks 3. $72 ($26+$34+$12)
Unit 4

Activity 4

1. $213.13  
2. $186.55  
3. $186.55  
4. 14 April, 2006  
5. $5.45  
6. yes  
7. 95 days  
8. 1 361 kWh  
9. 12 cents/kWh  
10. 14.3  
11. increased, 1.7  
12. increased, 3.5  
13. 130 10X

Activity 5

1. $69.33  
2. 27 Feb 2006  
3. $29.94  
4. a) 52  b) $9.10  c) 18 cents  
5. a) 17  
6. $16.86  
7. a) 29 Jan 2006  b) 8:26 pm  c) Paradise Point  d) Economy  e) 34 min 14 sec  f) $5.50  
8. Calls to 13 numbers, Calls to mobiles, Network features  
9. decreased, $21.29  
10. decreased, $11.23

Activity 7

1. a) Bright Future Bank, Nest Egg Bank  b) large number of free transactions per month  
2. a) Rainy Day Bank, More Save Bank  b) small number of free transactions per month  
3. ATM withdrawals at own bank  
4. least cost to the bank

Activity 11

1. $1 929.40  
2. $1 742.72  
3. $774.23
Unit 5

Activity 2

1. $2,568.88  
2. $2,538.85  
3. $1,000  
4. $1,210.85  
5. $35  
6. $29.59

Activity 3

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Interest charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>7%</td>
<td>$70</td>
</tr>
<tr>
<td>$1,000</td>
<td>12%</td>
<td>$120</td>
</tr>
<tr>
<td>$1,000</td>
<td>20%</td>
<td>$200</td>
</tr>
</tbody>
</table>

2. a) T  
b) T

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Interest charged</th>
<th>Amount owing after one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,000</td>
<td>10%</td>
<td>$200</td>
<td>$2,200</td>
</tr>
<tr>
<td>$500</td>
<td>25%</td>
<td>$125</td>
<td>$625</td>
</tr>
<tr>
<td>$12,500</td>
<td>30%</td>
<td>$3,750</td>
<td>$16,250</td>
</tr>
<tr>
<td>$4,500</td>
<td>22.5%</td>
<td>$1,012.50</td>
<td>$5,512.50</td>
</tr>
<tr>
<td>$1,750</td>
<td>18.75%</td>
<td>$328.13</td>
<td>$2,078.13</td>
</tr>
</tbody>
</table>

Activity 4

1. a) $100  
b) $1,000 + $100 = $1,100  
c) 10% of $1,100 = $110  
d) $1,100 + $110 = $1,210

2. a) $210  
b) $121  
c) $1,331

3. a) $625  
b) $5,625  
c) $703.13  
d) $6,328.13  
e) $791.02  
f) $7,119.14
Activity 5
1. 18.25%  
2. 0.05%

Activity 8
1. 4/05/06  
2. $2 568.88  
3. $76

Activity 9
1. $150  
2. a) $75  
   b) $75  
   c) $4 925  
   d) The minimum monthly payment is calculated on the amount owing each month – the amount owing decreases, so the minimum monthly payment decreases

Activity 10
1. $2 836  
2. 15 years

Activity 11
1. 20 months  
2. $797.17

Activity 12
1. $7 500  
2. $200  
3. $5 676.15  
4. $6 193.15

Activity 13
1. $3 602.86  
2. 7 years 4 months

Activity 14
1. $1 725.09  
2. $3 951.66  
3. 6 years 2 months

Activity 15
1. a) $10 000  
   b) $345  
   c) $19 432.38  
   d) $13 681.18  
2. a) 5 years, $222.44  
   b) $122.56  
   c) $13 346.40, $3 346.40 interest, $3 495.40 total cost  
   d) $15 936.98
Unit 6

Activity 1

1. $807  
2. 48  
3. $16.81

Activity 8

3. a) $11,046.35  b) $25,127.72  c) $11,012.82  d) $33,644.11
## Unit 2 — Activity 1 - Weekly spending table

Note: there may be variations on this table depending on how expenses are categorised.

<table>
<thead>
<tr>
<th>Date</th>
<th>Rent</th>
<th>Accommodation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Apr</td>
<td></td>
<td>$210.00</td>
<td>$210.00</td>
</tr>
<tr>
<td>5 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Food</th>
<th>Fruit and vegetables</th>
<th>$20.55</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Apr</td>
<td></td>
<td>$66.45</td>
<td></td>
</tr>
<tr>
<td>5 Apr</td>
<td></td>
<td>$15.80</td>
<td>$82.25</td>
</tr>
<tr>
<td>6 Apr</td>
<td></td>
<td>$12.65</td>
<td></td>
</tr>
<tr>
<td>7 Apr</td>
<td></td>
<td>$15.40</td>
<td>$28.40</td>
</tr>
<tr>
<td>8 Apr</td>
<td></td>
<td>$5.50</td>
<td>$23.50</td>
</tr>
<tr>
<td>9 Apr</td>
<td></td>
<td>$7.00</td>
<td></td>
</tr>
<tr>
<td>10 Apr</td>
<td></td>
<td>$13.50</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Transport</th>
<th>Petrol</th>
<th>$45.65</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Apr</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>9 Apr</td>
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<tr>
<td>10 Apr</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Medical</th>
<th>Doctor, dentist</th>
<th>Chemist</th>
<th>$4.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Apr</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>5 Apr</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>6 Apr</td>
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<tr>
<td>7 Apr</td>
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<tr>
<td>8 Apr</td>
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<tr>
<td>9 Apr</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>10 Apr</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Recreation</th>
<th>Lotto, lottery, gambling</th>
<th>$7.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Apr</td>
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<td></td>
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<tr>
<td>6 Apr</td>
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<td></td>
</tr>
<tr>
<td>7 Apr</td>
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<td></td>
</tr>
<tr>
<td>8 Apr</td>
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<td></td>
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<tr>
<td>9 Apr</td>
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<td></td>
</tr>
<tr>
<td>10 Apr</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
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<th>Video, DVD</th>
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Total spent this week
## Unit 2 – Activity 5 and 8 - Bills and periodical expenses table

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<thead>
<tr>
<th>Housing</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Yearly Total</th>
<th>Weekly Average</th>
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<tr>
<td>Water usage</td>
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<td>Contents insurance</td>
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<tr>
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<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Yearly Total</th>
<th>Weekly Average</th>
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<tbody>
<tr>
<td>Electricity</td>
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<td>Anna’s mobile</td>
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<tr>
<td>Ricky’s mobile</td>
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<td>PAY TV</td>
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</table>

| Transport       | Registration | $715.00 | $715.00 | $13.75 |
|                 | Insurances   | $277.40 | $277.40 | $5.33 |
|                 | Service/repairs | $172.55 | $154.85 | $478.00 | $805.40 | $15.49 |

| Loans/debts     | Credit card | $150.00 | $150.00 | $150.00 | $150.00 | $150.00 | $150.00 | $1 800.00 | $34.62 |
|                 | Store card | $50.00 | $50.00 | $50.00 | $50.00 | $11.54 |

| Other expenses  | School expenses | $100.00 | $100.00 | $1.92 |

| Total expenses  | $100.00 | $100.00 | $1.92 |
Useful Websites

http://www.moneyminded.com.au (Money Minded)
Includes a teachers resource kit as well as the website. The package was developed following the ANZ Survey of Financial Literacy (2003) to assist financial counsellors and community educators as they help people gain the knowledge to make informed decisions about their money.

http://www.moneystuff.net.au (Money Stuff)
The package was developed to assist young people prepare for independent living and deal with consumer responsibility and personal financial management.
It consists of a video, a website and a set of Teachers’ resource books, and relates to the school syllabuses for Mathematics, Commerce and English.

http://www.dollarsandsense.com.au (Dollars and Sense)
This is an interactive website with resources for students aged 14 – 17 years, parents and teachers. The Teachers’ Resource Centre has support materials, printable worksheets and advice to teachers. The content is mapped to Mathematics and Business / Commerce curricula for all Australian states and territories.

http://www.fpa.asn.au/Consumers/Dollarsmart.asp (Dollarsmart)
This is a web and CD based program geared to teenagers. To receive a free copy of the Dollarsmart workbook contact the Financial Planning Association of Australia on 1800 626 393

http://moneyforlife.net.au (Money for Life)
This is an interactive website resource for working people of all ages. It covers planning, managing your money, superannuation, debt, Australian markets, share market, taxation, social security, salary packaging, insurance, retirement planning.

http://www.fido.asic.gov.au
Website suitable for adults and young people. A booklet entitled “Your Money” can be downloaded by clicking on “Managing your Money” or by phoning 1300 300 630. There’s a lot of relevant and useful information including some good calculators on budget planning (Excel spreadsheet) and loans, tips on saving money and avoiding scams.

http://understandingmoney.gov.au (Understanding Money)
This package was developed by the Financial Literacy Foundation (2006). It consists of a website, handbook and community seminars which aim to give Australians the opportunity to better manage their money. The handbook can be downloaded from the site, or ordered by phoning 1800 236 265.
http://flylady.net/pages/FLYsense2.asp
This website is useful for anyone wanting to have more control over their money. Flylady uses humour and common sense in giving advice and tips on becoming more organised with finances. There’s a wealth of good information particularly in the FACE (Financial Awareness Continually Empowers) Control Journal.

http://www.nefe.org/pages/educational.html
This web based training program focuses on youth and contains teacher and student materials. The six units of work cover setting goals and planning, your career and financial future, budgeting, savings and investment choices, credit and getting out of debt and insurance.

http://moneycentral.msn.com
This website is suitable for anyone wanting to gain information on financial matters. It covers banking, investing, planning and taxation.

http://www.financefirst.net.au
This website contains material for primary school students designed to meet the NSW Department of Education and Training – Human Society and Environment and Mathematics curriculum. Material for parents has also been developed covering managing money, wants versus needs, expenses, discussing financial literacy with family members, awareness of savings accounts, banks and wealth creation.

Developed for Years 8 – 10 students and based on the Victorian school Commerce syllabus.

http://www.nicri.org.au
NICRI is an independent body funded by the Australian Government to provide the public with free information on planning and saving for retirement, investment options and effective use of financial resources in retirement. It provides financial information, not financial advice, through a toll-free telephone inquiry service, a website, and presentations at external seminars and Centrelink Financial Information Service seminars. It also provides an extensive range of information leaflets which can be obtained from their website.

http://www.afccra.org
Australian Financial Counselling & Credit Reform Association is the peak body for financial counselors in Australia. Financial counsellors provide a free, independent and confidential service to consumers in financial difficulty. The site has a list of for each state, as well as links to magazines, newsletters and other useful information.
# Accredited training

The table below shows how the sections of the resource relate to units of competency.

## 1. Units of competency from the Financial Services Training Package (FNS04)

<table>
<thead>
<tr>
<th>Unit of competency</th>
<th>Element</th>
<th>Performance criteria</th>
<th>DVD and Workbook reference</th>
</tr>
</thead>
</table>
| FNSFLIT201A        | 1. Analyse and discuss budgeting as a financial tool | 1.2 The importance of budgeting appropriately to meet expenses is analysed and discussed and related to different stages of life  
1.3 The importance of setting financial goals is analysed and discussed  
1.5 The types of behaviours and skills required for successful budgeting are explored and analysed | • DVD Scene 1, 2 and 3  
Workbook Unit 1  
- Setting goals  
- Long and short term goals  
- Strengths and weaknesses  
- Keeping track of spending  
Workbook Unit 2  
- Getting organized with bills  
- Averaging expenses |
|                    | 2. Prepare to develop a personal budget | 2.1 All income and expenses for a short period of time are recorded to assist in estimating expenditure requirements  
2.2 A spreadsheet for recording all budget information is obtained or developed and established to record income and expenditure for a relevant period of time  
2.3 All sources of income for the specified period are identified and listed using the budget spreadsheet  
2.4 All regular and fixed expenses for the specified period are identified and listed using the budget spreadsheet  
2.5 All variable expenses for the specified period are identified and listed using the budget spreadsheet | • DVD Scene 2  
Workbook Unit 1  
- Keeping track of spending  
Workbook Unit 2  
- Tracking spending  
- The invisibility of money  
Workbook Unit 3  
- Making an income and expenses summary |
|                    | 3. Develop a personal budget | 3.1 Total expenses recorded are subtracted from the total income to determine a surplus or deficit budget for the specified period  
3.2 Reasons for a deficit budget are explored and ways to reduce expenses or increase income are investigated  
3.3 Allocation of surplus funds towards saving and meeting identified financial goals is explored | • DVD Scene 3  
Workbook Unit 3  
- Thinking about needs and wants  
- Making savings on food and household goods  
- Making savings on the big bills  
- General tips to avoid spending and save money  
- Working out a budget |
<table>
<thead>
<tr>
<th>Unit of competency</th>
<th>Element</th>
<th>Performance criteria</th>
<th>DVD and Workbook reference</th>
</tr>
</thead>
</table>
| FNSFLIT202A        | 3. Develop your own savings plan | 3.1 Personal savings goals are identified  
3.2 Goals are quantified into dollar amounts and arranged in order of priority  
3.3 A personal budget is developed to reveal funds available to contribute toward savings goal | • DVD Scene 1  
Workbook Unit 1 - Setting goals  
Workbook Unit 2 - Tracking spending  
Workbook Unit 3 - Working out a budget  
Workbook Unit 6 - Putting money aside |

<table>
<thead>
<tr>
<th>Unit of competency</th>
<th>Element</th>
<th>Performance criteria</th>
<th>DVD and Workbook reference</th>
</tr>
</thead>
</table>
| FNSFLIT203A        | 4. Analyse and discuss the effective use of consumer credit | 4.1 Ways to avoid excessive or unmanageable debt are analysed and discussed  
4.2 Strategies to minimise fees on credit are identified and discussed  
4.3 The importance of meeting minimum payments on credit cards is analysed and discussed | • DVD Scene 5  
Workbook Unit 5 - Getting a picture of debt  
- Exploring options to get rid of debt  
- Getting help and advice  
- Understanding interest  
- Paying off the credit card  
- Understanding credit card statements |
## 2. Locally developed TAFE NSW Unit of competency

<table>
<thead>
<tr>
<th>Unit of competency</th>
<th>Element</th>
<th>Performance criteria</th>
<th>DVD and Workbook reference</th>
</tr>
</thead>
</table>
| NSWTNMY113A Make informed personal financial decisions | 1. Develop a personal budget | 1.1 Determine short term and long term goals  
1.2 List income and expenses for a short period of time  
1.3 Identify fixed and variable expenses  
1.4 Record income and expenses into a table and make calculations  
1.5 Calculate savings or deficit  
1.6 Identify behaviours and skills required for managing a budget  
1.7 Produce a personal budget | DVD Scene 1 and Scene 2  
Workbook Unit 1  
- Setting goals  
- Strengths and weaknesses  
Workbook Unit 2  
- Tracking spending  
- Averaging expenses  
- Making and income and expenses summary  
- Getting organized with bills  
Workbook Unit 3  
- Working out a budget  
- Thinking about needs and wants  
- Making savings on food and household goods  
- Making savings on the big bills  
Workbook Unit 4  
- Having a system  
- Understanding bills  
Workbook Unit 6  
- Putting money aside |
| | 2. Identify money management strategies | 2.1 Identify ways to save money in everyday life  
2.2 Calculate savings to be made by use of money saving strategies  
2.3 Identify strategies for managing debt | DVD Scene 3 and 5  
Workbook Unit 3  
- Thinking about needs and wants  
- Making savings on food and household goods  
- Making savings on the big bills  
- General tips to avoid spending and save money  
Workbook Unit 4  
- Understanding credit card statements  
- Understanding interest  
- Paying off the credit card  
- Getting a picture of debt  
- Exploring options to get rid of debt  
- Getting help and advice |
<table>
<thead>
<tr>
<th>Unit of competency</th>
<th>Element</th>
<th>Performance criteria</th>
<th>DVD and Workbook reference</th>
</tr>
</thead>
</table>
| 3. Investigate services provided by financial institutions | 3.1 Identify and compare the costs of types of banking services  
3.2 Identify methods of payment of accounts  
3.3 Compare methods of payment | • DVD Scene 4  
Workbook Unit 4  
- Understanding bills  
- Methods of paying bills  
- Checking statements | |
| 4. Identity effective consumer behaviour | 4.1 Identify examples of high pressure advertising and scams  
4.2 Identify strategies to resist high pressure advertising and avoid scams  
4.3 Identify methods for keeping records  
4.4 Check statements  
4.5 Identify services and strategies for dealing with consumer related problems | • DVD Scene 6  
Workbook Unit 6  
- If it’s too good to be true…  
- Signing contracts  
- How to say no..  
Workbook Unit 4  
- Keeping financial paperwork  
- Understanding financial information  
Workbook Unit 5  
- Getting help and advice | |
| 5. Recognise and use mathematics in everyday commercial situations | 5.1 Estimate and calculate money amounts  
5.2 Calculate simple percentage discounts  
5.3 Solve commercial maths problems involving interest  
5.4 Calculate best buy for a range of goods and services | Workbook Unit 2  
- Tracking spending  
- Averaging expenses  
- Making an income and expenses summary  
Workbook Unit 3 | |
Right On The Money:  
taking control of personal finances

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This resource supports the development of language, literacy and numeracy skills in the context of personal money management. It relates to selected units of competency in the Financial Services Training Package (FNS04) at AQF II, and to a TAFE NSW locally developed unit at AQF I.