



Understanding and managing debt

Age range: 14-16

 **BARCLAYS** | LifeSkills



Session overview

This is one of four lessons focusing on Money Skills for young people aged 14-16.

Students are tasked with becoming money mentors for a series of characters, to understand financial terminology, and learn ways to save, manage debt and borrowing money safely.

Time	Key learning outcomes	Resources
90 mins	By the end of the activity students will have: <ul style="list-style-type: none"> Identified ways of reducing spending and saving regularly by completing a budget Discussed different reasons for, and ways of, borrowing money Completed a savings action plan for a fictional character 	<ul style="list-style-type: none"> Understanding and managing debt presentation slides Appendix – quiz questions and answers



The Money Skills 14-16 modules are designed to help students develop helpful financial skills for their future, prepare them for the world of work, and keep up to date with modern financial changes. Each lesson has 90 minutes of core activities, along with suggested extension activities and signposting to supporting LifeSkills content and relevant external links. They are accredited with the Young Money Financial Education Mark, recognising them as recommended financial education resources.

This lesson plan is designed to be used in tandem with a PDF containing interactive activity slides.

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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, 16-19 and 19+ resources, which focus on topics such as attitudes to money, money management and risk, and financial independence.

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

Icebreaker quiz

1. Quickfire quiz

- Share the questions using **slides 2-9** and allow a few seconds for students to discuss the options in pairs, before revealing the answer – try and keep this quick fire. If you need to print the quiz, this can be found in the Appendix on page 12

1. How can you check how much money you have in your current account?
Answer: All of them – ATM/cashpoint, visiting your bank/building society branch, logging on to online banking, mobile banking app
2. What is the term used to describe your bank account if the balance drops below £0?
Answer: c) Overdraft
3. Which of the following forms of borrowing do you think has the highest risk associated with it?
Answer: a) Loan shark
4. What does the term Annual Percentage Rate mean in relation to a credit card?
Answer: c) The interest rate you pay for borrowing money
5. Why is your credit rating important?
Answer: All of them – lenders will consider your rating when deciding on whether to lend you money, it can impact interest rates lenders set for you, affect how likely you are to get a mortgage, and last six years
6. Which of the following can have a negative impact on your credit rating?
Answer: d) Missed payments on a credit card
7. Which of these is the most important utility bill to prioritise if you are in financial difficulties (pay first)?
Answer: a) Council tax
8. How much is an annual colour TV licence to watch live or recorded TV?
Answer: c) Between £100 and £200

Activity two

Money mentors challenge – making the books balance

1. Get started in groups



- Explain that students will be money mentors to one of four characters who are having trouble keeping track of their money. As money mentors, the students need to work out their character’s current financial situation, create a budget for them to stick to, and give them some recommendations about saving and borrowing
- Briefly introduce the characters using **slides 10-14**, before putting the students into small groups and allocating a character to each. You can print a copy of the relevant slide for each group (**slides 11-14**). Alternatively, you could look at each character in turn as a class
- Students should now highlight all the financial information presented about income and spending on their character’s sheet
- Next, they should complete the table on **slide 15**. You can either print the table for them to complete, or if the classroom allows, fill it in using tablets or PCs
- You can ask them to add extra items of expenditure from their understanding of that character’s personality and lifestyle
- NB: Students should assume that there are four weeks in a month for each calculation
- Below is Samir’s income and expenditure as an example

Item	Calculations	Income	Calculations	Expenses
Work – software developer		£800		
Training course				£150
DVDs and cinema tickets				£100
Money for mum				£100
Weekly bus pass			£9 x 4 weeks in a month	£36
Lunch out (daily)			£4.50 x 5 weekdays x 4 weeks in a month	£90
Savings				£200
Total		£800		£676
Remaining balance			(Income – expenses) £800 - £676	£124

Activity two

Money mentors challenge – making the books balance (cont'd)

2. Calculate balances

- Each group should now calculate the final balance figure. Has their character got money left over (positive balance), or have they spent more than the amount of money coming in (negative balance)?
- Ask each group to share their final balance figure and discuss why it is positive or negative. They are more likely to be negative, especially if the students have included their own ideas for extra items of expenditure
- Ask them to think about ways to make the final balance positive, or increase the amount they have left over at the end of the month. Are there obvious areas of over-spending? What difficult choices might the characters have to make?

Samir, age 18



Income = £800
Expenses = £676
Remaining balance = £124

Katie, age 17



Income = £360
Expenses = £275
Remaining balance = £85

Carmel, age 24



Income = £1,200
Expenses = £640 in a regular month, £1,575 if she is paying for her flights and insurance this month
Remaining balance = £560 in a regular month, £-375 if she is paying for her flights and insurance this month

Dexter, age 24



Income = £1,500
Expenses = £1,457.50
Remaining balance = £42.50

Activity three

Savings and credit

1. Explore savings

- Before moving on to the next step of the money mentors challenge, have a discussion with the students about savings, to understand how much they already know and encourage sharing of knowledge
- You could ask some of the following questions as prompts:

Are any of the characters saving money? How much are they saving and why?

What are the benefits of saving?

**What might you be saving for in the short-term? Why might you need long-term savings?
E.g. to rent or buy a house, first car, to provide an income in retirement**

Where can money be saved? E.g. easy-access savings account, long-term savings account, a pension

2. Compare bank accounts

- Complete the online [Bank Account Comparison tool](#), or refer to the downloadable version, to look further into the different kinds of bank account, their pros and cons and what kind of account would be helpful for the characters on **slides 11-14**. A version of the comparison tool is also available as a download for offline delivery
- Use **slide 16** to work through some quick-fire mental maths problems to solve

Answers:

1. a) £527.80
b) £535.72
2. a) £15,000
b) £3000
3. a) Approx. 29 weeks
b) Additional £2.92 per week (Saving £400 in 24 weeks, approx. six months, would require saving £16.67 a week)

3. Credit versus savings

- Move on to **slide 17** and display the credit vs saving statements, and allow a few minutes for students to work in small groups and sort them into four categories – benefits of using credit, disadvantages of using credit, benefits of saving, disadvantages of saving. Bring the groups back together to discuss their choices, before displaying **slide 18** which shows the statements correctly sorted

NB the statements include mention of interest, either on a debt or on savings, which is not acceptable in some cultures or religions, and may affect students' views on which features are advantages or disadvantages

Activity three

Savings and credit (cont'd)

Activity summary

- To summarise, explain to students that borrowing can be in the form of a credit card, loan or mortgage for example. Borrowing or buying on credit can sometimes be useful; without it many people wouldn't be able to go to university, buy a house or purchase other high cost items as saving for it would take too long. The point to remember is that you will need to pay it back, usually with interest and you are likely to end up paying back more than you borrowed. Whilst there may be good reasons for using credit, it's usually best to avoid going into debt if possible

Activity four

Money mentors challenge – action planning

1. Money worries and dream items

- Use **slide 19** to explain that unfortunately their characters forgot to share some important information, which is displayed on **slides 20-23** (you can print a copy of each to hand to the relevant groups). They each have a money worry and a dream item. As their mentor, students need to create an action plan that suggests ways they can tackle their worry and achieve their dream, and consider the risks and benefits of borrowing money
- Ask the groups to complete **slide 24**, using the same character as before but with the new information. You can either print the slide for them to complete by hand, or if the classroom allows, fill it in using tablets or PCs
- Questions to help with their action plan could include:

What should the characters prioritise? 'Needs' or 'wants'?

Are there areas of spending that could be reduced or cut out altogether?

Can they swap some of their spending for saving?

How much can they reasonably save?

What might the consequences be if they don't act on their worry?

Who could they go to for help?

Should they consider borrowing money?

Will the item help them increase their income or save money in the long-term ('good debt'), or is it an item that will lose value quickly or doesn't have long term-benefits ('bad debt')?

Activity four

Money mentors challenge – action planning (cont'd)

Extension

Using internet research, ask students to create 'top tips' for their character about how to stay out of debt, or different ways of borrowing. Some sources of information include:

[Money Helper](#)

[Citizens Advice](#)

Activity five

Money mentors challenge – presentations

1. Present the action plans

- Ask a selection, or all of the groups if time allows, to present their action plans and advice and encourage feedback from others. Ask questions such as:

Do you agree with the plan? Could it be improved?

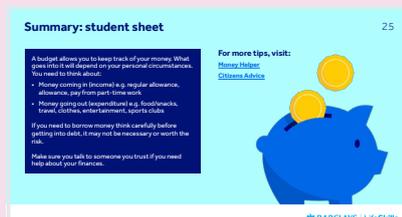
Has the presenting group covered all aspects of the task?

- Discuss their roles as money mentors.

Do they think they were able to create useful plans for their characters?

Do they know enough about spending, saving and borrowing to give other people good advice about money?

Summary



- Use **slide 25** to summarise what has been covered. You can print a copy of **slide 25** for each of your students as a takeaway from the session

Further links and activities

To supplement this lesson, you could look through the following links with the class, or suggest that students spend some time exploring the articles and tools on the LifeSkills website in their own time.

NB: Students need to be over 14 to register to use the LifeSkills website independently.

Articles

[How much does borrowing cost?](#)

[Ways to stay out of debt](#)

Tools

[34 Ways to Save](#)

[Bank Account Comparison](#)

Lessons

This is one of four Money Skills lessons for 14-16 year olds. Consider delivering the other lessons:

[Money and work](#)

[Financial risk and security](#)

[The future of money](#)

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Appendix

Icebreaker quiz questions

1. How can you check how much money you have in your current account?
 - a) *Via an ATM/cashpoint*
 - b) *Visiting your bank/building society branch*
 - c) *Logging on to online banking*
 - d) *Via a mobile banking app*
2. What is the term used to describe your bank account if the balance drops below £0?
 - a) *Under-balance*
 - b) *Over-balance*
 - c) *Overdraft*
 - d) *Bank draft*
3. Which of the following forms of borrowing do you think has the highest risk associated with it?
 - a) *Loan shark*
 - b) *Mortgage*
 - c) *Credit card*
 - d) *Payday loan*
4. What does the term Annual Percentage Rate (APR) mean in relation to a credit card?
 - a) *The minimum you must repay on the total amount you owe*
 - b) *The percentage of your annual income that you must use to repay credit card debts*
 - c) *The interest rate you pay for borrowing money*
 - d) *The amount you can borrow over a year without paying interest*
5. Why is your credit rating important?
 - a) *The minimum you must repay on the total amount you owe*
 - b) *The percentage of your annual income that you must use to repay credit card debts*
 - c) *The interest rate you pay for borrowing money*
 - d) *The amount you can borrow over a year without paying interest*

Appendix

Icebreaker quiz questions (cont'd)

6. Which of the following can have a negative impact on your credit rating?
 - a) *Having a credit card*
 - b) *Paying your mobile phone bill by Direct Debit*
 - c) *Living at the same address for a long time*
 - d) *Missed payments on a credit card*
7. Which of these is the most important bill to prioritise if you are in financial difficulties (pay first)?
 - a) *Council tax*
 - b) *Broadband – telephone/internet*
 - c) *Water*
 - d) *Digital TV package*
8. How much is an annual colour TV licence to watch live or recorded TV, or use BBC iPlayer?
 - a) *Under £50*
 - b) *Between £50 and £100*
 - c) *Between £100 and £200*
 - d) *Over £200*

Appendix

Icebreaker quiz answers

1. How can you check how much money you have in your current account?

Answer: All of them

ATM/cashpoint, visiting your bank/building society branch, logging on to online banking, mobile banking app

You can check the balance of your current account via any of these methods. The quickest is likely to be via a mobile banking app, as you can do this from anywhere. Most banks also offer telephone banking.

2. What is the term used to describe your bank account if the balance drops below £0?

Answer: C, overdraft

If you attempt a transaction when your bank account balance is below £0, you use money from your overdraft, if you have one set up. This is borrowing from the bank. Some banks will let you borrow up to a certain amount as an overdraft for free, while others will charge you interest or a fee if you go as much as a penny overdrawn. It's worth finding out what your bank's policy is, just in case.

3. Which of the following forms of borrowing do you think has the highest risk associated with it?

Answer: A, loan shark

Loan sharks are people who lend money illegally. Because they are unregulated by law, they are a high risk way of borrowing money – there is no paperwork, they can set their own interest rates and repayment terms, and change them without warning, and may encourage further borrowing to pay off existing debts.

A mortgage is large loan people use to pay for a new house, as it's unlikely that you will have access to the whole amount in one go. Mortgages are repaid over a long period of time and are secured by the property you bought with it – meaning, if you don't keep up with repayments, the mortgage provider is legally allowed to take your house from you.

A credit card is another way to borrow money and pay it back later. It can be used to make purchases online, in shops or over the phone. Every month your card issuer will send you a statement showing how much you've spent. You need to pay back at least the minimum amount shown on the statement – usually between 2% and 5% of the total you owe. If you can, you should aim to pay off the full amount each month or your card issuer will charge you monthly interest on the money you still owe – called the 'outstanding balance'.

Payday loans are a short-term, high-interest method of borrowing money, but the risk is lowered if you pay the loan back on time, usually when you receive your next salary payment.

Appendix

Icebreaker quiz answers (cont'd)

4. What does the term Annual Percentage Rate (APR) mean in relation to a credit card?

Answer: C, the interest rate you pay for borrowing money

A credit card's interest rate is the price you pay for borrowing money. For credit cards, the interest rates are typically stated as a yearly rate, called the annual percentage rate (APR).

5. Why is your credit rating important?

Answer: All of them

Lenders will consider your rating when deciding on whether to lend you money, it can impact interest rates lenders set for you, affect how likely you are to get a mortgage, and last six years.

Your credit rating is a record of your money habits. It takes into consideration late payments and even the rating of people you have shared accounts with. Lenders will use the information on your credit rating to decide whether to lend you money – for a loan, a mortgage, or a credit card. Your rating indicates the likelihood of you being able to repay the debt.

6. Which of the following could have a negative impact on your credit rating?

Answer: D, missed payments on a credit card

If you make your payment after the monthly deadline on your statement, you might have to pay a late payment charge. On top of this, other companies might see that you were late, as part of your credit record. This could have a negative impact on future credit applications including applying for a mortgage.

7. Which of these is the most important bill to prioritise (pay first) if you are in financial difficulties?

Answer: A, council tax

This is classed as a priority debt, those that you should pay first if you're unable to meet all your bills and debt repayments. Others include a TV licence, gas and electricity, mortgage and rent. This is because they could lead to you receiving a court summons.

8. How much is an annual colour TV licence to watch live or recorded TV, or use BBC iPlayer?

Answer: C, Between £100 and £200

An annual colour TV licence is currently £159. It doesn't matter how you record it or what device you watch it on. It's worth researching what you need a TV licence for because if you break the law you could face a fine of up to £1000.