



Finances and the world of work

Age range: 16-19

 **BARCLAYS** | LifeSkills



Session overview

Time	Key learning outcomes	Resources
120 mins	<p>By the end of the activity students will be able to:</p> <ul style="list-style-type: none"> Understand payslips including NI and tax contributions for employed and self-employed individuals Understand a range of financial terminology Explore the benefits of being employed and self-employed 	<ul style="list-style-type: none"> Finances and the world of work presentation slides



This lesson plan is designed to be used in tandem with a PDF containing interactive activity slides. They are accredited with the Young Money Finance Education Mark, recognising them as recommended financial education resources.

Always start the session by agreeing ground rules with the group. For advice on this and other ways to establish a safe learning environment, download the [content guide](#).

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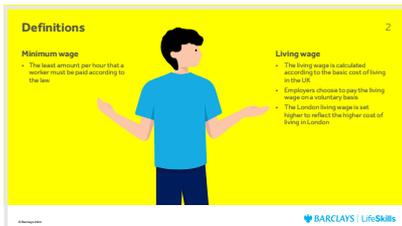
There is Money Skills content to suit a range of ages and abilities – take a look at our 7-11, 11-14, 14-16, and 19+ resources, which focus on topics such as attitudes to money, money management and risk, financial independence and fraud.

Please note that this lesson includes figures used in calculations such as student loan thresholds, NI contributions or similar. These figures were correct at the time of publication but may have changed by the time you use the resource as they are usually updated by the Government on a yearly basis.

Activity one

Becoming an employee

1. Getting paid at work



- Ask how many students have a job of some kind. Ask one or two of those that respond how often they receive their pay and how their pay is calculated. The most likely response will be that they are paid on an hourly rate, either weekly or monthly
- Ask the students how they know if they are being paid a fair rate for the job they do

What might the hourly rate be based on?

- Students may mention the minimum wage or living wage. Discuss what they think these mean, and how they are set. Show **slide 2** and discuss the difference between the minimum wage and the living wage (you may want to search the current rates online and share with students or ask them if they know)
- Explain to the students that in full-time, permanent employment they will probably be paid an annual salary, which is divided into 12 equal parts over the year
- Ask the students if any of them have regular monthly bills to pay. Some students are likely to have a mobile phone bill; some may also pay rent. Explain that in situations where you are paid weekly, it's important to set aside money each week to ensure you have enough to pay any monthly bills

Extension

- Students could research the minimum wage using the calculator at gov.uk
- Students could research and discuss the living wage and companies that support it at livingwage.

2. Understanding a payslip

- Ask students how many of them have received a payslip from an employer. Explain that they're going to work through the different items on a payslip and identify what each item is
- Introduce the idea of deductions by explaining that an advertised salary (gross salary) doesn't always represent the amount of money you will take home (net pay). Explain that deductions are made from gross pay, starting with Income Tax. Use these prompt questions to get a discussion going, asking students to contribute their ideas

Activity one

Becoming an employee (cont'd)

1. What is Income Tax?

A tax levied on wage earners

2. Does everyone have to pay Income Tax?

Only those earning over a certain amount, again you may wish to have these figures to hand or ask students to search

3. What is Income Tax used for?

Government spending on things like health, education, armed forces

4. Do all employees pay the same amount of tax?

No, there are tax 'bands' set so higher-wage earners pay a higher percentage of their earnings in tax

- Explain that when they start work, they can track their pay and deductions using a payslip, which should be given to anyone who is employed. The percentage of tax paid varies depending on your income, and is only paid on salaries above a certain amount. It's important to know how to check any deductions that have been made on your payslip to ensure you are paid the right amount
- Display **slides 3 – 4** and use the definitions that appear when you hover over each term to explore the payslip, and make sure they understand the terminology
- Display **slide 5**. Talk through how the tax deduction example works, explaining that the tax code is based on the amount you are allowed to earn before paying any tax. Students can check the current tax codes and rates on the HMRC website

Ask the students what is National Insurance? What is it for?

- Take ideas from the groups and compare with the definition on **slide 6**, along with the example of an NI calculation. Explain to students that most people remember about having to pay tax but it's easy to forget the NI contributions we have to make when working out our monthly budget
- To give students further practice in calculating the correct amount of tax and NI on a salary, display or print copies of **slides 7 – 9**, and give them time to work through Sonya's example and fill the gaps in the payslip. Let students know that if they want to check current tax codes and rates they can do so on the HMRC website

Extension

- If you have access to the internet, students could try the interactive tax calculator at [Money Saving Expert](#)
- Show students the short animation from [HMRC, Tax Facts: Starting your first job](#)
- Direct students to search for 'Payslips explained' and explore other areas of the LifeSkills website in their own time for more tips and tools

Activity two

Managing a project

1. The language of business

- Explain that organisations will operate within a budget that allows them to successfully deliver their services. They may also have specific budgets set aside for individual projects or parts of the business. Employers value skills like organisation and budgeting so it's worth considering how you can build and practice these skills

Ask the students how many of them are familiar with the concept of setting a personal budget.

- Explain that many jobs involve working with budgets, and this requires an understanding everyday business and finance terminology
- Divide the class into groups. Show **slide 10** and ask groups to discuss each term and come up with a description. You can print copies of the slide as a worksheet, or fill in the table on the whiteboard. Explain that even if the words are unfamiliar, they should be able to work them out from the descriptions given. Use **slide 11** to discuss the answers and see how many they got right, explaining any terms that need clarification or where the students have questions

Extension

For more terminology, encourage students to explore the [Know Your Money Terms interactive tool](#) on the LifeSkills website.

2. Managing a work budget

- Ask the students if they have ever been involved in organising an event or a trip for a group of friends. Usually, choices will be limited by the money available to fund it. If students can't provide personal examples, suggest some for them e.g. planning a day out, or organising a surprise birthday party
- Ask for ideas about what you would need to think about and research if you were planning one of the examples offered and write these on the board, e.g. travel costs, accommodation costs, spending money and funds available, e.g. contribution from each person, opportunities for finding extra money for the project
- Explain to students that when planning an activity that is going to cost money, you need to balance the costs against the capital available. Explain that this is the same with any work-based project, and employers value people who understand how to manage and work within a given budget
- Explain to students that they're going to complete an activity based on a real work scenario, where they are going to project manage a training event within a set budget
- Print copies of **slides 12 – 15** for pairs or individuals. Ask them to read and discuss the scenario and then work together to complete the budget template. They will need to use the information sheet to select which items they want to use and make sure they work within the budget. The idea is that they must make appropriate choices to meet the needs of the business and not go over budget
- Before they start the task explain that they will need to discuss and weigh up the best options and that the cheapest isn't necessarily the best. Use the teacher guidance below as a reference for any issues that may come up during the discussion. Students may find a well-reasoned alternative to this model answer. The important thing is that they begin to understand the issues to consider when making an informed decision about suppliers and needs versus budget restrictions

Activity two

Managing a project (cont'd)

Organising a training event – model answer

Things they could consider are:

Venue

- Costs
- Natural light
- Size of room
- Suitability for the type of event

Printing

The Stationery Store is the best priced and, as customer collects, Reece has an opportunity to check everything is correct and can ensure it's all there on the day.

Hotel

The Dunberry is good value, has WiFi available and has on-site parking for convenience and safety.

Expenditure	Options chosen	Number of items	Cost per item	Total	Fixed or variable cost?
Room hire	Stiles Conference Centre	1	275	£275.00	F
Refreshments		50	0	£0.00	F
Lunch		50	13	£650.00	V
Hotel	The Dunberry, including breakfast	1	120	£120.00	V
Printing	The Stationery Store	50	3	£150.00	F
Total expenditure				£1,195.00	V
Income		Booking (No.)	Price per ticket	Total	
Bookings taken		50	75	£3,750.00	
Total income		Total expenditure		Money remaining (profit)	
£3,750		£1,195.00		£2,555.00	

- Ask each group to make a short presentation to the class justifying the choices they've made and detailing the total expenditure

Extension

- If you have access to computers, groups could use a spreadsheet to help them manipulate the figures. If needed there is a model to follow to the right
- Groups could research their local area to find the costs for three venues, hotels and print companies and use this information rather than the example given

A	B	C	D	E	F	
1	Expenditure	Options chosen	Number of items	Cost per item	Total	Fixed or variable cost?
2	Room hire		1		=C2*D2	F
3	Refreshments		50		=C3*D3	F
4	Lunch		50		=C4*D4	V
5	Hotel		1		=C5*D5	V
6	Printing		50		=C6*D6	F
7	Total expenditure				=E2:E6	V
8	Income		Booking (No.)	Price per ticket	Total	
9	Bookings taken				=C9*D9	
10	Total income		Total expenditure		Money remaining (profit)	
11	E9		=E7		=A11-C11	

Activity three

Self-employment

1. Considering self-employment

- Discuss with students the idea that they may, at some point in their working life, want to be self-employed or work for an organisation as a freelancer or as a sub-contractor

Definitions

Self-employed: working for yourself by offering a service or product and being responsible for your own tax and insurance affairs.

Freelance worker: declared to tax office as 'self-employed', working for organisations on an 'as needed' basis.

Sub-contractor: a person or organisation hired to provide a service or deliver a project on behalf of another organisation.

Source: [gov.uk](https://www.gov.uk)

- Explain that the principles of running any small enterprise or working freelance are the same when it comes to working with a budget to ensure profitability
- Ask students to spend a few minutes discussing in their groups what they think the key differences are between being employed by a company, being self-employed and working as a freelancer. Ask students to note down their ideas during their discussion and be ready to share them with the other groups
- Show **slide 16** as a summary and ensure all of the possibilities have been discussed
- Now ask the groups to think about what the challenges of self-employment or working freelance might be when it comes to finance. Offer them one or two suggestions to get them started, e.g. needing capital, having enough income to live

2. Rules of self-employment

- Explain to students that if they wanted to take on freelance work or set up their own enterprise, they would have to take responsibility for their own tax and National Insurance contributions. Explain that the amount they would be taxed would work in the same way as if they were employed but, rather than the employer deducting their tax each time they're paid, they would need to declare their self-employed earnings and fill in a tax return itemising what they've earned over a year.
- Highlight that not declaring your earnings for tax purposes or failing to provide an honest account of your income is an offence that can lead to heavy fines and, in extreme cases, prison (for tax evasion). Emphasise the importance of registering for self employment with HMRC and keeping good accounts. Mention that, although it can sound intimidating, it can be straightforward if managed properly
- Ask the group how they could ensure they had enough money to cover their tax bill. The response should be to save the right percentage of their earnings each month in a savings account (preferably one that will pay some interest) so that it's available when the bill comes in
- Explain to students that currently if you save at least 20% of everything you earn in a savings account each month you would have sufficient to pay your tax bill at the end of the financial year at the basic rate of earnings and tax. Explain too that if your earnings go over a certain amount, you pay a higher proportion of tax. Information on current levels of tax can be found on the HMRC website

Activity three

Self-employment (cont'd)

3. Keeping straightforward accounts

- Students need to work together in groups to explore the scenario of a freelance designer. The principles of the accounts and how the designer works would apply to any vocational area, e.g. a freelance plumber, mechanic or mobile hairdresser
- Show **slides 17** and **18** and talk through how the tax and NI insurance calculations work for being self-employed

Note: If you are self-employed and your annual earnings are less than £6,515 then you do not pay National Insurance. On earnings above this, there are two classes of National Insurance contribution:

- **Class 2:** If you are self-employed you pay a flat rate of £3.05 per week
- **Class 4:** 9% on profits between £9,569 and £50,270, 2% on profits over £50,270

Profits are calculated by deducting your expenses from your self-employed income.

- Show **slide 19** and read through the scenario which outlines how a freelancer manages her finances. Print copies of **student sheets 20 – 22** and **17**. They should use the information in the accounts spreadsheets to answer the questions and fill in the blank total boxes
- Go through the answers as a group, using slides **23 – 25** and compare their results

4. Top tips for self-employment

- Ask the groups to spend a few minutes discussing and agreeing some top tips they could give to anyone considering self-employment to help them manage their finances successfully
- Ask for contributions and ideas from each group in turn, writing them up on the board as you discuss them. Show **slide 26** to summarise. Talk through any items on the list that haven't already been discussed

Extension

For more on starting a business and developing the enterprise skills needed to become self-employed, take a look at [Steps to starting a business](#).